En: Prospective Innovation at Ethical Banking and Finance : 60-77 (2013) ISBN:978-966-05-09

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

Igor Etxabe Iruretagoiena

School of Economics and Business Administration
Department of Economic History and Institutions
The University of the Basque Country

Theme: Future pathways for ethical banking, new changes in the post-crisis period.

Abstract: (maximum 200 words)

Nowadays, while the financial system appears to be more widespread than ever, we note that a significant portion of the population (not only in less economically developed countries, but also in Europe and the United States) cannot access basic financial services offered by major banking providers, leaving these people out of the operating dynamic of their environment. As a result, we can deduce that financial exclusion is currently an issue of great interest worldwide, obviously for people involved in this situation, but also for the financial system, the enterprise network, public institutions and social organizations.

The purpose of this paper is to contribute, through the exemplary case of FIARE, to strengthen alternatives with a high degree of social transformation like Ethical Banking. A qualitative research is carried out to study a local banking project and see its implications to for social and solidarity economy. The analysis detects strong and weak points and leads to an approach of the suitability of this initiative to tackle financial exclusion in the post-crisis period.

Key words: financial exclusion, ethical banking, FIARE, social transformation.

JEL codes: F36, G01, G21, G23.

1. INTRODUCTION

Financial exclusion has emerged as a concern for policy-makers worldwide in recent years (Collard et al. 2001, Drakeford & Sadchev 2001, European Commission 2010). Some years ago, the debate mainly focused on geographical issues (Morrison & O'Brien 2001), but later discussions broadened out to include the features of those who are financially excluded and the process by which they end in that situation (Kempson & Whyley 1999).

Lately, there have been substantial developments in policy and practice, with a shift in emphasis from financial exclusion to financial inclusion (Kempson & Collard 2012). However, the scope of the problem is not marginal. For example, the percentage of the adult population without access to a banking account in some EU15 countries appears high: Italy (25%), Greece (20%), Portugal (20%) and Ireland (18%) are the most significant cases. The reality is even worse among NMS12 countries: in Romania (73%) or Bulgaria (72%), only the minority have a current account (European Commission 2012). Globally, more than 2.5 billion adults do not have a formal account (Demirguc-Kunt & Klapper 2012).

Table 1: People having a current bank account in EU27

EU15	%
Austria	92
Belgium	95
Denmark	100
Finland	99
France	96
Germany	95
Greece	80
Ireland	82
Italy	75
Luxembourg	97
Netherlands	99
Portugal	80
Spain	88
Sweden	98
United Kingdom	92

NMS12	%
Bulgaria	28
Cyprus	72
Czech Republic	82
Estonia	94
Hungary	67
Latvia	84
Lithuania	83
Malta	70
Poland	68
Romania	27
Slovakia	77
Slovenia	96

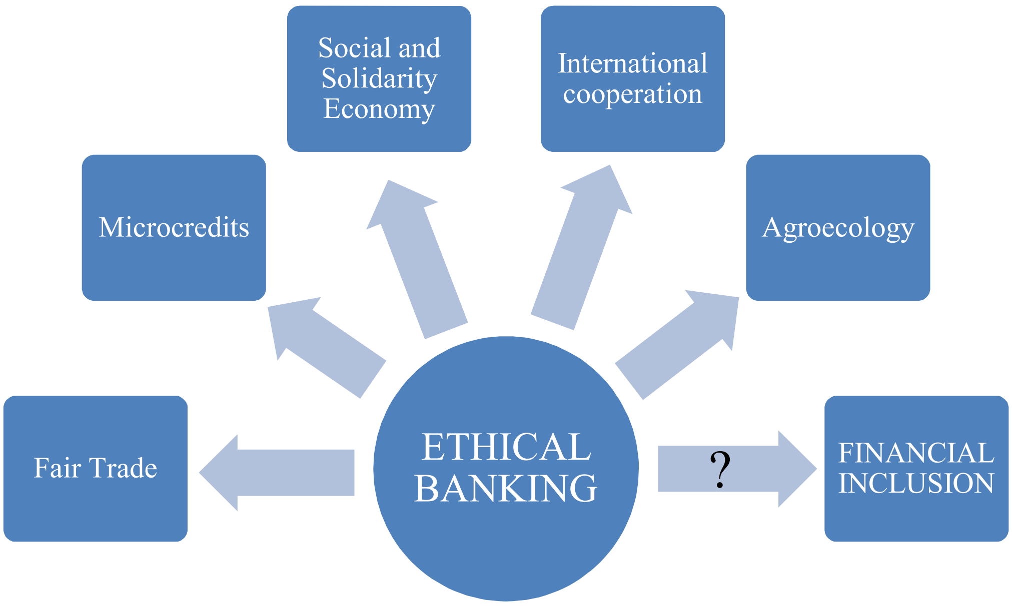
Source: European Commission 2012

The extended process of financial services liberalization and the posterior intensification of bank competition may, at least partially, explain why financial exclusion has become more visible (Carbo et al. 2007). Indeed, many financial intermediaries have implemented a considerable segmentation of their products towards wealthier customers, and that has turned more difficult for certain economic agents to access financial services, or has automatically caused the exclusion of those population groups whose profile does not fit within the current standards (Boyce 2001).

