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Reluctant transformers: The institutional logics of German savings banks climate finance

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Reluctant Transformers.

The Institutional Logics of German Savings Banks Climate Finance

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Abstract

What defines the role of public savings banks (“Sparkassen”) in tackling the socio-ecological challenges related to planetary boundaries, such as climate change and loss of biodiversity? A clear answer to this question is still lacking, in spite of that fact that the German Sparkassen have recently become more ambitious with respect to their role in the sustainability transformation. Taking these recent developments into account, we provide a qualitative empirical analysis of the institutional logics that shape the savings banks’ response to repeated calls to deepen their involvement in ecological sustainability efforts. We argue that the lack of transformative potential that many observers have criticized is due to a specific combination of institutional logics, that emphasize compliance, competitiveness and controlling activities. Moreover, savings banks appear to be following a strategy of conservative transformation, consistent with the approaches they have followed in recent decades, to survive in a climate hostile to public ownership of financial institutions and relationship banking. We observe tendencies to make climate finance a vehicle to become relationship-orientated again, and identify the obstacles standing in the way of such a twist.

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1. Introduction

What defines the role of public commercial banks or public savings banks in tackling the socio-ecological challenges related to planetary boundaries, such as climate change and loss of biodiversity? Against the backdrop of the sizeable shortfall of financial resources devoted to the transition to climate neutrality and a more sustainable economy, an answer to this question seems to be of prime importance. Yet, a comprehensive analysis of what drives these banks' behavior in the area of sustainable and climate finance is lacking: The growing interest in the macro-financial and societal role of public commercial banks that had emerged after the financial crisis of 2007 was only temporary, and largely neglected issues of the sustainability transformation (Emunds et al. 2022b). More recently, there has been a surge in academic interest in public banks' role in the transition towards sustainability (Marois 2021). However, the respective literature has focused on development and promotional banks as well as central banks. Similarly, the growing interest in the role of cooperative banks as agents of the sustainability transformation has overshadowed the role of local public banks.

We look at a specific variant of public banks, the German "Sparkassen" to answer the question posed at the outset. We believe that such an analysis is interesting for various reasons: Because of their dominant role in the German financial system, their close relationships to Germany 's two most important types of investors (small and medium-sized businesses and municipalities) and their tightly-knit local networks (consisting of private, public and hybrid actors), savings banks have the potential to be a defining element of regional sustainability transitions. Moreover, the Savings Banks Finance Group (SBFG), a consortium of all savings banks that also controls numerous other financial entities, can be considered a pivotal actor in defining Germany's overarching sustainable finance strategy. Due to its sheer size, the consolidated balance sheet of savings banks has a potential European relevance, too. Finally, German savings banks (SBs) are often considered to be an ambivalent "role model" for a more structural transformation towards types of finance that better serve the common good.

The Sparkassen have long been criticized for a lack of ambition in their attempts to support the sustainability transformation of the economy. Indeed, Sparkassen have rarely appeared at the top of sustainability rankings, where they are outperformed by banks dedicated to ethical and ecological banking (Fair Finance Guide Deutschland 2025). They have been accused by civil society actors such as "Bürgerinitiative Finanzwende" or "Facing Finance" for an approach that merely pays lip service to ecological issues (Senn and Wardenga 2020) and for selling highly questionable "green" financial products (Finanzwende 2024). A recent, more academic study on the topic has partly vindicated these views (Flögel et al. 2023). Overall, it is safe to say that Sparkassen have not been frontrunners of sustainable finance.

More recently, however, Sparkassen have become more ambitious with respect to their role in transforming the German economy. Some of the bigger entities of the SBFG, such as their main asset manager DekaBank and some of the Landesbanken, have paved the way by developing new sustainable finance products and engaging in new collaborative efforts to create systems of measurement and reporting. After signing a negotiated agreement, savings banks have taken steps of their own, strongly pushed by regulatory forces and partly by civil society actors (Senn and Wardenga 2020). More recently, the SBs national association (Deutscher Sparkassen- und Giroverband, DSGV) and its powerful regional counterparts have initiated two big projects to more systematically include sustainability in controlling and sales activities. In relation to these projects, large trainings programs for employees have been set up.

Taking both the initial reluctance and the more recent engagement with respect to sustainability into account, we provide a qualitative empirical analysis of the factors that shape German savings banks' response to the repeated calls to intensify their engagement with ecological issues and sustainability more generally. Based on a series of in-depth interviews, participatory observations, a Delphi analysis and an analysis of publicly available and internal documents, we aim at (1.) understanding the factors that have inhibited a more consequential transformation of business models; (2.) explain the developments that have recently led to an intensification of work on sustainability and climate change; and (3.) identify toeholds and potential instruments to support the recent surge in interest in sustainability issues, which, ironically, happens to materialize in an environment that is increasingly hostile towards strong views on ecological issues.

Our theoretical framework is based on the literature on institutional logics (IL). Quite practically, our aim is to identify the organizational principles that shape the behavior of field participants. To this end, we proceed in four steps. We first define, then conceptualize, then operationalize and finally iteratively refine ILs in the field. Our starting point is a standard definition of IL as "socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (Thornton and Ocasio 2008, p. 101). Based on this definition, we conceptualize IL as systems of cultural elements (values, beliefs and normative expectations) through which people, groups, and organizations understand and evaluate their everyday activities and organize them in time and space (Haveman and Gualtieri 2017). For our work in the field, we operationalize this conceptualization as "organizational principles" that shape the behavior of field participants. As soon as we have identified a first set of these principles, we identify and denominate them as certain logics. We then take these denominations to the field again, to observe the way in which they resonate on the ground. Based on this resonance, we iteratively refine our descriptions of the IL that define savings banks role.

The paper proceeds as follows. In Section 2, we describe the structure of savings banks and critically review the literature on their role in financing the transformation towards sustainability and climate neutrality. The puzzle we identify is straightforward: The savings banks finance groups in Germany seem to be good candidates for scaling up transformation finance in Germany, but have so far not been able to become a prominent and central actor. We ask what has hampered savings banks to assume a pivotal role, what has led to a recent surge in activity, and what will shape savings banks' approach in the years to come. Section 3 shows how we proceed methodologically, presenting both the theoretical basis of our works and the empirical strategy we employ, with a special focus on how we integrate theoretical considerations with our field work. More concretely, we show how we employ the concept of institutional logics. Our starting point is the duality of materiality and plurality that we believe to be crucial for climate finance going forward. Based on this duality, we access the fieldwork to explore potential institutional logics that we then iteratively refine. In Section 4, we report on our findings, focusing both on the institutional logics we identify and their relative importance in shaping savings banks' approach towards climate finance and, more broadly, financing the transformation towards ecological sustainability. Section 5 concludes, sketching out potential policy conclusions and further research needs.

2. Savings Banks, Sustainability and Climate Finance

In the 18th and 19th centuries, German SBs emerged as institutions that offer easy access to savings products (on the early history of German savings banks, see, among many others, Proettel 2017). Early on, they started to provide loans to "start-ups" and SMEs, thus contributing to regional development by creating local financial circuits (Hall 2013). From the beginning, they had close ties to city governments and municipalities, who increasingly became founders and acted like owners ("Träger"). After the second world war, savings banks and their state counterparts, the Landesbanken, played a crucial role in rebuilding the German economy. In the wake of the neoliberal turn to a more financialized economy that started in the 1970s, they were increasingly seen negatively, both by academic and political observers (Emunds et al. 2022a). In spite of increasing pressures from the European Union (EU) and several crises, they were able to prevent a dismantling, partly because of their pivotal role for the Germany economy, partly because of their political connectedness (Edmunds et al. 2022). Still, SBs had to adjust by partly following the new trend of financialization, for example by focusing more strongly on sales and marketing activities.

In spite of their partial financialization, SBs are often portrayed as an antithesis to the globalized and marketized structures of financialized capitalism (Emunds et al. 2022b). Especially in the years after the financial crisis of 2007/08, both external observers as well as savings banks' representatives were arguing that certain features of the SBFG in Germany might serve as guiding principles to de-financialize banks and orientate them towards common welfare (see, for example, Butzbach 2008). Most importantly, German savings banks are public entities with a legally specified mandate. Explicitly, realizing profits should be at best a by-product of fulfilling this mandate, which is laid down in dedicated laws adopted on the level of federal states ("Sparkassengesetze"). The mandate includes objectives such as financial inclusion for the less wealthy, making sure that local businesses have consistent access to credit, and supporting municipalities as well as regional development.

