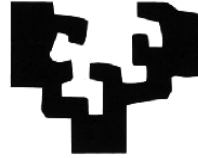


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Ethical Banking: an alternative to tackle financial exclusion? The case study of FIARE

II CONGRESO CIENTÍFICO-PROFESIONAL
INNOVACIÓN EN FINANZAS: NUEVOS MODELOS DE FINANCIACIÓN

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□ Different targets of Ethical Banking:





- Financial exclusion is currently an issue of great interest worldwide.
- People having a current bank account in EU27:

EU15	%	NMS12	%
Austria	92	Bulgaria	28
Belgium	95	Cyprus	72
Denmark	100	Czech Republic	82
Finland	99	Estonia	94
France	96	Hungary	67
Germany	95	Latvia	84
Greece	80	Lithuania	83
Ireland	82	Malta	70
Italy	75	Poland	68
Luxembourg	97	Romania	27
Netherlands	99	Slovakia	77
Portugal	80	Slovenia	96
Spain	88		
Sweden	98		
United Kingdom	92		

Source: European Commission 2012

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- At the beginning, the debate mainly focused on:
 - Where?
 - Why?
 - Who?
- Financial exclusion (Gloukoviezoff, 2004):
 - process whereby people encounter difficulties accessing and/or using financial services and products that (...) enable them to lead a normal social life (...)
- Factors:
 - Demand:
 - ✓ Employment status
 - ✓ Income
 - ✓ Region
 - ✓ Race
 - ✓ Marital status
 - ✓ Gender
 - ✓ Age
 - ✓ House-hold size
 - Supply:
 - ✓ Profitability
 - ✓ Crisis

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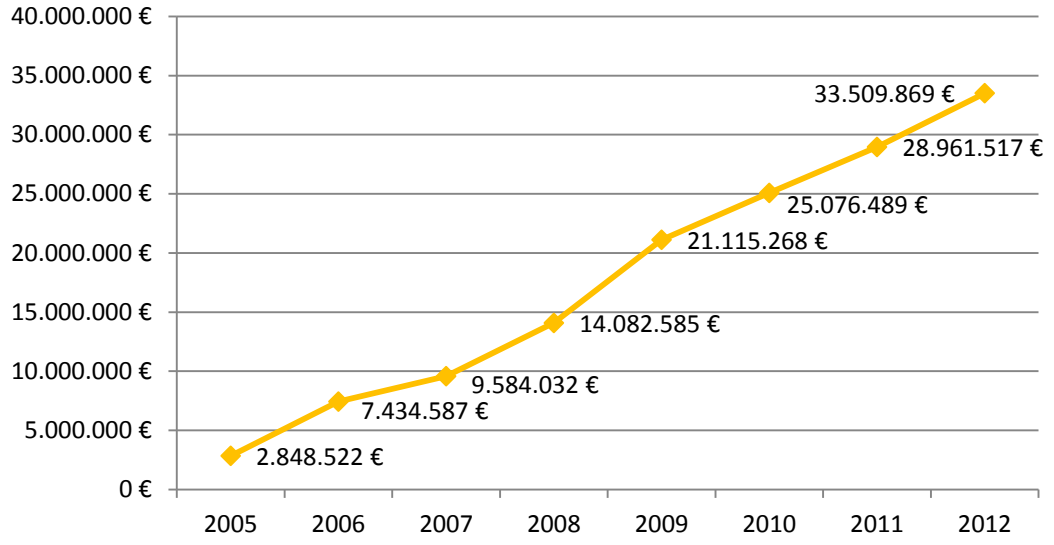
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- ❑ Ethics in banking:
 - money is not neutral
 - the economic function + ethical, social and environmental responsibility

- ❑ Ethical banking is seen as an alternative.
 - Spain: savings volume above 915€ million in 2012, (59% of growth)
 - Evolution of savings (2005-2012) in FIARE:



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❑ Source of information:

- Descriptive/exploratory research
- FIARE staff contacted:
 - ✓ Peru Sasia (president)
 - ✓ Juan Garibi (director of banking operations)
 - ✓ Clara Soler (partners' responsible)
 - ✓ Vicente Manzanos and Alberto Minguez (office workers in Bilbao)
- participation in internal meetings of the organization

❑ The analysis of the qualitative information: SWOT technique





□ Basic information about FIARE:

Foundation	2003
Members (31/08/2013)	4,404
People	3,927
Organizations	477
Social capital (31/08/2013)	4,380,374 €
Savings (31/08/2013)	37,289,350 €
Credit (31/08/2013)	24,892,225 €
Working offices	Bilbao, Madrid and Barcelona

□ FIARE's funding is directed to four areas:

- Agroecology (environment, ecological agriculture and renewable energies).
- International cooperation (poverty alleviation and Fair Trade).
- Social exclusion (social, labour and financial integration, cooperatives, solidarity economy).
- Social values (culture, education and values).