Along with that, the financial and economic crisis of 2008 has accelerated the exclusion, and for these people the consequences of being financially excluded in an increasingly cashless economy have become more serious (Collard 2007). But paradoxically, the crisis has also promoted alternative ideas about banking which encompasses initiatives such as ethical banking, social market, responsible consumption, fair trade, time banks or consumer groups. Specifically, ethical banks have received a mounting interest from politicians, the media and the public, and as a result, managed to increase their market share through organic growth (GABV 2012). Even thought ethical banks might be understood as a response to the crisis (Carboni 2011, Benedikter 2011) they have not emerged for opportunistic reasons, but have developed since the 1980s (Tischer 2013).

This paper aims to introduce Ethical Banking as a long evolving social movement, and through the case study of FIARE, pretends to underline the contribution of this kind of organizations for a social transformation. In this sense, due to the fact that many people still remain outside the world of mainstream financial services, it is discussed if ethical banks could be a suitable alternative against financial exclusion.

Figure 1: Different targets of Ethical Banking



Source: author's elaboration

The paper is structured as follows: the second section provides the theoretical background on financial exclusion and Ethical Banking. The third section presents the methodology and explains the main characteristics of the SWOT analysis technique. The fourth section is dedicated to a contextual discussion where the particular performance of FIARE is outlined. Finally, the main conclusions of this analysis are mentioned in the fifth section, together with possible future research lines.

2. PREVIOUS WORK

Financial exclusion is currently the focus of attention amongst financial services industry participants, the government, regulatory agencies, and consumer groups (Devlin 2005). The debate surrounding has moved on markedly from its initial focus on location-based exclusion (Morrison & O'Brien 2001). In addition, according to Kempson et al. (2000), the issue of financial exclusion has even become more prominent due to the fact that financial product ownership has grown markedly amongst most consumers over the past years. As a result, those left with few or no financial services now stand out in a more pronounced manner.

The term financial exclusion was first coined in 1993 by geographers who were preoccupied with bank branch closures, which limited physical access to banking (Leyshon & Thrift 1995). Throughout the 1990s there was also an increasing group of scholars investigating certain difficulties faced by some sections of societies in acquiring access to modern payment services and other banking facilities, to consumer credit and to insurance (European Commission 2008). It was in 1999 when the term financial exclusion seems to have been used in a broader sense for the first time, to refer to people who have restricted access to principal financial services (Kempson & Whyley 1999).

Since then, a growing number of actors (both academics and policy makers) have added their views of how financial exclusion should be defined. One of the most accepted definitions is acknowledged to Gloukoviezoff, who defines financial exclusion as a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong. (Gloukoviezoff 2004)

Financial exclusion is a complex concept; however, extra key issues need to be considered. For example, do we need to draw a distinction between *access* to financial services and *usage* of them? (Byrne 2007) Or, are there levels of financial exclusion and, if so, how to express these? (Kempson et al. 2004). These and other questions, which exceed the scope of this paper, are largely been discussed by the current literature.

Factors which have been found to affect the level of ownership of certain financial services products include: employment status, income, region, race and marital status (Kempson et al. 2000). Caskey (2002) also found that gender, age and house-hold size had an impact upon bank financial services ownership in the US. All the factors described so far are best described as "demand side". Nevertheless, it should be noted that some supply side influences on financial exclusion have also been commented in the existing literature, since part of the exclusion appears to arise from a failure of principal financial providers to supply a variety of products and services that fulfil the needs of all sections of society. Avery et al. (1999) argued the high level of consolidation that has taken place in financial markets in recent decades and highlighted the increasing pressure upon margins and profitability. In such a climate, it is almost inevitable that financial institutions will begin to pay more attention to the profitability of individual consumers and will withdraw from servicing the poorest segments. Kempson and Whyley (1999) pointed out that the product demands of low income groups are modest and are unlikely to furnish high profitability, which may partially explain the scarce supply of financial services targeting such groups.

2.1 Ethics in banking

Banking and finance have an intrinsic value chain which is tightly connected with the cycle of providing adequate financial products and services. Whenever there are no fixed bank guidelines on ethical aspects, financial institutions are generally applying the 'neutrality rule', excluding human, social and environmental considerations from the bankers´ decision making. But actually money is not neutral; wisely invested as an instrument for improving quality of life, it can have a major impact on human development, and according to De Clerck (2009), a neutral attitude to investment and lending is irresponsible.

