

Scenario-Based Multifacet Decision Support System for Evaluating Sustainability Oriented Regtech Performance of Financial Entities

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ABSTRACT

Financial institutions face a regulatory burden paradox embodied in escalating compliance costs that drain the resources while the regulators demand for greater integration of Environmental, Social, and Governance (ESG) principles. The study aims to develop and validate a Balanced Scorecard (BSC) model with twelve Key Performance Indicators (KPIs) in Regulatory Technology (RegTech) to shift compliance functions in financial institutions from cost centers to strategic value drivers of sustainable finance. Validation involves referencing industry reports, scholarly literature, and aligning with UN Sustainable Development Goals and SASB standards to integrate ESG principles via RegTech. The framework encompasses four strategic perspectives: Regulator's perspective, Customer's perspective, Internal Process perspective, and Learning and Growth perspective. KPI validation is grounded in capabilities, compliance adherence, regulatory guidelines, and academic sources. Interviews with banking experts in Qatar were utilized to assign KPI weights through fuzzy cognitive mapping. The study underscores the necessity of organizational changes extending beyond mere technical RegTech implementation to effectively embed ESG considerations, requiring governance restructuring and fostering dynamic capabilities. By addressing inquiries regarding RegTech's impact on sustainable practices, vital ESG targets, and strategies for value enhancement beyond regulatory conformities. Thus, the proposed framework offers comprehensive guidance for financial institutions on RegTech adoption to bolster sustainability as a competitive edge for breaking the regulatory burden paradox.

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