A unique feature of German savings banks is their "self-referential" governance structure, which combines a high degree of local embeddedness with a high degree of regional and national interconnectedness. Strikingly, savings banks are partly governed by the same composites ("Verbünde") and holding structures they themselves form and own. The local savings banks are intrinsically linked to their municipalities, but join forces in regional savings banks associations ("Verbände") and finance groups ("Finanzgruppen"). These do not only own larger financial institutions such as Landesbanken, asset managers as well as insurance and leasing companies, which are partly controlled by and partly control savings banks. They also organize joint activities in areas such as information technology, marketing, and human resource management. SBs run their own auditing units ("Prüfungsstellen"), a powerful tool to create group pressures and to nudge savings banks into types of behavior that ensure that the joint liability structures among them are not overwhelmed. The powerful regional associations and holdings, in turn, then establish a national network of networks, organized by the German Savings Banks Association. Overall, the more than 300 savings banks and their shareholdings make up for nearly half of the German financial sector, are present in any jurisdiction and dominate finance in Germany.

In spite of their omnipresence and economic dominance, SBs retain a strong degree of local embeddedness. Savings banks themselves are expected to restrict their business activities to the municipalities they are assigned to ("the locality principle"). These municipalities have, in many ways, the character of "owners" (though savings banks correctly and vehemently emphasize that they operate under municipal trustee- and not ownership): Democratically elected representatives from municipal parliaments and employee representatives[1] constitute the governing or supervisory board ("Verwaltungsrat") that is expected to formulate the terms of reference and strategies for daily business activities. These are carried out by a rather powerful and well-paid management board, the chair of which works closely with the head of the supervisory board, usually the mayor or district administrator. Especially in rural areas, savings banks' employees describe themselves as the guarantor of local economic stability and development. They pride themselves on being highly active parts of their communities, as members of sports clubs, civil society organizations, and local politics.

It is tempting to assume that the savings banks' infrastructure and value system could also serve as a robust vehicle to bring capital "down to earth" in a Latourian sense. Against the backdrop of empirical evidence that shows that headquarter-to-branch increases the probability of innovation financing and relationship lending (Alessandrini et al. 2009), savings banks appear to be the good/well located partner for the transformation of local businesses. Flögel et al. (2023, p. 10) point out that this proximity might help to "gain climate-relevant (soft) information, appropriately assess climate impacts, and support local clients in their transition to climate neutrality". Moreover, savings banks' governance structures combine elements of democratic control with an emphasis on a certain type of managerialism that some observers see as precondition for an effective transformation (Klüh 2021). A supervisory board dominated by members of the Green Party, for example, would in principle be able to re-formulate the strategy in a way consistent with a focus on financing sustainable development, at least within the broader mandate provided by the law. The latter, in turn, could be easily augmented by the parliaments of federal states to include supporting the transition to climate neutrality and ecological sustainability.

Through their presence on all levels of government, they seem to be well-suited to engage in the types of governance networks often associated with solving the wicked problems associated with large structural transformation. At the same time, they have managed to create a mix of highly local elements and a dense national "network of networks", with a potentially global reach through Landesbanken and other equity interests. In contrast to many other attempts of "ethical banking" or "banking for the Common Good" savings banks are local but scalable. They have shown to combine a rather high degree of political connectedness with robust balance sheets. They are known to not only socialize losses, but also profits, which might increase acceptance for both letting them make and lose money with investments in sustainable development. Finally, they come from a history as relationship lenders with a rather deep knowledge of and commitment to their local economies and financial circuits. Financing the transition to sustainability might enable them to regain some of the relationship business that market-based finance has taken away from them.

The described characteristics have created a strong multidisciplinary interest in the potential role of public savings banks in financial systems in general (see Allen and Gale 2000 as well as Schmidt and Tyrell 2003 for a conceptual background, Schmidt 2009 for a specific treatment), in specific national financial systems (see, for example, Maudos and Vives 2016 on Spain, Butzbach 2016 on France, and Butzbach 2008 as well as Flögel and Gärtner 2018 for a comparative view). Quite a number of studies discuss their role in a potentially emerging European financial system (Bülbül et al. 2013; Ayadi et al. 2009; Marqués and Anguren Martín 2011). Starting with Benston (1972), many authors ask about the

[1] Employee representatives need to be involved in the decision-making processes of every German company of a certain size by law.

role of savings banks in financial systems geared towards the public good. The German financial system has received special attention here, mainly because of the dominant and longstanding role of the Sparkassen (see, among many others, Corbet and Larkin 2022, Bresler et al. 2007; Behr and Schmidt 2016, Braun and Deeg 2019 and Vitols 2004, the latter two from a perspective of varieties of capitalism).

The economics literature on savings banks has long been dominated by mainstream views and has therefore emphasized problems of connected or politicized lending, low profitability, and efficiency losses (Vins 2008; Koetter and Popov 2021; Englmaier and Stowasser 2017). This has led to a relatively skeptical view on the relation between the importance of public commercial banks and economic performance. More recent econometric studies come to a very different conclusion, however: Based on a new cross-country dataset on state-owned commercial banks, Panizza (2023) finds no evidence of negative effects on system stability, profitability, or lending decisions.

The financial crisis that started in 2007 led to a renewed interest in the *potential* role of "public commercial banks" in stabilizing and re-orientating financial systems (see, in particular, Scherrer 2017 and Scherrer 2014). This academic discourse has been contextualized by concerns that many societies have been increasingly financialized (Mader et al. 2020), that financial systems are increasingly less able to support societal goals (Emunds et al. 2022b), and that there is a need for a democratization of financial institutions (Nölke 2020; Rosenthal 2018; Block 2014). Many questions remain to be answered, for example on why German savings banks have survived the "long struggle between private and public banks" (Seikel 2017) and in how far savings banks have been financialized themselves (see Schwan 2021 as well as Emunds et al. 2022b chapter IV and VI). But, at least in general terms, the more recent literature identifies a number of characteristics in existing public savings banks that could serve as a basis for a more fundamental transformation of financial systems.

More recently, the question of how public commercial banks relate to the transformation of economic systems towards ecological and social sustainability has been put to the forefront (Marois 2017, 2021). Marois (2022) and Klüh (2021) argue that public ownership itself is less important than the way one conceives the state and public sector around its banks. According to Marois (2018), a transformative state would need to recalibrate existing public banks around principles such as a clear and enforced mandate, democratization of governance, and integration of workplace and community. According to Klüh (2021), such a state would also need to effectively and democratically coordinate plural actor networks consisting of private, hybrid, and public entities (such as development/promotional banks, central banks, supervisors, and regulators as well as local, regional, national, and European fiscal entities).

Overall, the existing literature makes SBs likely candidates to play an active role in sustainable and climate finance (SCF). How do these expectations compare to what is happening on the ground? The reality of savings banks in Germany sounds a note of caution against premature hopes to de-financialize and green finance through public savings banks. In fact, savings banks have been largely reluctant to join in the chorus of those observers that want to embed them more integrally in a transformative public sector. More importantly, they have been seen as laggards of sustainable finance: Even where representatives of the Green party had a strong presence in supervisory boards, SBs have been reluctant to focus their attention towards ecological issues. As pointed out in the introduction, few of them appear at the top of sustainability rankings of industry bodies and civil society organizations. The latter have therefore been highly critical of SBs approach to SCF: Not only would savings banks merely pay lip service to the ecological cause; by pushing questionable green financial products into the market, they could even harm attempts to green finance (Finanzwende 2024). The few more systematic studies on the topic at least partly vindicate this view (see Abendroth and Sörensen 2023, Wilhelm et al. 2023).

What are the reasons for this reluctance? Research on this question has been scarce. Flögel et al. (2023, p. 10), in one of the first attempts to study regional (savings and cooperative) banks climate finance activities in detail, identify four factors that might limit the willingness and ability of savings banks to adopt proactive climate finance strategies: First, their banking model insulates them from market pressures for more greening. Second, they are mostly confronted with clients who do not face pressures to collect and disclose sustainability-related information. Third, their close relationship to SMEs might cause them to be more lenient with borrowers who oppose investing in a green transformation. Finally, and most importantly, their "dual bottom-line orientation" (i.e., the fact that they do not only maximize profits but are obliged to pursue other missions) might preclude them from applying clear-cut screenings of borrowers.