In fact, financial intermediaries play an active role in the economic and social development of the countries because they are able to choose which activities, investment and consumption projects must be financed, and to decide who can have access to financial capital. Their social responsibility to fight against poverty and social inequalities and foster a sustainable development is crucial. Financial industry, thus, is becoming conscious of the economic impacts its financial activity can have on the development if it does not assume its own responsibility. De la Cuesta González (2007: 17) explains that "the economic function of financial entities is not only to intermediate financial flows, dealing properly with financial risks, but also to manage other ethical, social and environmental risks that can influence on its economic results."

The banking system, therefore, has a social responsibility because it is a key sector for development and welfare (De la Cruz et al. 2006). This industry has the opportunity to supply products and services with better social and environmental results, which having good return rates, can satisfy the credit needs of excluded population, answering, at the same time, the increasing citizenship demand, worried about the impact of their savings and investments.

All in all, managing the deposits of all citizens and deciding where to invest, to whom lend money and for what and under what conditions, the financial sector has a huge impact to transform the society. Recent experiences show that the economic results alone are not enough to achieve a shift towards a better use of their intermediary role, and traditional financial institutions ought to integrate this ethical dimension in their corporative strategies. So far, the results of a more ethical conduct have not been very visible, and generally speaking, Ethical Banking is seen as an alternative to the mainstream financial service market (Sasia & De la Cruz 2008).

2.2 Ethical Banking

Ethical Banking is a trending topic. The award of the 2006 Nobel Peace prize to Muhammad Yunus, founder of Grameen Bank and exponent of Ethical Banking concept, has brought it to the fore (San-José & Retolaza 2007).

Microcredit providers and ethical banks have had a spectacular growth in recent years, especially in emerging countries. The total assets of all microfinance providers are estimated at $50 billion, serving over 80 million people in the developing world. These figures unquestionably show investors' growing demand for ethical products and solutions (Carboni 2011).

The financial crisis that began in 2008 has stimulated the expansion of ethical banks since to be considered as an answer to this particular crisis. Nevertheless, the growth of ethical banks is not only attributable to the crisis but rather represents a movement that emerged as early as the 1970s and 1980s. If ethical banks were a response to the financial crisis, one would expect to see ethical banks established since 2008. This stresses the fact that the mounting importance of ethical banks is not only due to people's increasing dissatisfaction with banks but that ethical banks constitute a longer-term movement. (Tischer 2013).

As for the name, the term E*thical Banking* is not unique. In Spain, FIARE is defined as an ethical bank, because they want to emphasize that it is more than a social intervention; Triodos Bank describes itself as a social bank (San-José & Retolaza 2007). Some think that the term E*thical Banking* has more to do with motivation while the term S*ocial Banking* refers more to the performances (Alsina 2002). Apart from these two names, we can also find the terms *Cooperative Banking*, *Alternative Banking* and *Sustainable Banking*.

The current literature still lacks of an accurate concept of Ethical Banking, and probably a precise definition is not possible because of the different cultures from which actors of ethical finances come from: ethical investors, NGOs, employees and consumers (De Clerck 2009). During this work, the term Ethical Banking is understood according to the two accepted characteristics that define it (Alsina 2002):

1. To achieve social profitability, funding economic activities with social added value and ensuring the unconditional absence of investments in speculative projects or proposals that fulfil negative criteria.
2. To obtain an economic profitability.

Pursuant to San-José and Retolaza (2011), both aspects are necessary because the social dimension makes the bank ethical, while the economical dimension makes it financially sustainable in the long term.

To Benedikter (2011), the whole concept of Social Banking is based on three additional features:

1. Responsibility: customers are known personally and it is expected that their money is going to be used for a social or environmental purpose.
2. Transparency: social banks provide all the information to its account holders, and they always know where their savings have been invested.
3. Sustainability: they focus on the long-term, investing in small projects that eventually will bring positive effects in order to develop the society, the environment and individuals.

Looking ahead, the biggest challenge that is facing the Ethical Banking is to meet the requirements of the economy and its regulations without losing its founding social ideals. During the past few years, banking products called "ethical" (ethical funds or socially responsible investing, among others) have increased within the Corporate Social Responsibility (from now on, CSR) of many entities, but despite their diversity, or precisely because of it, they are presented in a diffuse form. San Emeterio & Retolaza (2003) believe that CSR could be a pathway that would promote traditional banking remodel its direction with different criteria; however, in practice, this responsibility is limited partly because it does not involve significant and drastic changes in their activity. Thereby, the essential guideline to distinguish the concept of Ethical Banking with others is the social profitability as a main objective, which in the case of traditional banks is only a secondary goal or just an element for marketing (San-José & Retolaza 2007).

3. METHODOLOGY

First of all, a bibliographic study has been carried out. In order to introduce the concepts of financial exclusion and Ethical Banking, secondary sources such as books and journal articles were reviewed.

