SOCIALLY RESPONSIBLE INVESTMENTS AMONG SAVINGS BANKS AND CREDIT UNIONS: EMPIRICAL FINDINGS IN THE SPANISH CONTEXT

by
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ABSTRACT**: *This article examines the socially responsible offer of savings banks and credit unions in Spain. In particular, it has been analysed their perceived commitment with socially responsible investments, their product portfolio, their marketing strategy, and their reported forecasts of future growth. The findings lead us to conclude that a socially responsible market in Spain is at an introductory stage among credit unions, and at a growth stage among savings banks. The paper outlines managerial implications for marketing managers so as to reap the potential benefits derived from this approach to investment.*

1 Introduction

Socially Responsible Investments (SRI) have considerably expanded in Western countries, although large differences are

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** *Résumé en fin d'article; Zusammenfassung am Ende des Artikels; resumen al fin del artículo.*

observed among countries (Bartolomeo and Familiari 2004, European Social Investment Forum 2004, Schueth 2003). Whilst in the US, they account for 11 per cent of the total mutual fund market, in Spain only 0.20 per cent of mutual funds are managed in accordance with the SRI principles.

There is an absence of studies examining the weak growth of SRI in Spain. Although there is an annual study of SRI, conducted by ESADE Business School (ESADE, 2001, 2002, 2003, 2004), this panel focuses on one type of product (mutual funds), despite the fact that there are other financial products using a SRI approach. Presently, the concept of SRI, traditionally linked to 'mutual and pension funds', has now expanded to include other responsible financial products, such as deposits, debit cards, or current accounts. To our knowledge, no study has analysed the current supply of SRI products.

In addition, no study has analysed whether Spanish social economy entities have embraced the objectives of SRI. Yet, these entities (savings banks and/or credit unions) have played a central role in fostering the SRI market in other countries, by promoting responsible ethical products (e.g. The Co-op Bank in the UK) or by creating ethical screening agencies (e.g. the Caisse des Dépôts et Consignations and the Caisse d'Epargne in France created ARESE). This study intends to unveil whether Spanish savings banks and credit unions have adopted the SRI principles and how this has affected their portfolio. By surveying these entities, this research will help to explain the dynamics of the Spanish SRI market in order to understand better why it has fallen behind other European countries.

The research question that prompted this paper is based on the assumption that savings banks and credit unions could have a stronger commitment to SRI, due to their statutory mission. In contrast to banks, social economy entities pursue a twofold aim: economic and social. Both organizations share a commitment to the communities in which they operate. This commitment permeates their business model in two ways. First, these entities have traditionally donated a share of their profits to several projects beneficial for the community.[1] Second, both organizations have traditionally targeted

1 Savings banks must give away all their profits after setting apart statutory reserves at least 50 per cent of their profits after taxes (*Decreto 14 March 1933; Ley 31/1985, de 2 de agosto, de regulación de las cajas de ahorros*). Credit unions must give away 10 per cent of their profits after taxes (what is known as *Fondo de Educación y Promoción*) (*Ley 13/1989, de 26 de mayo, de Cooperativas de Crédito*).

groups financially excluded from mainstream credit, and/or have contributed to foster industries with a high social impact in the communities where they operate, credit unions being specifically oriented towards rural development.

It goes beyond the scope of this paper the presentation of a rationale why these entities should or should not engage in SRI. Yet, given their mission, history, and previous commercial strategy it is plausible that these organizations may deepen their social commitment by promoting socially responsible financial products.

Through a self-administered questionnaire mailed to credit unions and savings banks, this paper intends to describe their current portfolio of SRI-related products, the marketing and financial strategy for these products, the weight these products have in their portfolios, and their perceived forecasts of growth for the future.

This paper is structured as follows. First, the background section explains the Spanish context for SRI. Second, in the methodology section the objectives, variables analysed, sampling method and sample size are described. Third, the main findings are presented in the results section. Finally, these results are integrated with those of previous research and the managerial implications are discussed.