While these four factors indeed are likely to play a crucial role in attenuating savings banks' willingness to engage in a consequential greening of their local economies, their effects are ambiguous, and will depend on circumstances. For example, Flögel et al. (2023) argue that the mandate to support the local economy through loans might make them reluctant to cut off certain borrowers, especially because they are often the only game in town when it comes to supplying credit. At the same time, however, it is exactly this mandate that might allow savings banks to discount the lack of bankability of investments in socio-ecological transformations of SMEs, as it would legitimize forgoing the degree of profitability that private banks usually insist on. Similarly, their close relationship to SMEs might enable and not discourage them to make their customers fit for a greening of the economy. Finally, the fact that savings banks regularly operate as the only game in town could also be seen as an advantage, as they do not have to fear to be at a competitive disadvantage against banks that have more experience in green lending.

Our review of the literature on savings banks and their role in financing the transformation towards sustainability and climate neutrality thus reveals an obvious puzzle: The savings banks finance groups in Germany seem to be good candidates for scaling up transformation finance, but have so far not been able to become a prominent and central actor. What has hampered savings banks to assume pivotal role? What has led to a recent surge in activity? And what will shape savings banks' approach in the years to come? In the next section, we describe the methodological approach we employ to answer these questions.

3. Researching institutional logics in German savings banks

To understand how savings banks' role towards sustainable and climate finance has developed, is developing, and might develop in the future, we carried out interviews with representatives from the savings banks finance group and its environment. These interviews covered representatives from savings banks themselves, from the Landesbanken and from DekaBank, the central asset managers of the SBFG. We also interviewed experts from regional and national saving banks associations and external consultants. Table 1 provides a list of interviews. We complemented this work through studying documents from the SBFG (including material used to train employees) and media reports.

Table 1. Summary of Expert Interviews

Number	Date	Code actor	Level in the saving bank network
1	Apr 23	Saving banks 1 - DE	federal
2	Apr 23	Saving banks 2 - DE	regional
3	May 23	Economist 1 - DE	regional
4	Jun 23	Saving banks 3 - DE	regional
5	Jul 23	Saving banks 4 - DE	federal
6	Jul 23	Saving banks 5 - DE	federal
7	Jul 23	Saving banks 6 - DE	federal
8	Sep 23	Saving banks 7 - DE	federal
9	Sep 23	Consultant 1 - DE	federal
10	Jan 24	Saving banks 8 - DE	federal
11	Dec 24	Saving banks 9 - DE	federal

As part of a bigger research cluster on "Climate Finance Society: The institutional logics of climate finance" sponsored by the German Ministry of Education and Science, we were also able to access interview material from exchanges with other types of actors that gave their views on savings banks approach towards climate and sustainable finance. More specifically, we engaged in a joint Delphi process, providing excerpts from our interviews with savings banks and their stakeholders. In exchange, we received excerpts from interviews with small- and medium-sized enterprises (SMEs) and their stakeholders, civil society, as well as promotional and development banks. The latter were carried out by our research partners from the University of Paderborn, the Sociological Research Institute (SOFI) at the University of Göttingen and the University of Osnabrück, respectively.

In addition to interviews and document analysis, we participated in multi-stakeholder workshops and group discussions that allowed us to engage in participatory observations. Partly, we have organized these events ourselves, to ensure a controlled environment in which representatives from savings banks interact with representatives from SMEs, civil society, and the regulatory environment. Moreover, an important part of our research design was to test and discuss preliminary findings in the field and with the public. We therefore participated in and contributed to various events with the involvement of practitioners, including the Darmstadt Days of Transformation in 2022 and 2025, the Science meets Stakeholders workshop of the BMBF's research cluster on "Sustainable Finance and Climate Protection" and various applied conferences. An extremely valuable source of data from participatory observations was the participation in workshops and trainings of the so-called Savings Banks Academy, the continuing education arm of the SBFG.

The overarching objective of our fieldwork was to understand the orders of legitimacy and rationality that shape savings banks' response to climate change and other ecological problems. We also wanted to take a closer look at incentive systems, governance arrangements, as well as conflicts within the SBFG and between savings banks and other actors. To achieve this dual objective, we developed a semi-structured framework guiding our interview and observational work. We developed this framework based on our prior inside knowledge of savings banks (one of the authors spend a larger part of his professional career in the SBFG and has carried out extensive field work with savings banks after his return to academia), the existing academic literature, and, most importantly, on theoretical grounds. More concretely, we developed our empirical approach through the lens of the concept of institutional logics (IL), proceeding iteratively in several steps.

Our starting point was a standard definition of IL as „socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (Thornton and Ocasio 2008, p. 101). Based on this definition, we conceptualize IL as "systems of cultural elements (values, beliefs and normative expectations) through which people, groups, and organizations understand and evaluate their everyday activities and organize them in time and space" (Haveman and Gualtieri 2017). The definition led us to approach our interviewees as well as the material collected in participatory observations with an emphasis on the dynamics and "historical patterns" of practices, assumptions, values, beliefs, and rules, asking, for example: "How did your savings bank approach problems of sustainability when they first became an issue?", "How did your organization react to pressures to become more (or less) sustainable?", "What drove the internal decision-making processes?", "What kind of internal conflicts and conflicts with stakeholders were characteristic in these circumstances?".

After transcribing and reading these first interviews, we extract a first set of terms and expressions that could describe a certain type of logic. We then provisionally subsume these expressions under logics that have been already established in the vast empirical literature on IL. We find two strands of this literature that appear to be most suited for this purpose. On the one hand, we look at those contributions that also deal with financial institutions, and specifically financial institutions that share certain characteristics of the ones in our field. Specifically, we take the literature on ILs in community banking as our main reference point (Almandoz 2012; Marquis and Battilana 2009; Marquis and Lounsbury 2007), and complement it with studies on cooperative banks (for example Järvenpää et al. 2022), microcredit business models (Parekh and Ashta 2018) and rotating savings and credit associations (Biggart 2001). Obviously, we also look at studies more directly related to our field and topic, such as Zimmermann (2020). We finally compare and contrast the ILs of these smaller entities with those of larger entities, such as large commercial banks in the U.S., (see LaBriola 2019).

On the other hand, we build on an observation during participatory observations and interviews. Respondents seem to be acutely aware of the fact that systems of cultural elements, values, and beliefs are consciously used to influence the way aspects of sustainability and climate change are integrated in strategies. We take up this observation and equate it with the idea that IL can be conceived as "resources organizations use to leverage their strategic choices" (Durand et al. 2013). We build on a specific variant of this idea and adopt it for our purpose, coming up with three types of logics: A modernist logic, a formalist logic, and a managerial logic.

From the long list of potential ILs that emerge from this procedure, we choose a set of candidates that appear to be recurrently used. We then take these to the field, conceptualizing them as "organizational principles", elements of the "organizational DNA" or "culture", terms that are more established with representatives from savings banks. Those terms that resonate with our interview partners are kept and used as elements during interactions. With the final list of logics, we then gave presentations for representatives of the industry, asking for reactions and a critical evaluation. We finally end up with seven ILs that we find to be validated in the data and in interactions with practitioners.

4. Results

We describe the main insights from our analysis in three steps. First, in section A., we only look at interviews. We do so by taking an integrative view, focusing on the general "dynamic flow" of arguments and topics. This implies largely following the structure most (but not all talks) have been characterized by. Most of them characterized by three main parts, reflecting the basic building blocks of our semi-structured questionnaire: After clarifying individual attitudes and organizational roles with respect to climate change and sustainability, exchanges often take a more historic and biographic turn, usually covering the participants own professional engagement with the topic. Some interviewees have spent large parts of their time in the SBFG in positions to sustainability. Others have only been recently confronted with the topic, albeit as a main one of their job descriptions. For some, sustainability has been more of a sideline issue. Based on personal and historiographic parts, the talks then often move to a discussion of "what drove and what drives" organizational developments, and end with an outlook on future developments and policy options.