Later on, the study case of FIARE is presented. A large part of the study is based on information obtained thanks to the kind collaboration of the FIARE staff: Peru Sasia (president), Juan Garibi (director of banking operations), Clara Soler (partners' responsible) and Vicente Manzanos (office worker in Bilbao) were contacted, among others. Besides this, qualitative information has been obtained through the analysis of publications and the participation in internal meetings of the organization, since I am a member of the local group of volunteers in Zarautz (in the Gipuzkoa province).

The analysis of the qualitative information collected was made using the SWOT technique. It involves specifying the objective of a business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective.

SWOT analysis groups key pieces of information into two main categories (Hill & Westbrook 1997):

1. internal factors: the *strengths* and *weaknesses* internal to the organization, depending upon their effect on the objectives.
2. external factors: the *opportunities* and *threats* presented by the environment external to the organization. The external factors may include macroeconomic matters, technological change, legislation, and socio-cultural changes, as well as changes in the marketplace or in competitive position.

The key role of SWOT is to help develop a full awareness of all factors that may affect strategic planning and decision making, a goal that can be applied to most any type of company.

4. DISCUSSION

4.1 The case study of FIARE

FIARE, whose letters stand for "Foundation for a Responsible Investment and Savings" is an Ethical Banking project that was born in 2003, after the union of 52 Basque organizations belonging to the third sector. In 2005, FIARE decided to seek a partner to facilitate the launch of the project and since then, it acts as an agent of Banca Popolare Etica (BPE henceforth), an ethical bank with a long history in Italy.

Table 2: 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

Source: Clara Soler (contacted by e-mail), webpage of FIARE (http://www.proyectofiare.com)

According to FIARE founders, the current banking system does not cover all their demands as savers, consumers and investors. From the very beginning, FIARE departed from the traditional banking objectives and established a dual purpose, in the following order, according to their priority:

1. To finance economic activities having a transformative and a positive social impact.
2. To offer an alternative to responsible savers and investors.

Sometimes, a third goal is added for ethical banks: profitability. In FIARE, they prefer to call it, more moderate, long-term economic sustainability. Indeed, no stakeholder comprising FIARE (customers, partners, suppliers, management...) is interested in economic surplus that report a direct benefit. The management structure of FIARE seeks precisely to ensure this element.

Ethical banks are traditionally defined for what they do not fund (negative screening), for example children exploiting activities, production of weapons or destruction of the environment. FIARE, since its founding, is defined rather by the positive screening: it only funds projects that have a positive social impact to help rebuild societies. FIARE believes that the current financial system causes injustices and initiatives to regenerate this society must be started.

FIARE’s funding is directed to four areas:

1. Social values (culture, education and values).
2. International cooperation (poverty alleviation and Fair Trade).
3. Social exclusion (social, labour and financial integration, cooperatives, solidarity economy).

4. Agroecology (environment, ecological agriculture and renewable energies).

As we can see in the third point, financial exclusion could be seen as one of the biggest concerns of FIARE. There is a widespread recognition that financial exclusion forms part of a much wider social exclusion (Anderloni & Carluccio 2007), faced by some groups who lack access to quality essential services such as jobs, housing, education or health care. Moreover, financial exclusion is deeply interrelated with social exclusion: if the latter almost automatically leads to the first, financial exclusion belongs to a process that reinforces the risk to face social exclusion. In fact, being objectively excluded or having a subjective feeling of being excluded can begin or be reinforced by access or use difficulties in financial practices.

Therefore, we may conclude that, from the viewpoint of FIARE, financial exclusion represents a key source of inequality that needs to be addressed. The following SWOT analysis will guide us to get familiar with the FIARE project and understand the potential role that this ethical bank can have to tackle financial exclusion.

4.2 SWOT analysis

In the following lines, a SWOT analysis is carried out. A brief resume is enclosed in Appendix 1.

