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Is it Really Profitable to be B Corp in the Banking Sector?

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Abstract

In light of the Paris Agreement and the growing interest in sustainability, banks are constantly in the spotlight for implementing strategies and plans that are in favour of Environmental and Social aspects. Both governments and firms have chosen to embark on the path towards decisions and strategies that will enable them to achieve Sustainable Development Goals (SDGs). In this perspective, the global scenario has witnessed a concrete recognition of B Corp Certification, as an element that reassures stakeholders in the framework of companies oriented towards sustainability. The success of B Corp Certification is inherent in the essence of third-party certification, so as to entrust the judgement to an external body, able to judge the company and the bank impartially. This study aims to investigate the influence of the score assigned by B Lab to banks on financial performance benefits. The research hypotheses are tested using a fixed-effects model on a sample of 53 banks whose data are collected over the period 2015 to 2020. Through a time-lag over multiple periods, it has been shown that the score provided by B Lab has a decreasing negative effect over the years on banks' financial performance. This delay of certification effects seems to be due to the peculiarities of financial institutions' regulation, which are subject to a strong non-financial disclosure. In line with the achieved results, B-corporation certifications seem to be in the long run a valid guarantee for stakeholders regarding the compliance of financial institutions with Corporate Social Responsibility (CSR) requirements.

Keywords: B Corps Bank, B Lab, Banks' Financial Performance, Fixed-Effect Model, Sustainability, Corporate Social Responsibility