2 SRI in Spain

There is no clear definition of SRI in Spain. The definition used by scholars (e.g. Cuesta et al. 2002, Valor 2005) coincides essentially with the definition used by academics worldwide. SRI is 'a set of approaches which include social or ethical goals or constraints as well as more conventional financial criteria in decisions over whether to acquire, hold or dispose of a particular investment' (Cowton 1994 (in Cowton 1999)).

However, practitioners have not agreed upon a definition. The code 'Circular' issued by INVERCO (Group Investment Institutions) and approved by the Spanish Supervisory Committee of the Stock Exchange (CNMV) in November 1999, is the only regulatory framework for SRI, although it only applies to mutual funds. This document established differences among three types of SRI funds (ethical funds, green funds, and sharing funds), but failed to provide a definition of SRI.

This difference has been followed by the standard 'Experimental Spanish Standard on Ethical Requirements for ethical and socially responsible financial tools' (UNE 165001:2002 EX)[2], launched by AENOR (Spanish Association for Standardization and Certification) in June 2002, and applicable to any SRI product. AENOR defined SRI as any product that combines non-financial criteria (namely, socially responsible and ethical criteria) with those financial (i.e. risk, liquidity, and profitability).

According to the 'Circular', ethical funds use positive or negative criteria to screen out certain companies from the portfolio. Environmental funds are a specific type of ethical fund that only use environment-related criteria for the screening process. Sharing funds donate part of their management fees to various social organizations (e.g. charities, NGOs, communities). Sharing funds are a specific type of community investments, since no criteria (positive or negative) are used to guide the investment. Community investing is more frequent in Mediterranean countries than in the rest of Europe (European Social Investment Forum, 2003). Yet, there is a remarkable difference between sharing funds and the traditional community investment strategy: sharing funds donate part of the fee; in other community investments products (e.g. Triodos Bank deposits), all the assets are invested in projects or companies that are beneficial for the community.

The INVERCO 'Circular' proposed guidelines to ensure the quality management of ethical funds. These procedures were also included in the AENOR standard, albeit extending the guidelines to any type of socially responsible financial product. These procedures apply specially to ethical products rather than sharing funds. Financial managers have two main options: set up an ethical committee or benchmark the product against an ethical index (e.g. Footsie4Good or Dow Jones Sustainability Index). Committees must be formed by representatives of the financial organization (internal committee) or by independent agents (external committee). Committees must seek quality information to guarantee that the exclusionary and positive criteria are met. Either they outsource ethical screening agencies (e.g. EIRIS, SiRi Company or Sam Group) or they conduct the research by themselves, but using quality sources of information (i.e. audited sustainability reports or ethical management standards awarded by an independent party).

In Anglo-Saxon countries, religious groups have been the initiators and catalysts of socially responsible investments (Guay et al.

2 http://www.aenor.es/desarrollo/normalizacion/normas/fichanorma.asp (accessed 30 November 2005)

2004, Kreander et al. 2004, Sparkes and Cowton 2004). In Spain, the origins of SRI are also linked to religious organizations. The first ethical funds were launched by Grupo Santader (BSCH) in the mid-90s, targeting religious Catholic orders. Yet, SRI development began in the late 1990s, with the entry of the first retail ethical funds in 1999 (some of them using only environmental criteria), and some community banking projects (i.e. micro-finance).

As we write this paper, the SRI market in Spain is still at an early stage of development, compared to the rest of Europe. It is important to bear in mind that studies on SRI either in Spain or in Europe only describe ethical mutual funds. Since no figures can be found about other SRI products, the following review will focus on the socially responsible mutual fund market.

While the institutional market represents in Europe €336 billion in 2003, in Spain it represented €0.08 billion (0.023 per cent of the total European institutional market) (European Social Investment Forum 2003). Retail SRI funds assets total €74 million in June 2004, which accounts for 0.39 per cent of the total European retail market (Bartolomeo and Familiari 2004). Countries such as the United Kingdom, Sweden, France and Belgium are the leading European countries (accounting for about 64.4 per cent of the ethical retail funds available in Europe in June 2004). The United Kingdom accounts for 36.2 per cent of total European SRI retail assets. Italy and Sweden rank second and third respectively with shares higher than 10 per cent (Bartolome and Familiari 2004).