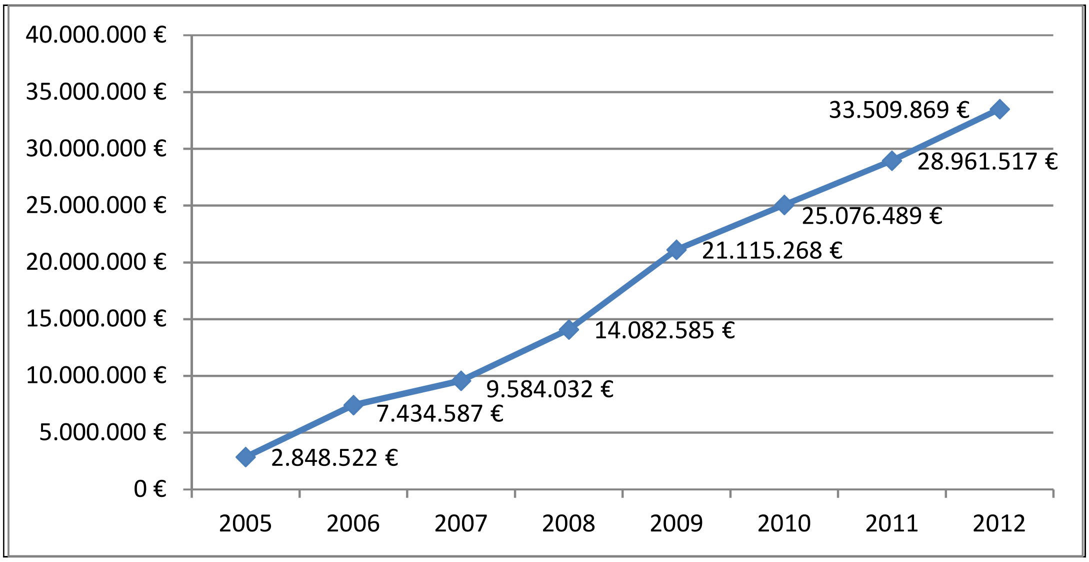
Strengths

The most meaningful strength of FIARE is the commitment of all people involved in the project. Nowadays, FIARE is a dense horizontal network of more than 400 organizations and 3,200 people, ensuring democracy and solidarity. The right to vote is a universal right granted to any entity or person who decides to become a partner. Members can vote in assemblies (one person one vote, regardless of capital share), legitimizing the actions of the entity and helping to create a civic engagement, which is actually the tractor element of the project.

These intangible resources (such as project ownership, democratic participation and proximity to the principles and values of social and solidarity economy) are needed to promote the collective identity of the organization. That is how FIARE has constructed a strong social capital that helps to fortify the power and the internal cohesion of the groups, dissolving the weakness of individuals and increasing the civic commitment. This social capital is very important, because it makes associative projects more effective, reinforces the synergies between different actors and social agents and provides community contributions that promote social cooperation.

FIARE, despite the fact that it does not represent large volumes in the market, manages to cope with such adversities, maintaining a certain balance between credit and savings. With registered capital of over 4.3 million, FIARE has been able to create a circuit of financial intermediation that has collected more than 37€ million in savings since 2005 (see figure 2) and has lent funding to more than a hundred projects of high social value, for a total amount exceeding 24€ million (see figure 1).

Figure 2: Evolution of savings (2005-2012)



Source: FIARE 2011, 2012.

The non-profit identity of FIARE attracts other interested groups (such as partners, suppliers, customers, volunteers etc.) that are not looking for financial revenues, ensuring the sustainability of the project. It also enables the creation of relationships among agents of the social and solidarity network, which is a very important support. For example, FIARE shelters on the potential offered by this net of stakeholders to provide sufficient guarantees required by a loan.

Finally, we mention that FIARE has some institutional support that underwrites and legitimizes the project. Several municipalities or public entities have deposits or are FIARE partners. This link is important because on the one hand, it creates commitments with such alternatives and on the other hand, builds trust and recognition. Similarly, it is noteworthy that FIARE does not depend on these public influences thanks to its system of one person one vote, ensuring the autonomy of the project and a non-subordination to interests of a particular investor.

Weaknesses

In general terms, it is highlighted the high economic and financial risks existing in this type of activity. Many organizations that contact FIARE to ask for a credit do not have the guarantee of a steady income, and they are more likely to have difficulties to pay back the loan. Additionally, the majority of them belong to social sectors, precisely the ones that may be more vulnerable in our times of economic crisis, and all this inevitably also affects the financial stability of FIARE.

FIARE recognizes the right of these groups to credit because they are cornerstones for the creation of a more just and equal society, but that should not mean risking without control the savings of depositors. That is why strict financial criteria need to be taken into account, together with ethical guidelines. Even though its goal is not to maximize profits, FIARE must be economically sustainable in order to continue providing service in the future to others who might need it.

On the other hand, if we pay attention to the total trading volume of the financial market or the quantity of products offered by other banks, we could state that the current activity is little significant. All this is due to several reasons, but primarily because it is an innovative project that is positioned as an alternative to traditional banking. When an idea is new and unknown by the potential customers, it is seen with great prejudice, and more in this area, where they can see their savings at risk. Note that the vast majority of citizens do not know these alternatives, and when they hear something about FIARE, they are reticent and react normally with some degree of mistrust.

So far, FIARE works as an agent of BPE, so it is subject to the laws and products of the Italian bank and it reduces the level of autonomy. For example, all contracts of deposit subscribed by customers need to be sent to Italy, a long bureaucratic process that normally takes more than a month. Regarding savings products, they are scarce (FIARE currently offers only 5 different deposits) and do not cover all the needs of their customers. Also, interest rates offered are lower than those of traditional banks, and that can be an additional handicap, although customers normally do not invest in FIARE deposits to speculate.