Based on our insights on the biographical historical and current organizational role of sustainability issues in section A., section B. condenses our insights in seven "institutional logics" we find to be of particular importance. The derivation of these logics integrates insights from participatory observations. Most of these were, in contrast to interviews, externally structured, depending on the purpose of the events. This "randomness" of how sustainability enters the encounters allows us, together with the group nature of the events, to scrutinize whether the institutional logics that dominate individual views are merely reflections of interview design or biographical specificities. Finally, in section C., we discuss policy issues and options. We do so by critically combining the policy priorities spelled out by participants with a critical scientific reflection based on the institutional logics of part B. Section A to C are based on our analysis of interviews and our observations during the events we organized.

A. Sustainability and saving banks in recent historical perspective

In interviews, savings banks representatives pay special attention to explaining the historical development of their engagement with issues of sustainability. A veteran of sustainability issues for the Savings Banks Association remembers first interactions on sustainability at the end of 1990s. In the run-up to the 1998 Savings Banks Day in Leipzig, the then president of the Savings Banks Association, Horst Köhler, set up a working group to develop a mission statement for the environment and sustainability, which was then formally adopted. In the following years, sustainability was mainly discussed as a side issue, mostly confined to a small circle of experts and scientists close to the SBA. Attempts to integrate sustainability more systematically faced a rather strong resistance from the communal sponsors and especially from management and the powerful regional associations. A frequently cited statement of senior staff is that savings banks “have shown for 200 years that we are sustainable”.

One of the few entities that starts to more seriously work on products is the group’s asset manager and “securities house” DEKA, which is competing with big banks and fund managers that take the issue more seriously. In addition, some municipalities and counties that refocus their regional development strategies also push savings banks into a more proactive role. But in general, these actors are either not interested or opposed to a stringer role for SCF:

> Well, my observation, which is only ever case-by-case, is that our municipal owners were relatively uninterested in the topic of sustainability, except for those districts that already had topics such as energy self-sufficiency at the time. There were some pioneers in those days, and the savings banks were certainly involved in that as well. But I had the impression that the executing agency and the savings bank did not necessarily know about each other's work (Saving banks 1 – DE).

The financial crisis that starts in 2007 is often seen as a watershed moment for sustainable finance. The attention to the financial sector’s wrongdoings and partial detachment from the real sector force the financial industry to develop narratives that highlight its potential contribution to societal development. For savings banks, our interview partners do not report similar experiences. In contrast, the crisis is experienced as a moment in which society and politics rediscovers the value of having public banks. Consequently, political pressures based on neoliberal understanding of financial markets pressures to abandon savings banks or replace them by bigger structures or capital markets abate. At the same time, the post-crisis regulation and the low-interest rate environment forces SBs to focus on other issues.

According to our interview partners, this largely changes with a number of regulatory events, in particular the CSR Directive Implementation Act (CSR-RUG), which came into force on April 18, 2017 (Riedlinger 2018). It implements Directive 2014/95/EU2 (the CSR Directive) into German law. The CSR-RUG requires capital market-oriented companies with more than 500 employees to expand their management report or group management report by a so-called non-financial statement. More or less in parallel, prudential supervisors start to discuss and implement new rules on measuring and reporting sustainability risks on- and off-balance sheets (the respective guidance note is published in 2019) and on including an obligation to discuss “sustainability preferences” when consulting savers.

Around the same time, social and political pressures to finally engage in more “transformative” steps towards climate neutrality and sustainability mount. The “Fridays for Future” movement reaches its peak in 2019. In the same year, the new EU commission is starting to work on its European Green Deal (EGD). In this context, senior policymakers start to regularly talk about the need to “re-direct financial flows away from brown and towards green sectors”. Within the group, this expression is perceived as a rather strong hint that sustainable finance has become a political issue that cannot be ignored any more. It is also backed by concrete regulatory steps and discussions, such as the introduction of the EU taxonomy, a “Green Asset Ratio” (GAR) requiring banks to report about their alignment with this taxonomy, and a series of rather consequential directives on buildings, land use and many other issues that would strongly influence the SBs business model. Overall, and in line with academic assessments (see Klüh 2023), the EGD is perceived as the first serious attempt to create a more consequential transformation strategy that does not shy away from making clear prescriptions. The latter also become an element of the new German “traffic light” coalition governments agreement, that comes into force in 2021.

Together, these regulatory, social, and political events lead to a series of more serious steps within the SBFG. All of them are based on a regulatory impulse, but go beyond a mere implementation. First, a new “sales process” is devised that includes “sustainability preferences”. In this context, a serious attempt is made to train all customer consultants in giving advice on and selling products in the area of SCF, primarily through the Savings Banks Academy. Second, the Landesbanken and other bigger entities are engaging in serious efforts to develop an offer to corporate customers in the area of transformation finance. They also signal that they would be willing to increase the pressure on those customers who appear unwilling to accept that ecological issues now have to be taken seriously, arguing that this is the current task of a relationship banker that takes his or her job seriously. Confronting fears in the group that a clear standard for measuring sustainability and transformativeness is still missing, these units start to work on developing their own new systems of measurement, signaling a willingness to become more ambitious and proactive:

> And what we did then is we looked at what already exists today in the market for market standards, voluntary market standards with a wide reach in the market, so to speak. We looked at what already exists in the public sector […]. We looked at what regulatory requirements there are. Now, of course, the taxonomy immediately comes to mind, and then we also looked at what voluntary, or, let's say, generally valid definitions of sustainability there are. And so we used the 17 UN Sustainable Development Goals, and from these aspects, we poured all of them into a framework […]. We have set ourselves a target of achieving a sustainable credit volume […] by 2025, and this target includes not only us, but all lending units, subsidiaries. (Saving banks 2- DE)

Third, SBs themselves engage in a concerted effort to make sustainability a core part of their communicative strategy and charitable activities. Even though these measures make SCF something of a mainstream topic within the SBFG, sustainability does not appear to become deeply rooted in the business strategies of most of the group’s institutions. In particular, SBs core business (offering deposit and payment services and providing loans to SMEs and households) remains largely unaffected. Asked for the reasons of why this is the case, our respondents recurrently refer to three fears that mirror a triangle of expectations regarding sustainability practices, on their very definition inside the saving banks network, on inner processes of profit making and on the attitude of traditional stakeholders of saving banks.

The first fear is to be caught to be talking about an issue one is not competent for. A dominant theme during interviews and especially during the seminars, workshops and continuing education events we participated in, is the insecurity and uncertainty with respect to the “meaning” of sustainability. It is interesting to observe how ambitious many employees are when it comes to this meaning. Especially in participatory observations in groups of customer consultants, there is a simultaneous desire to clarify this on a very personal level (“what do I understand of the term”), relationship level (“how does my customer see it, beyond the technical preferences I need to ask for?”), organizational and societal level. All these levels would need to be involved to avoid allegations of greenwashing. Against this backdrop, many respondents wish the group itself would start to define what it means to be sustainable, relying less on external impulses:

> Ultimately, of course, savings banks also have to create or define a framework for what they see as sustainable financing. This is often prescribed, for example, by the EBA guideline. Apart from that, it is of course also imperative in order to avoid running into the dangers of greenwashing (Saving banks 2- DE).

The second fear is that competitiveness and profitability will suffer from a too strong focus on SCF. The lack of customer interest in respective savings products and the lack of "bankability" of investment projects is a frequent topic in interviews and participatory observations. It is also recognized that many of the more transformative projects would involve complex actor networks, that are costly to participate in and to maintain. Contribution to or even coordination of the networks would overwhelm staff, which is already overburdened with regulatory tasks or sales activities. A frequent topic that plays a crucial role is that there are just no human resources to become truly sustainable: It is already difficult to find qualified personnel for legally binding activities, and even more challenging to find good salespersons in the corporate segments. Hiring dedicated people to bring forward SCF is seen as unrealistic and prohibitively costly.