❑ Credit distribution of FIARE in 2012:

Agroecology	1.110.000 €	3,55%
International cooperation Fair Trade	4.249.725 €	13,59%
Social integration Solidarity Economy	18.156.819 €	58,06%
Social values	7.755.000 €	24,80%
TOTAL	31.271.544 €	100,00%

❑ FIARE provides general financing services to:

- non-profit entities (REAS Navarra, Coop57, etc.):
 - ✓ structure
 - ✓ premises
 - ✓ treasury aid
 - ✓ advance in subsidies
- individuals:
 - micro-credits



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Criteria and items of the assessment process:

REPORT OF SUITABILITY					
Information for the applicant of the ethical and social assessment process					
ASSESSMENT OF THE ETHICAL AND SOCIAL COMMISSION					
Applicant					
Project					
	2. FIARE MOTIVATION What type of identification does it have with the FIARE project? Economic needs <input type="checkbox"/> Financial exclusion <input type="checkbox"/> Identification with FIARE <input type="checkbox"/> Member of FIARE <input type="checkbox"/> Other (note which):				
Synthesis of the ethical-social assessment criteria		UNFAVORABLE	IMPROVABLE	FAVORABLE	VERY FAVORABLE
	2. NETWORKS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	3. ACTIVITY	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	4. TRANSPARENCY	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	5. PROFITS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	6. DEMOCRACY AND PARTICIPATION	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	7. IMPACT OF THE PROJECT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	8. COMMITMENT WITH THE ENVIRONMENT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



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STRENGTHS

- High participation and commitment of the members.
- Development through horizontal networks.
- Democratic running and in hands of the citizenship.
- Proximity to the principles and values of social and solidarity economy.
- Strong growing social capital.
- Economic balance between loans and savings.
- Contact with other organizations through the solidarity economy network.
- Guarantee of stakeholders to take risks.
- Some institutional support.
- Not subject to interests of a particular investor.

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WEAKNESSES

- High concentration of risk.
- Financial viability.
- Low volume of transactions compared to the global market.
- Dependency of the Italian regulation.
- Slow resolution times.
- Low supply of savings products.
- Lack of resources and capacity to meet all demands.
- Interest rates offered are lower than those of traditional banks.
- Insufficient financial resources by themselves to transform the society.

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OPPORTUNITIES

- The Ethical Banking growth in Spain (59% in 2012).
- Successful actions trigger optimism and desire to innovate.
- Possibility to reverse the crisis under another development paradigm.
- Rising financial literacy.
- Increasing recognition.
- The discontent of the citizens due to the financial sector scandals.
- Growing number of funding requests.
- Possibility to offer from 2014 on full financial services.

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THREATS

- Individual values rooted in people (difficulty to create citizen awareness): fear, passivity, individualism.
- Uncertain context.
- Prejudices and entry barriers: great ignorance of such alternatives among the citizenship.
- Few referent models in the sector.
- Disrepute: The use of the term "ethical" by traditional financial institutions can confuse the public.
- Rapid growth that makes difficult to maintain ethical principles.

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1. This paper is a tentative to introduce ethical banks as a tool for social transformation, specially targeting the problem of financial exclusion.
2. The financial crisis provides an opportunity to reform the financial system towards a new model, less dependent on short-term financial profits and more oriented to meet the social and economic needs.
3. Ethical banks have experienced a significant growth lately and they are now seen as a real alternative to the traditional financial market.
4. FIARE can be ranked as a solid ethical bank that works for a social transformation:
 - social, because it is based on people and targets people
 - transformation, since FIARE seeks to build a society under new parameters where financial inclusion could be considered as one of its priorities.
5. This paper is only an exploratory approach, and further quantitative research should be carried out to contrast this hypothesis empirically, which can constitute an interesting research line for the future.

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Eskerrik asko!

¡Gracias!

Thank you!