Finally, another element to consider is that the role of financial intermediation provides only economic resources. Although this money is put to the service of justice, it will always be insufficient to meet all the needs and rights not granted to individuals and groups excluded. It is true that financial resources are important, but not enough. It is essential to create solidarity networks that help to complement a multidimensional and comprehensive project like this.

Opportunities

While the financial and economic crisis has led to a relevant tightening of the conditions of access to credit for many people and social organizations, the ethical banking sector in Spain has grown 59% in 2012, placing savings volume above 915€ million (FETS 2012). If we compare this figure with the total amount of capital in hands of traditional financial institutions, we realize that it is very small. However, at the same time, we cannot deny that the rhythm of growth experienced lately by Spanish ethical banks is very significant.

The fact that the FIARE project has had a positive development also encourages people to believe that other alternatives are possible. Successful proposals and actions trigger optimism, especially needed in an arena full of uncertainty. Thereby, alternatives like FIARE create the necessary impulse to believe and reinforce the idea that it is possible to reverse the crisis under another development paradigm.

Little by little, the financial literacy is increasing. In fact, there is a greater and greater willingness of citizens in order to try to understand what Ethical Banking is. It seems that the major banking scandals have allowed many people to be outraged and move to search other financial alternatives. This growing interest is directly reflected in the increase of invested social capital in recent years and with the growing number of requests for funding.

Looking ahead, the initial objective of creating the credit cooperative with a Spanish banking license is closer than ever. In 19 May 2012, the entry of FIARE in BPE was accepted with great consensus in the FIARE State Assembly held in Madrid. This process is planned for 2014, with the establishment of an ethical bank credit union shared between Italy and Spain, linking social and capital bases. This step will be a great opportunity for FIARE, as it will become the fifth area of BPE with three operational offices and tight to the Spanish legislation. After integration with BPE, FIARE may offer products such as saving accounts and that will allow offering full financial services that will encourage the transfer of citizens from traditional banking to ethical banking.

Threats

The threats are related to the perceived dangers of the environment that can stagger the project. FIARE is integrated in a society in which individual values are deeply rooted in the imagery and ideals of people, vanishing the pursue of common values. Today, critical and independent thinking is not encouraged; quite the contrary, cultural and economic hegemony in a way prevents the development of reasoning which tries to understand what is happening around and the motives and reasons hidden underneath. The FIARE project needs critical and committed people, but the settings and the circumstances do not seem to work in favour, especially in the uncertain context of nowadays.

The claim to adopt values of solidarity and defence of the common good has high entry barriers. Much of the population does not know this kind of alternatives because there are not many references in the sector. Furthermore, in recent years products classified as "ethical" or "solidarity" have arisen within the discourse of CSR as a mere commercial strategy. Thus, the risk to discredit new initiatives that actually meet ethical principles as FIARE is high, and all this can lead to scepticism or rejection of the citizenship.

On the other hand, it is pertinent to examine other cases that were born with great enthusiasm but have dissipated its founding principles as they grew. These experiences, such as savings banks in Spain, worked with clear growth strategies and have had severe problems to respond to the mission and values that shaped them in their infancy. FIARE is aware of this and that is why it is considering other ways to grow. To avoid falling into previous errors, growth requires closeness to the realities of exclusion, through the involvement of local and regional networks that exist in each place. This growth strategy entails some handicap or risk since a solidarity network is not very easy to build, but it is also true that it is still more difficult to lose that potential once built.

5. CONCLUSION

This paper is a tentative to introduce ethical banks as a tool for social transformation, specially targeting the problem of financial exclusion, because it represents a key source of inequality that policy-makers (to varying degrees) have sought to address.

The current financial crisis provides a unique opportunity to reform the financial system towards a new model, less dependent on short-term financial profits and more oriented to meet the urgent social and economic needs of communities around the world. Although they were not born as a response to the crisis, ethical banks have experienced a significant growth lately and they are now seen as a real alternative to the traditional financial market.

At this point, ethical banking faces a challenging future. It is expected to fulfil the demands of a mounting population (those who are excluded or not satisfied with current service provided by mainstream financial system) without losing its original principles. This situation requires a deep analysis of the current situation that will enable to set a coherent and efficient strategy for the oncoming uncertain future.

With that purpose, a SWOT analysis was performed throughout this work that has revealed encouraging results for FIARE, a local ethical bank. Despite having weaknesses that must be considered, FIARE may be seen as an instrument for social transformation, deeply rooted on both latter words:

- `social´, because it is based on people and targets people. FIARE is an alternative to generate a people-centred development, through network creation and a democratic participation.
- and `transformation´, since FIARE seeks to build a new society under new parameters. All its processes are framed in spreading and strengthening a socioeconomic system that places the economy at the service of the people and not vice versa.