The third fear is of a societal and political backlash against a transformative approach towards ecological issues. This backlash could arouse anger both at the typical customer base and at municipal sponsors, which both typically belong to the more conservative and sometimes to the right-wing populist segments of the political spectrum. Especially corporate customers might react with anger when confronted with the fact that lending conditions in the future will be dependent on ecological behavior. Many SMEs voice concern about the GAR and its effect on lending rates they have to pay. Many are angry about a perceived overburdening with reporting requirements, and banks appear to be transmitters of these requirements. Similarly, fears about political resistance at the municipal sponsors become increasingly important. This involves both traditional parties such as the Christian and Social Democrats, who might step back from the green ambitions they have developed. But it also includes fears of having to deal with right-wing populism in governing bodies, that would very likely harshly criticize a strong focus on SCF. Initial journalistic research has picked up on this ahead of the municipal and state parliamentary elections in 2024 (Stehle & Zacharakis 2024).

B. Institutional logics of current approaches towards sustainability

Asked about the current situation[2], these fears still dominate discussions. Many representatives expect a backlash if savings banks move too strongly in integrating sustainability into their strategies and business models. While such a move might please representatives from more progressive ("green") parts of society it mobilizes resistance from more conservative elements of society. These do not only appear to be gaining strength, but are seen to increasingly radicalize around political forces such as the new "Alternative für Deutschland" (AfD), which has made its opposition to the green transformation a central element of its platform. What if these forces start to dominate municipal parliaments and, as a consequence, governing boards? What if other parties react and become less focused on greening issues, and then withdraw their commitment to greener business models? What if savings banks are forced into taking the political risks that politicians themselves are not willing to take?

> ... that is, let me put it bluntly, the attempt by politicians to make banks the lackeys of their political orientation without getting their own fingers dirty. That sounds very harsh, but it's a

[2] The interviews took place in 2022, 2023 and 2024, participatory observations extend into March 2025.

> brief summary. Politicians are shifting the responsibility for redirecting the corresponding financial flows to the banking sector, while keeping their own hands clean. You can see this from the fact that the CO_2 price is being tackled very hesitantly […]. You can see it from the fact that there is no speed limit on the Autobahn. […] But the banks are supposedly no longer allowed to do certain types of business, and what I personally find lacking – and this is a very personal view – is that political risks are to be shifted onto banks (Saving banks 1 - DE).

These fears combine with the fears of not being able to define sustainability properly and in a generally accepted way, as described in Section A. above. Taken together, the risks of being perceived as sustainability “greenhorns” and, potentially, as “greenwashers” and the risks of a political backlash constitute a “reputational backlash logic” which strongly hampers a more consequential integration of sustainability concerns in business models and organizational practices.

Finally, there is a strong fear that a focus on sustainability might result in a loss of competitiveness. This fear is particularly present in more urban “growth” regions, where savings banks face stronger headwinds both from large private financial institutions (“big banks”) and new players that are “more digital” or “more ethically orientated”. These players are seen to have more experience and imply

> [In terms of sustainability] a large German commercial bank is always more in the spotlight than a multitude of small banks, in the media and also in the consciousness of the federal government or the ministries. It takes a lot of emphasis to be perceived similarly by the public. Or then there are the alternative banks, which are then the spearhead again. They are also gladly taken. While the – that's also a bit of an issue, that those who were initially interested in sustainable finance at NGOs, politics and ministries do not know or did not know the banking structures at all (Saving banks 1- DE).

Taken together, this “logic of competitiveness (LOC)” and the “reputational backlash logic (RBL)” are two of seven major institutional logics we identify as crucial in shaping savings banks’ response to climate change and the challenge of sustainability (Table 2). Among the remaining five logics the “regulatory compliance logic” can be described as reflecting a strong focus on external rules for sustainability reporting[3], and a “sales logic”, reflecting strong internal pressures to integrate sustainability concerns with sales targets for financial products. Furthermore, “community contribution logic” includes strategies that are used to redirect sustainability concerns away from the business model and towards the organizations' role as a civil society actor. Finally, we consider the “relationship logics particularly prominent with consultants for wealthy individuals and corporate clients as well as the “mandatary logic” as being used to both rationalize and fend off calls for a more consequential integration of ecological and social concerns in strategies.

Table 2. Main Institutional Logics of Savings Banks SCL

Logic	**Object for saving banks**	**Origin**	**Main effects on SCF** As supporting factor	As inhibitor

[3] Primarily from the prudential sphere, more recently in the context of the EU Green Deal.

Reputational Backlash Logic (RBL)	Stakeholders' opinions on saving banks contribu	Fear of being perceived as excessively "green" or as "greenwashed"	Extensive discussions about meaning of "sustainability"	Conservative approach; careful of not doing "too much"
Regulatory Compliance Logic (RCL)	Laws, rules, norms that apply to saving bank activities	Concern to be perceived as fully compliant along conflicting dimensions	Pressures to mainstream sustainability	Sustainable finance not becoming integral
Logic of Competitiveness (LO)	Continuity of SBN in market environment	Concern to survive market environment, focus on comparative advantage	Market pressures to integrate SCF in product universe	Doing less than big and specialized SCF players
Sales Logic (SL)	Transactions with clients	Desire to be perceived as a dynamic business that succeeds economically	New products and discourses; Training and incentives	Fear of lack of interest and resistance of client base
Community Contribution Logic (CCL)	Contributions of saving banks to their various stakeholders	Desire to live up to stakeholder expectations on societal role	Multiple small activities and participation in actor networks	Lack of relating sustainability concerns with core business
Mandatary logic (ML)	Mandate defined in regional laws	Fear of neither being too much nor too less orientated towards common good	Sustainability concerns cannot be neglected	Sustainability concerns are confined to charity and sales
Relationship Logic (RL)	Relationship with clients and customers	Desire to go back to roots, again become a major socio-economic factor	Sustainability becomes relevant for strategizing	Lack of transformative dynamics becomes obvious

Of these seven logics, the "regulatory compliance logic (RCL)" seems to dominate current work on integrating sustainability concerns into modes of operation. To understand this dominance, it is important to reflect on its origin (Emunds et al. 2022bchapter II, IV and VI). Savings banks used to be public institutions with a strong municipal and bureaucratic foundation.[4] Employees were and understood themselves as civil servants, not bankers, with a rather strong tendency for rule-based behavior. When savings banks became more business-like, part of the affinity to rules and bureaucracy (and the municipal spirit) remained in place, in spite of attempts to strengthen other logics, in particular those related to selling financial products (see below). This first and timid wave of "financializaton" of activ-

[4] Many started as a physical "office" in the townhall.

ities had a peculiar effect: It brought new management tools relying on sales-control activities – another type of bureaucracy. The resulting tendency for regulatory quantification and market orientation was intensified during a second round of financialization in the 1990s and early 2000s.

In the course of the Basel process, new forms of regulation were introduced that were orientated around ideas of global standardization and financial market rationality: Ideas such as principles-based regulation, marking-to-market or model-based risk management were representative of an Anglo-Saxon, financialized approach to regulation. Even harder was the introduction of fire walls between client-orientated activities (front office) and (credit) risk management (back office), a measure that was seen to violate the very idea of relationship banking. On top, the new measures usually fit the structures of large banks. For small banks, they often implied that large parts of staff had to be transferred from activities related to customers to administrative activities in the back office. For savings banks, this new regulatory approach implied learning a new language, and much time and many human resources were invested in creating the respective structures. At the same time, the general atmosphere became increasingly hostile to public savings banks. Pressures from the EU to abandon public banking altogether and create more (capital)-market-based financial systems mounted. Savings banks were "on the spot", also due to increasing problems at the Landesbanken (that were partly home-made, partly a result of the EU pressures to abandon public guarantees for banks). Then came the financial crisis of 2008, leading to a wave of re-regulation and the creation of the European Banking Union.

Together with increasing pressures to digitize (which again were perceived as regulatory burden) regulatory compliance of a rather "financialized type" had finally become the alpha and omega of management boards' approach towards steering their organizations – exactly at the time in which sustainability became an increasingly important topic. As a consequence, the RCL had and has a very strong effect on savings banks activities in the area of SCF. In the years preceding the European Green Deal, attempts from within the group to focus on sustainability were either downplayed as something that is "not of the essence because it is not regulated", or pushed back as another "regulatory burden". When the EU introduced more stringent measures, two opposing dynamics emerged. On the one hand, the RCL implied that savings banks were rather receptive to regulatory pressures to become more sustainable. Indeed, measures such as forcing financial consultants to ask for the sustainability preferences of consumers, the new supervisory focus on climate-related risks, the Green Asset Ratio or new reporting directives have led to a mainstreaming of sustainability within savings banks. For the first time, one can feel an urge to confront management, governing boards and broader parts of the staff with the question of how to be perceived as being sustainable.