In Spain, the number of funds being traded, especially the number of ethical funds, has increased considerably since 2000, whilst the assets have experienced a more steady growth (Bartolomeo and Familiari 2004, ESADE, 2002, 2003, 2004, 2005, European Social Investment Forum 2004). During the stock market crisis of 2002 and 2003, SRI funds decreased to €210000. In 2004 there were 29 ethical funds (8 of them are also sharing funds), of which 18 are foreign mutual funds. There were also four purely sharing funds. In the mid 2000s a new phase started with the launch of products not labelled as 'ethical', but as 'sustainable' (i.e. they followed the so-called best-in-class strategy) (Fernández 2005). The new mutual funds created are benchmarked against an ethical index (i.e. Footsie4Good) or they use the services of ethical rating agencies (i.e. EIRIS or Innovest) (ESADE 2005).

This having been said, it is worth mentioning that the mutual fund market is also at a developing stage. The mutual funds market began in 1991, coinciding with the reform of the taxation law, which allowed favourable fiscal deductions (Calvo et al. 2005). This led to a remarkable increase in assets, from 2 per cent of GDP to 30 per cent in 2004 (€238000 millions, of which 58,000 are money-market funds). Despite this increase, the market has not reached the mature stage. Nearly 4 out of 10 Spaniards have purchased an investment product; in Germany, there are twice as many (Bonachela 2006). Therefore, there is room for growth.

Banks hold a market share of 75 per cent of assets and 90 per cent of investors (Calvo et al. 2005). Savings banks and credit unions are competing with each other and against banks to increase their market share in the growing segment of 'the wealthy young'. They realize they have to find new market niches if they want to grow in a very competitive and saturated market. Spain enjoys one of the largest and most dense banking networks in the world: currently, there is a branch per 715 individuals and more than 55,000 ATMs for a population of 42 millions, according to the Banco de España (Palomo and Valor 2003, Palomo 2004). Competitive pressure is specially harsh from savings banks, given that they have a much larger branch network (22,000 branches) than banks (14,000) or credit unions (4,800). Apart from this competitive advantage, savings banks are currently promoting a social positioning, based on donations made. As a part of this strategy, they are introducing socially responsible products, especially sharing products, in their portfolios.

However, banks are still the leaders of the SRI market in Spain, for several reasons. Firstly, the two largest Spanish financial entities (Grupo Santander and Grupo BBVA) have jointly the majority of the mutual fund market. These companies launched the first ethical and charitable products in Spain. Besides, they are more oriented towards innovation either in products or in operative processes, which help introduce SRI products in the market. In contrast, credit unions and savings banks have traditionally pursued the me-too strategy, also regarding SRI supply (Palomo and González 2004).

The star SRI product in the financial industry is the mutual fund. Spanish investors have limited knowledge of existing financial products. The intense communication campaign carried out by financial entities to promote mutual funds has led investors to favour deposits and mutual funds rather than other investing products. In addition, the number of national and international entities marketing mutual funds have favoured a preference for SRI mutual funds, rather than other financial products.

To target this growing market, savings banks created a fund manager (Ahorro Corporación). This company, an affiliate of the 46 savings banks, develop and trade a wide range of funds. Savings banks use their large commercial network to distribute these products. 73 out of the 83 Spanish credit unions created the corresponding organization called Banco Cooperativo Español, S.A. Apart from other tasks, this company act as a fund manager for credit unions, through the affiliate Gescoperativo. This strategy allowed small and medium credit unions and savings banks to target the growing mutual fund market, since it does not jeopardize profitability thanks to the economies of scale obtained and reduced transaction costs (Mateu and Palomo 2005).