In this paper, special attention was paid to financial exclusion. Undoubtedly, it is one of the most worrying problems worldwide, both in the so-called developed and developing countries. In this sense, ethical banks could be key potential agents to tackle this issue. If we analyse the case of FIARE, the funds collected are invested in projects that are distributed as follows:

Table 3: 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%**

Source: FIARE, 2012.

As we can see, over 80% of the capital is destined to start or enhance programs that contain strong social elements. Specifically, the battle against financial exclusion could be classified among the projects that aim to promote the social integration of those citizens that lack or have difficulties to access financial resources.

Therefore, we can conclude that FIARE can be ranked as a solid ethical bank that works for a social transformation, where financial inclusion could be considered as one of its main priorities. However, this is only a theoretical statement I dare to make. This paper constitutes 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.

Financial support is a key factor for an efficient and meaningful social transformation to be successful, but it cannot be an isolated strategy. It requires being combined different strategies with other local development actors in order to provide integral responses to the real needs of individuals and groups at risk of social exclusion. Hence, the role of ethical banks may be one step more towards an international "social market" where all initiatives of social economy could work cooperatively to consolidate a new society based on solidarity (Razeto 1999) and human principles (De Castro 2013).

Acknowledgments

Special thanks to Alaia Berriozabal for her help and support in the elaboration of the SWOT analysis.

REFERENCES:

Alsina, O. (coord.) 2002, *La Banca Ética: mucho más que dinero*. Barcelona: Icaria.

Anderloni, L. and Carluccio E. M. 2007 "Access to Bank Accounts and Payment Services", in Anderloni, L., Braga, M. D. and Carluccio E. M. (eds.) *New Frontiers in Banking Services*. Berlin: Springer.

Avery, R. B., Bostic, R. W., Calem, P. S., Bryant, K. A., and Matson, J. E. 1999 "Trends in Home Purchase Lending: Consolidation and the Community Reinvestment Act", *Federal Reserve Bulletin*, *85*(2), pp. 81–102.

Benedikter, R. 2011 "European Answers to the Financial Crisis: Social Banking and Social Finance". Stanford: *Spice Digest*, Spring 2011 (07-08-2013, http://spice.stanford.edu).

Boyce, G. 2000 "Valuing customers and loyalty: The rhetoric of customer focus versus the reality of alienation and exclusion of (devalued) customers", *Critical Perspectives on Accounting*, *11*(6), pp. 649–689.

Byrne, N., Mccarthy, O. and Ward, M. 2007 "Money-Lending and Financial Exclusion", *Public Money & Management*, *27*(1), pp. 45–52.

Carbo, S., Gardener, E. P. M. and Molyneux, P. 2007 "Financial Exclusion in Europe", *Public Money & Management*, *27*(1), pp. 21–27.

Carboni, V. 2011 "Banking on ethics", *CRBM*, *11*(3), pp. 1–37.

Caskey, J. P. 2002 "Bringing unbanked households into banking system", *Capital Xchange*, (January).

Collard, S. 2007 "Toward Financial Inclusion in the UK: Progress and Challenges". *Public Money & Management*, *27*(1), pp. 13–20.

Collard, S., Kempson, E., and Whyley, C. 2001 *Tackling financial exclusion. An area-based approach*, Bristol: The Policy Press.

De Castro Sanz, M. 2013 "Banca Ética: ¿es posible?" *Dossieres EsF*, *8*, pp. 4–9.

De Clerck, F. 2009 "Ethical banking", *Ethical Prospects*, pp. 1–13.

De la Cruz, C., Sasia, P. M. and Garibi, J. 2006 "Lo que debe ser y es una banca ética", *Lan Harremanak*, *I*, pp. 175–204.

De la Cuesta Gonzalez, M. 2007 "Finanzas socialmente responsables y microfinanzas: Razón de ser, instrumentos y contribución al desarrollo sostenible", *Anales de la Universidad Metropolitana*, *7*(2), pp. 15–50.

Demirguc-Kunt, A. and Klapper, L. 2012 *Measuring Financial Inclusion The Global Findex Database*. Policy Research Working Paper 6025. The World Bank.

Devlin, J. F. 2005 "A Detailed Study of Financial Exclusion in the UK", *Journal of Consumer Policy*, pp. 75–108.

Drakeford, M. and Sachdev, D. 2001 "Financial exclusion and debt redemption", *Critical Social Policy*, *21*(2), pp. 209–230.

European Commission 2008 *Financial Services Provision and Prevention of Financial Exclusion*, Directorate-General for Employment, Social Affairs and Equal Opportunities.

European Commission 2010 *Financial exclusion in the EU. New evidence from the EU-SILC special module*, Directorate-General for Employment, Social Affairs and Equal Opportunities.

European Commission 2012 *Retail Financial Services*, Special Eurobarometer 373 / Wave EB76.1, TNS Opinion & Social.

