

# SUSTAINABILITY BRIEF: BANKING ON START-UPS

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**“Start-ups for Start-ups” is a trend already influencing every sector of the economy and financial industry is no exception**

Today’s global economy is primarily based on “take-make-waste” model. Simply speaking, we take natural resources, make products out of them, and then dispose those resources which ultimately end up in the landfills.

However, the time for this “take-make-waste” model or the linear economy is long gone. It is high time we transitioned from linear to circular economy – an economy in which we need to drastically reduce the use of non-renewable natural resources and re-use them as valuable raw materials through recycling. We need to build a circular economy before we exhaust our natural resources and run out of room for our garbage.

Moving to a new economy requires disruptive innovation which is not likely to come from multinational enterprises, industrial giants and well-established businesses. If history is any guide, disruptive technologies, innovative business models and groundbreaking products and processes will come from start-ups.

In fact, there is more than enough evidence to conclude that start-ups can provide the world with 21st century solutions – solutions for making more out of less resources; solutions that provide alternative to non-renewable and emission-intensive fossil fuels; and solutions to re-use and recycle our finite natural resources. There is also no doubt that the 21st century start-ups are already leading disruptive innovations for preventing the overuse of renewable resources.

One of the key areas in which start-ups are likely to be the greatest drivers of change is in the field of energy. Billions of dollars and euros are being spent on revolutionizing this sector to make energy clean, green, reliable, available and affordable for all. Progress in this very key sector of the economy has indeed been made. But a revolution is yet to come and it is likely to come from Smart Energy Start-ups that will emerge as game-changers on the world stage. These start-ups will present disruptive technologies and innovative business solutions to the world and forever change the way we produce, store, distribute and use energy.

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## *Economic and social justice*

Start-ups are considered to be our best bet for technological innovations and dealing with global resource depletion, climate change and environmental degradation. But start-ups are much more than the providers of technologies and technical solutions to counter global resource scarcity and environmental challenges. They are also our hope for social change.

There are already many examples of start-ups introducing innovative social business models and thereby creating a huge social impact within their communities. We need more start-ups with new business models so that profits are generated and shared in a way that economic exploitation, in its broad sense, becomes history. We need start-ups, as many as we can find, that do not only transform our economy but also our society.

It is through this comprehensive transformation process that we can ensure intergenerational and intra-generational justice and healthy natural environment which will make a peaceful co-existence of all humans and in fact all species possible.

## *Supporting start-ups for sustainability*

Start-ups for sustainability are flourishing across the globe and are becoming one of the major forces in modernizing the global economy. But are commercial banks, development financing institutions and other financial intermediaries ready to benefit from these futuristic enterprises? Are traditional banks and other financial services institutions also getting ready to compete with the new and highly innovative financial service providers that are changing the financial intermediation landscape?

But let us make no mistake; start-ups need us as much as we need them. They need us for providing a strong entrepreneurship ecosystem and not just for conventional business incubation support. We need to be very innovative to ensure birth, survival and growth of start-ups for sustainability. In fact, we have to be at least as innovative and as dynamic as the start-ups themselves. We need to be enthusiastic and work together with all the stakeholders to offer an entrepreneurship ecosystem in which young and old enterprising individuals, irrespective of where they live, can unfold their talents, realize their dreams and provide the world with socio-environment-economic solutions. There is a need for a movement, a global movement to support start-ups that demonstrate high potential of delivering game-changing solutions.

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Today, the financial institutions stand at a crossroads. They have an opportunity to become an important part of a dynamic and promising entrepreneurship ecosystem or get prepared to welcome a mushroom growth of new financial intermediaries that will emerge to cater to the requirements of 21st century businesses. The growing number of start-ups providing financial services to new businesses demonstrates the rising demand of innovative financial solutions. “Start-ups for Start-ups” is a trend already influencing every sector of the economy and financial industry is no exception.

Therefore, European Organisation for Sustainable Development (EOSD), together with its partners and stakeholders, is developing a model to provide integrated, comprehensive and dynamic support to start-ups. Our consortium is creating a true and all-inclusive ecosystem enabling innovative start-ups to become the drivers of change. We are working with a wide-range of stakeholders who believe, as much as we do, that innovative startups are needed for starting up a new economy.