On the other hand, SCF has never become an integral part of business models. It is not seen as an opportunity or part of the mandate, but as another set of rules to comply with. And there is a strong fear that one should not go beyond the level of being compliant, because other more prudential dimensions of the regulatory spectrum could be violated. Most importantly, SCF should in no means compromise the achievement of other regulatory requirements, such as high levels of profitability, capital, and liquidity and low levels of credit and market risk. Consequently, SCF is not integrated into business strategies and the organizational DNA.

The increasing importance of the RCL is not only limiting the orientation of savings banks with respect to a more holistic understanding of sustainability. It is also seen to hamper organizational development on other fronts. Focusing on compliance does not only use up large parts of human resources – in some SBs, around 50 percent of staff are mainly occupied with regulatory issues. It also creates a tendency to be overly careful and prudent. From early on, SBs management has therefore seen a need to balance and moderate its effects. A crucial element of managerial attempts to avoid a "regulatory sclerosis" has been to strengthen what we call the "sales logic" within SB organizations. This is very often reflected in organizational cultures and structures. Controlling divisions are split into "risk controlling" (the regulatory side) and "sales controlling" (the business side). Many management boards split responsibility and have a "Sales CEO" and a "Risk CEO". And motivational speeches usually emphasize the need to master the regulatory burden by strengthening "sales".

With respect to SCF, the SL implies that ecological, social, and ethical questions are frequently framed in terms of the ability to start a good conversation on the basis of respective concerns, with a view to then find "solutions" and "products" that the client is willing to use. There are also discussions on how to integrate sustainability concerns in sales targets for financial products. The marketing potential of sustainability is seen very differently within the different segments of the group. DekaBank, the asset management arm of the SFGB, has long been an active proponent to "do more" on sustainability, and has set up a number of green investment vehicles. More recently, some of the Landesbanken, have started to actively push for an integration of "transformation finance" and sustainability in interactions with clients. Within savings banks themselves, skepticism mounts on whether clients actually are interested in truly talking about the issue of sustainability. This is especially visible in participatory observations with groups of people working with consumers and corporate clients: Consumers are seen to be just interested in "safe and profitable investing", and corporate clients are seen to not be bothered by too much regulation". In fact, SCF is seen as a potentially strong obstacle to a successful conversation with clients, reflecting both fears of hitting sensitive spots of resistance and fears of "not being prepared to talk about these sustainability things" substantively. The latter fear appears to be a mix of lacking "my own personal attitude towards sustainability", "a clear organizational guideline on what we talk about", and overall "a clear societal understanding of what the term means".

Together with the "regulatory compliance logic" and the "sales logic" dominate the current work on climate and sustainable finance. In fact, sustainability is very much framed as something that has these two sides:

> Well, the savings bank organization is very down-to-earth. In this respect, these terms already exist, but primarily there are the German terms in parallel. So sustainable finance is more likely to be translated as "sustainability". And then there are the different perspectives on sustainability. On the one hand, there is the sales-oriented perspective, which is about products and product design and things like that, but on the other hand, there is also the risk-oriented perspective. It is important to me that these are distinguished (Saving banks 3 – DE).

Even the work on the level of associations is clearly organized around these two "sides of the coin":

> There is also the regulatory side. …the two major projects, which are currently [dealing with] sustainability in addition to, perhaps, a smaller sub-area, so the two major central projects are just that, they look at the regulatory side, and they look at the sales side. (Saving banks 3 – DE)

This work, which is orchestrated by the national and regional associations and strongly influenced by the bigger entities within the group (Landesbanken, DekaBank, insurance companies) appears to be strongly dominated by rather strong forms of "instrumental rationality". The aims are clearly set by the RCL and SL: Being compliant and increasing sales. The work should therefore now focus on finding ways to implement sustainability in sales controlling, risk management and IT activities as well as in the training activities for employees. The main obstacle is that it is not clear how sustainability should be measured and quantified. Conflicts evolve around two questions: How much pressure should be exerted vis-à-vis clients, and how should measurement systems look? Landesbanken appear to favor a more proactive approach and work on bespoke reporting systems for corporate clients, with relatively ambitious goals and the desire to link different approaches.

Some respondents fear that treating sustainability in this way is not sufficient. They feel that the focus on the RCL and the SL should be moderated by yet another logic or even multiple logics that more firmly root SCL in the savings banks' business models, organizational culture and daily practice. One reason for this desire is stakeholder expectations: In some regions, a substantial number of governing board members come from the Green party, for example. In more urban areas and with some type of typical clients, being perceived as "sustainable" is a precondition for attracting clients. And for "boring savings banks", there is always a desire of not being perceived as "old-fashioned". Another set of reasons is of a more internal nature: Human resource divisions in savings banks always look for activities that balance strong sales pressures and the culture of compliance. Together with employee representatives, they have a sympathy for the social dimension of sustainability, also as a motivational tool. They have therefore often been frontrunners of the sustainability discourse within savings banks, and are now using the opportunity to lobby for additional activities.

These concerns are taken up through what we call the "community developments" or "community contribution logic" (CCL). Traditionally, savings banks and their employees have put great weight of being perceived as being active members of their local communities. Their financial and corporate consultants pride themselves of being part of many local clubs and initiatives; their management boards are acting a lot like mayors, being part of every event and festivity; and a sizeable share of those profits that are not retained to bolster capital are used to sponsor local charities, clubs, and initiatives – also to avoid pressures to increase dividend payouts to municipalities. For this purpose, they set up foundations and specific funds. Overall, these factors create a natural tendency to answer calls for more engagement with the common good through programs in which savings banks send human and financial resources into local networks that aim at developing the community along certain causes.

In the area of SCF, savings banks have set up numerous programs to support local and private sustainability initiatives. Some are planting a tree for every new customer and support projects that teach children about climate protection. Some are involved in foundations that work for climate protection and the environment. Some provide funding for projects related to the United Nations Sustainable Development Goals (SDGs). Some join alliances that aim for local climate neutrality and promotes green mobility, for example by using electric vehicles that are charged with the bank's own solar power. And some support initiatives which informs citizens about species-appropriate garden design. More systemically, they have set up programs in which individuals and organizations can apply for small funds of up to 1000 Euro to finance a specific project.

The CCL reflects a desire to live up to stakeholder expectations without letting sustainability become too big of an issue. Like all other identified ILs, the CCL is a double-edged sword. It has led to the development of multiple small activities and participation in actor networks that support sustainable development. At the same time, it has allowed savings banks to relegate sustainability concerns to something of secondary importance, outside their core business and mandate. Its strong presence in defining savings banks' SCF activities is therefore also a reflection of the penultimate crucial logic we identify, the "mandatary logic". In normal times, the mandate specified in state savings banks laws is more of a background factor for savings banks, prominent in speeches and as one of several starting points in the formulation of strategies. It is drawn to the foreground at more critical junctures, when different social expectations on savings banks collide.

This also seems to be the case in the area of SCF, albeit in a rather muted way: Addressing sustainability as much as necessary, but as little as possible, has led savings banks into a territory in which discussions on the future direction cannot be avoided any more. Nearly every organization of the SBFG now has dedicated staff pushing the sustainability cause, supported by civil society organizations such as "Bürgerinitiative Finanzwende". While external forces push towards a more systemic approach that is less focused on compliance and sales, internal forces argue that such an approach would be perfectly consistent with the mandated purpose to serve the common good, which does not include sustainability concerns explicitly (in all but one state) but, in their view, implicitly. These forces, however, are opposed by a large majority of savings banks representatives, who fear of being instrumentalized (see above).