FETS 2012 *Baròmetre de les finances ètiques i solidàries 2012*. Barcelona: Finançament Ètic i Solidari and Observatori de les Finances Ètiques.

FIARE 2011, *Memoria 2011* (10-09-2013, http://www.proyectofiare.com/web/es/actualidad/memorias-anuales).

FIARE 2012, *Memoria 2012*, (10-09-2013, http://www.proyectofiare.com/web/es/actualidad/memorias-anuales).

GABV 2012 *Strong, Straightforward and Sustainable Banking: Financial Capital and Impact Metrics of Values Based Banking*. Zeist: The Rockefeller Foundation / Global Alliances for Banking on Values.

Gloukoviezoff, G. 2004 "De la bancarisation de masse à l'exclusioin bancaire puis sociale". *Revue française des affaires sociales*, *3*(3), pp. 9–38.

Hill, T. and Westbrook, R. 1997 "SWOT analysis: It's time for a product recall". *Long Range Planning*, *30*(1), pp. 46–52.

Kempson, E. and Whyley, C. 1999 *Kept out or opted out? Understanding and combating financial exclusion*. Bristol: Policy Press.

Kempson, E., Whyley, C., Caskey, J. and Collard, S. 2000 *In or out? Financial exclusion: a literature and research review* (Vol. 3). London: Consumer Research Report 3.

Kempson, E., Atkinson, A. and Pilley, O. 2004, *Policy level response to financial exclusion in developed economies: lessons for developing countries*, Bristol: The Personal Finance Research Centre.

Kempson, E. and Collard, S. 2012 *Developing a vision for financial inclusion*. Dorking: Friends Provident Foundation.

Leyshon, A. and Thrift, N. 1995 "Geographies of financial exclusion: financial abandonment in Britain and the United States", *Transactions of the Institute of British Geographers, New Series*, *20*(3), pp. 312–341.

Morrison, P. S., and Brien, R. O. 2001 "Bank branch closures in New Zealand: the application of a spatial interaction model", *Applied Geography*, *21*, pp. 301–330.

Razeto, L. 1999 "La economía de solidaridad: concepto, realidad y proyecto", *Persona y Sociedad*, *13*(2), pp. 1–14.

San Emeterio, J. and Retolaza, J. L. 2003 "¿Existe espacio para una banca ética?" *Lan Harremanak*, *9*(II), pp. 127–163.

San-José, L. and Retolaza, J. L. 2007 "Análisis comparativo de la banca ética con la banca tradicional: identificación de indicadores". In: J. L. Ayala (Ed.), *Conocimiento, innovación y emprendedores: camino al futuro*, pp. 1104–1118.

San-José, L., Retolaza, J. L. and Gutierrez-Goiria, J. 2011 "Are Ethical Banks Different? A Comparative Analysis Using the Radical Affinity Index", *Journal of Business Ethics*, *100*(1), pp. 151–173.

Sasia, P. M. and De La Cruz, C. 2008 *Banca ética y ciudadanía*, Madrid: Editorial Trotta.

Tischer, D. 2013, "Swimming Against the Tide: Ethical Banks as Countermovement". In: *CRESC Working Paper Series*. Walton Hall: The Open University.

APPENDIX 1: SWOT Analysis

STRENGTHS	WEAKNESSES
1. High participation and commitment of the members. 2. Development through horizontal networks. 3. Democratic running and in hands of the citizenship. 4. Proximity to the principles and values of social and solidarity economy. 5. Strong growing social capital. 6. Economic balance between loans and savings. 7. Contact with other organizations through the solidarity economy network. 8. Guarantee of stakeholders to take risks. 9. Some institutional support. 10. Not subject to interests of a particular investor.	1. High concentration of risk. 2. Financial viability. 3. Low volume of transactions compared to the global market. 4. Dependency of the Italian regulation. 5. Slow resolution times. 6. Low supply of savings products. 7. Lack of resources and capacity to meet all demands. 8. Interest rates offered are lower than those of traditional banks 9. Insufficient financial resources by themselves to transform the society.
OPPORTUNITIES	**THREATS**
1. The Ethical Banking growth in Spain (59% in 2012). 2. Successful actions trigger optimism and desire to innovate. 3. Possibility to reverse the crisis under another development paradigm. 4. Rising financial literacy. 5. Increasing recognition. 6. The discontent of the citizens due to the financial sector scandals. 7. Growing number of funding requests. 8. Possibility to offer from 2014 on full financial services.	1. Individual values rooted in people (difficulty to create citizen awareness): fear, passivity, individualism. 2. Uncertain context. 3. Prejudices and entry barriers: great ignorance of such alternatives among the citizenship. 4. Few referent models in the sector. 5. Disrepute: The use of the term "ethical" by traditional financial institutions can confuse the public. 6. Rapid growth that makes difficult to maintain ethical principles.