In this conflict about the "purpose" of savings banks, the strong presence of the mandatary logic kicks in. This logic consists of a view that only what is explicitly written down in state laws can be a purpose so strong that it transcends the need to be a profitable business. State laws usually make clear that "profits should not be a *prime* objective of business activity", implying for many that it is a non-avoidable secondary one. This is also the position of the municipal sponsors, who often find themselves in financially precious situations. They thus depend on a relatively high level of profitability in SBs to ensure a certain dividend distribution and a capitalization of SBs that puts them in the position to support essential projects of a public or semi-public nature and carry out numerous charitable activities, which typically serve as a substitute for a direct fiscal support of local initiatives. Apart from being profitable, SBs are therefore expected to mainly take care of those mandates explicitly spelled out in the law, the most important ones being supplying sufficient amounts of credit to local businesses and making sure all parts of the population have access to basic financial services. In the view of our interview partners, it is therefore unlikely that sustainability will become a more integral part of SBs strategies and organizational development. Such an extension is neither likely nor desirable in the view of most of our interview partners, even though some "sustainability professionals" of the group openly call for such a move as "the only way to bring sustainability forward decisively".

The final set of assumptions, values, beliefs we confront in interviews and participatory observations are related to the fact that savings banks are strongly defined by their long-standing and stable relationships with corporate and private clients. We see a strong tendency to use this "relationship logic" to more firmly anchor SCF in SBs strategies and, vice versa, use topics around climate change and sustainability to again become the "relationship manager and lender" that SBs used to be:

> We look at transformation financing, so to speak, through the lens of the fact that we, as a company, have a very long history of good customer relationships. These are customer relationships with a wide range of players in the real economy, whom we have been working closely with for many years and whom we also want to support in this transformation (Saving banks 2 – DE).

This idea of a "double dividend" or mutual reinforcement of bringing "capital down to earth" sustainably and increasing one's own "relationship capital" characterizes the hope of many of our more progressive interview partners. Even those participants that have a more conservative and reserved attitude towards sustainability react quite enthusiastically when we mention that this idea has been brought forward by participants in earlier interviews. Both groups wished that policymakers would engage less in a "logic of global capital markets". Rather, they should recognize what has been lost due to tendencies to downplay the socio-economic benefits of relationships and what could be gained by means of reestablishing them.

C. Current policy issues and options

The discussion of necessary reforms and policy impulses is strongly characterized by the uncertainty of the future societal and political direction. Three scenarios dominate the discussion: In the "backlash scenario", anti-sustainability parties would continue to experience sweeping electoral victories, forcing the other parties to abandon the idea of a large-scale transformation of the economy. In the "business-as-usual scenario", the current situation of "muddling through" would continue to dominate. This would result in a volatile environment for SBs own approach towards sustainability. Both the "backlash" and the "business-as-usual" scenario would go hand-in-hand with an increasing divisiveness of society, requiring savings banks to "hold the line" (all our interview partners and a very large majority of participants in workshops and events agree on the high relevance of ecological risks and the need to "do something"). Finally, in the "transformation scenario", the democratic sovereign would take a strong and robust decision in favor of structurally changing the way the economy is run, including social policy measures that would be necessary in this situation. In this scenario, savings banks would need to develop the capacities and culture to support transformation meaningfully.

Asked about the future role of climate and sustainable finance for savings banks, most participants support a mainstreaming of respective concerns, in line with expected general societal and sectoral tendencies. Probably also reflecting the selection of our interview partners, a few participants even argue that sustainability is so closely related to the savings banks' philosophy, mandate, and DNA that it should become a core competency. It should therefore be a strategic priority and a source of distinction against competitors. None of our participants supports taking back existing measures, though some are clearly afraid of going too (or being pushed to) far. These interviewees call for paying due attention to a potential overburdening of the balance sheet, the organizational capacity, and, staff. They would favor a less prescriptive approach along the logics of the mandate and business interests.

Overall, participants agree that the current task is to, at a minimum, more firmly anchor climate and sustainability concerns in the SBFG strategies. Such an anchoring would help organizations to hold the line and enable a potentially transformative role. The latter is favored by some: At least, "transformation finance" along the lines of classic relationship banking should become a crucial element of corporate banking strategies in the group:

> This is our aim, so to speak – we have expanded our range of financing products and have also expanded the range of advisory services that we offer our customers in order to be able to competently support and advise them on the path to transformation. And that, that was the focus we set. (Saving banks 2 – DE)

Views on how to achieve a firm anchoring and, potentially, a transformative role, vary wildly. In general, participants distinguish between necessary external impulses and internal measures. In terms of external impulses, some argue for making the support of sustainability concerns part of the legal mandate. Some support a more integrative approach towards the state's role in climate and sustainable finance, potentially involving new forms of de-risking. Others want clear but bureaucratically lean rules to measure and report sustainability, mostly to avoid reputational risks from greenwashing allegations. Some support green asset ratios, as they increase incentives to explain to SMEs what happens if they do not take green concerns seriously. The support for green supporting or brown penalty factors appears to be limited. In terms of internal measures, what is missing is both a strategic role for and incentivizing of green concerns that, over time, could develop into a firmly rooted culture of sustainability. The strategic role would need to be defined by the body linking external stakeholder expectations and internal forces, the governing board. On the basis of such a decision, one would then need to adapt existing policies. Most importantly, extensive training of employees would be necessary.

Which of these external and internal measures appear to be best suited for safeguarding existing progress towards sustainability and increase transformative potential? Before we answer this question against the backdrop of the institutional logics identified in section B., it is useful to highlight the tension that our data reveals between external and internal factors, and among different ILs. Without pressure from outside, through regulation and pressures from peers, competitors as well as politics and civil society, participants fear that not much would happen in terms of sustainability. At the same time, however, the way in which external pressures materialize very often prevent sustainability to become an organic part of organizational behavior and strategizing. More specifically, the dominance of the logics of “regulatory compliance”, “sales” and “competitiveness” lead to a situation in which sustainability and ecology are mostly perceived as burdens, not as an organic element of organization development.

External pressures thus appear to be productive and counter-productive at the same time, especially against the backdrop of concerns of a sustainability backlash. What appears to be missing is an idea of how to combine the organic logics within SBs with the logics characterizing the socio-ecological transformation. While a discussion of the latter is beyond the scope of this paper, this would, at a minimum, require a serious reflection of (a.) planetary and material boundaries and related limits to standard forms of economic growth, (b.) the social policy and justice dimensions of a transition to a sustainable economy, and (c.) the need to engage in plural and therefore complex actor networks (see Latour 2018 for a potential derivation, Klüh 2017, 2023, 2022 for a more detailed assessment, and Naji and Klüh forthcoming for a neo-materialist treatment).

It is highly unlikely that SBs on their own could embark on such an ambitious journey. Society itself would need to take fundamental decisions on the relative merits of economic growth and ecological sustainability, and on measures of redistribution. We therefore restrict ourselves to three sets of measures that make sense in view of the institutional logics identified above, and that at least would be consistent with the event of a more fundamental political transformation.

The first group aims at foiling or at least attenuating the negative effects of the “reputational backlash logic” through leveraging the mandatary logic in a sustainability-orientated way. More concretely, state laws would need to be amended and governing bodies re-orientated towards social and ecological issues. This would also help to transform the “logic of competitiveness” into a potentially productive force for sustainability, shifting the focus of competitiveness from standard banks to those financial institutions that have successfully anchored their business models in sustainability concerns. The second group of measures would aim at strengthening the relationship logic as a counterforce to the negative effects of the regulatory compliance logic. Such measures would also address the conflicts and conflicting views that our research partners and we confront in interactions with SMEs and SBs (see Table 3).

Table 3. Problems in SB-SME relationships

	Regional Banks	SMEs	Implication
Dominating logics	Dominance of compliance, sales and competitive logic	Dominance of product, innovation and competitive logic	Requires joint skills and language acquisition
Dominating complaint	Lament lack of common language, qualification concerns	Complain about lack of common language, industry knowledge	Requires translators (e.g. efficiency agencies, consultants)
Self image	See themselves as a potential transformative player for SMEs	See themselves as the place of transformation, doubt transformative role of SBs	Requires industry knowledge in the financial industry
Counterpart assessment	Presume low economic transformation competence among SMEs	Assume low technical transformation expertise and industry knowledge at SBs	Requires joint personnel development
Key demand	Demand better key measurement systems balancing monetization and materiality	Demand new, more precise transparency regimes from banks and beyond	Requires wicked problem approach, central and flexible data hubs
Limits to transformation	See the limits of a transformation based on competition	See limits of small margins, tough international competition	Industrial policy, protection

Such a step could also help to transform the "sales logic" into a potentially productive force for sustainability, as relationships form the basis of SBs business activities. More concretely, becoming a true relationship lender would require returning to a situation in which a relatively large number of consultants are equipped with enough time and expertise to engage in laborious interactions with SMEs and other clients, as well as the networks around these clients enabling a deeper transformation of business models and operations. It would also require cooperating more closely with other public entities, for example, in regional transformation hubs. It is also likely that additional risk capital would need to be reallocated to corporate lending programs.

A dynamic return to a stronger relationship logic through relationship banking is currently unlikely, however. It fails due to ideas of legitimacy and rationality permeated by financialization within and outside SBs. Internally, it is inhibited by the strong reliance on compliance, controlling, sales, and quantification. Part of this reliance is rooted in SBs bureaucratic traditions, but has become more deeply entrenched as a consequence of pressures to financialize the German economy (see Emunds et al. 2022b for a detailed description): To be able to remain in business in spite of these pressures, savings banks have engaged in a process of “conservative transformation” (Emunds et al. 2022, pp. 423–440), safeguarding some of their main long-standing institutional logics (such as a focus on the region, on mandates and on relationships) by becoming extremely focused on new and sometimes conflicting ones (such as a focus on sales and compliance with global banking rules). They have thus followed a strategy that appears to be paradoxical in two ways: To be able to stick to their non-financialized organizational DNA, they have financialized. They have become a “financialized bank” (a combination of terms which, for a long time, has been seen as an oxymoron (see Emunds et al. 2022, pp. 37–44).

Externally, the return to relationship banking is inhibited by the continuing relevance of the ideas that have led to the described developments. Currently, this is reflected in a renewed push towards strengthening the EU capital markets union. Such a push would imply a return of the old pressures to abandon relationships. It would weaken SBs capacities more generally, but in particular with respect to them becoming agents of transformation: Larger financial players would employ economies of scale and their superior access to international markets to squeeze margins of small and medium-sized savings banks, reducing their financial capacity. Competition for savings would reduce access to cheap funding, which would affect the ability to provide cheap credit for local transformation projects. Pushing customers to look for higher-yielding but riskier capital market products would make it increasingly difficult to finance transformation projects with their limited bankability. Finally, the introduction of new, more complex regulations would not only increase administrative burdens, IT and compliance costs, but also reinforce the excessive focus on the RCL.

At least with respect to SMEs, municipalities, and other local actors, a strong move towards capital market union would probably also be counterproductive to the sustainability transformation itself. According to most experts, this transformation usually involves wicked problems that require close collaboration in networks. Large and global capital market players are unlikely to engage in such collaboration. In contrast, they impose their rules of engagement and measurement on local actors. This might reinforce resistance to the sustainability transformation by bringing in logics that stand in conflict with the value systems of local businesspeople, professionals and political representatives, let alone with the necessities of non-human actants relevant to the transformation. Even if capital reaches regional corporate entities, it might not come “down to earth”.

This aspect of network governance is where the third group of measures for SBs would come in. Its starting point is the “community contribution” or “community development logic” that also characterizes SBs. Building on this logic, municipal sponsors, business partners and civil society should insist that SBs should engage more actively in building and, where they already exist, participating in local transformation networks that try to solve some of the “wicked problems” related to a sustainability transformation. Such an emphasis on network participation could be helpful in different ways. It would help to increase the (linguistic) competencies and credibility of SB staff in the area of sustainability, albeit in a way consistent with their culture of local embeddedness. It would draw attention away from SCF as an externally imposed requirement and make it a potentially motivating activity. Finally, local networks could contribute to solving a very fundamental concern in the relationship between SBs and SMEs. Specifically, they would attenuate the tensions arising from the standardization logic of current approaches to SCF, which seem to reach systematic limits (see Knoll, Naji, Rossmann and Klüh, forthcoming). Replacing these costly and often inappropriate standards by simple but ambitious rules combined with interaction in networks appears to be a promising alternative.

All three sets of measures would require fundamental internal changes, ranging from an overhaul of existing strategies and controlling techniques to new priorities in hiring and in developing personnel.

The latter appear to be of particular importance. But they would also require changes in the environment in which SBs operate, in particular with respect to the way they are regulated and supervised (by European, national, and state-based entities), the way they are governed (by municipal sponsors and network partners from within and from outside the SBFG), and the way they are supported (by fiscal and quasi-fiscal entities). These environmental changes would in many ways require "new deals" between external stakeholders, management, and employees. In particular, regulators and supervisors would probably need to reduce standards along some prudential dimensions, in exchange for more ambitious rules in others; municipal sponsors and network partners would need to reduce expectations with respect to profitability and financial disbursements; and fiscal and quasi-fiscal entities would need to consider ways to re-risk, support and network with SBs.

5. Conclusion and Outlook

Our analysis with respect to the institutional logics that define savings banks approach towards sustainable and climate finance shows that obstacles to a consequential socio-ecological transformation abound, and are rooted deeply into the organizations' culture and history. The limits to savings banks' engagement with sustainable and climate finance thus transcend the problems of their dual bottom line orientation, the perceived lack of market pressures and incentives as well as the limits to their access to information emphasized in the existing literature. Rather than being held back by their dual mission to support local development and by a lack of incentives, they are caught between their adherence to certain long-standing principles and organizational culture and the new logics that financialization has brought upon them. They find themselves in a trap that leaves only little room to strengthen their role in the sustainability transformation beyond the progress experienced recently.

Three elements of this trap of conservative transformation and bank-based financialization appear to be of crucial importance:

- Due to financialization, savings banks have started to strongly rely on a logic of regulatory compliance and a logic of sales. These logics clash with the institutional logics of other important actors in the green transformation, such as innovation and production logic of SMEs, the differing political logics of professional politicians and sustainable finance activists, or the ecological and material logics of non-human actors. The respective conflicts are exacerbated by the fact that SMEs, savings banks and the political sphere must pay tribute to the dominance of the logics of competitiveness, which provides strict limits to the types of changes business organizations can legitimize vis-à-vis their stakeholders.
- The standardization / simplification / datafication logic of many experts within and around the financial sphere of savings banks currently reaches systematic limits. It does not only create a strong resistance against the whole project of a socio-ecological transformation. In a situation in which the joint processing of wicked problems and work on meta-governance structures would be necessary, for example with respect to central and flexible data hubs, it keeps the old but unproductive belief in "global" solutions alive.
- A return to a stronger relationship logic through relationship banking and industrial policy fails due to ideas of legitimacy and rationality permeated by financialization, such as a strong reliance on compliance, risk controlling, quantification, and capital market orientation. The latter characteristics also conflict with the necessary materiality (see Naji and Klüh, forthcoming) and plurality (in

the sense of reflecting conflicting views on the nature of social and ecological challenges and potential solutions) of SCF.

Overall, it seems that savings banks will only be able to serve as vehicles for a landing of capital on the basis of a clear political decision and a deeper ("cultural") transformation of institutional logics. Both appear to be rather unlikely at the current juncture. Most importantly, a political decision as to the role of profitability and competitiveness of savings banks relative to other objectives such as supporting sustainable development would be needed. For this purpose, savings bank laws would probably need to be changed, to give communal constituencies a clear political signal that localized sustainable finance is sanctioned by state governments and even the national level. Such sanctioning would also increase confidence that green transformation finance would be supported through their deeper fiscal pockets of regional governments and the federal level, in the case that elements of de-risking would need to be employed. On the basis of such confidence, local supervisory boards bodies could then refocus strategic objectives, and regional and national savings banks networks could start harnessing their ability to achieve economies of scale and pressure reluctant actors into a more proactive role.

A crucial pre-condition for a capital lending though savings banks is that not only them, but their regions develop networked structures for a consequential socio-ecological transformation. Apart from a clear external indication of political will and consequential internal policies to change institutional logics, existing relationships with SMEs, would need to be re-strengthened and put on a firmer basis. Recent decades have seen a weakening of these relationships, and the development of a regulatory regime of standardization and marketization that makes it exceedingly difficult to provide patient capital. Such relationships would need to be embedded in a governance network including all relevant actors, both from the political sphere and from civil society.

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