In the past five years other responsible financial products have been created. Among them, it is worth highlighting micro credits. Microcredits have been traditionally used in developing countries to encourage employability among those financially excluded from conventional banking. Since Graamen Bank in Bangladesh started this formula, microcredits have been adopted by different types of financial firms and by NGOs (Von Pischke 2002). However, growing inequalities in developed countries have led to introduce this type of loans in Western countries, targeting several segments (e.g. immigrants, long-term unemployed, or female entrepreneurs).

In Spain, these types of operation began formally in 2001. They have experienced a considerable growth, from 1.1 millions € in 2001 to 32.7 millions in 2004. On average, the loan ranges between 8,000 and 25,000 €, repayable in 3–5 years, at an interest rate of 4–6 per cent. They all have in common the fact that creditors are not demanded collaterals, and do not have to pay fees. The recipients are women (61 per cent) or immigrants (35 per cent) (Foro Nantik Lum 2005).

Microfinance institutions can be grouped into two large types: financial and non-financial entities. These are frequently trusts or charities such as the World Bank for Women, ICO, Fundación Un Sol Mon, INCYDE, Fundación ONCE, or SECOT) (Ballesteros et al. 2005). Among financial organizations, those linked to the Social Economy have played a major role in promoting these loans (Gutiérrez Nieto 2005). Savings banks were the pioneers in launching microcredits as part of their business portfolio. Spanish Savings Banks alone have given out 3,000 micro-credits, which total €25 million.[3] Credit unions have informally followed the microfinance principles, offering small

3 Press release, CECA, 14 April (www.ceca.es)

loans without collaterals and with favourable terms of repayment, especially in the rural areas (Gutiérrez Nieta 2005).

3 Objectives and methodology

Given the lack of previous studies, the aim of this paper is to offer some insights into SRI supply of savings banks and credit unions, that is, of social economy entities in the Spanish financial industry. More specifically, this paper aims to describe their perceived commitment to the SRI goals; their SRI supply (marketed products, total assets, SRI strategy, marketing strategy and types of customer); and their perceptions vis-à-vis SRI future growth in Spain.

Given its descriptive nature, to meet the research objectives a quantitave approach was used. A structured, self-reported questionnaire, addressed to the marketing manager, was sent to savings banks and credit unions (called Cajas Rurales in Spain). Addresses were taken from two Directories (Directorio de Cajas de Ahorro; Directorio de Cooperativas de Crédito Rurales).[4] The structure of the questionnaire and variables measured are described in turn.

Industry and organizational commitment to SRI. Interviewees were asked to assess to what extent social economy entities should be committed to SRI development. They were also asked to assess their perceived organizational commitment to SRI development. For both questions, a 10-point scale was used. In addition, they were questioned about the number of years trading SRI products.

Current SRI supply. Participants were asked to enumerate the currently traded SRI products. For each product, they were asked to indicate its type (ethical, sharing, or community investment) and a short description of attributes. These attributes were, for ethical products, the strategy used (positive or negative screening) and the criteria used for the screening; for sharing products, the amount and recipient of the donation; for community investment, the purpose (industry or type of recipient) and the main conditions (no collaterals, lower interest rates, and/or flexible schedule for repayment).

In addition, interviewees were asked how they conducted the screening process, by choosing one of the following options:

4 These two Directories are also available on line (www.ceca.es; www.unacc.es)

in-house research, external committee, social rating agencies (such as EIRIS), or benchmarking against ethical indexes (such as FTSE4Good).

SRI weight in portfolio. Participants were questioned about the percentage of SRI-related revenues over total revenues and the percentage of microcredits over total credits.

Marketing strategy. Participants were asked to indicate the percentage of total marketing budget allocated to SRI products promotion and the means used for promotion and distribution of these products (multiple choice question).

Customer profile. Interviewees were asked to identify their main customer of SRI products (individuals, companies, or non-profit organizations) and to provide a basic profile of individuals demanding SRI products in their entities by indicating their gender, age, income, and education level. Finally, they were questioned about their perceived obstacles for demand growth: lack of awareness, lack of trust, or perceived lower profitability (multiple choice question).

Perceived future growth of the Spanish SRI market. Participants were asked about their perceptions of future growth of the SRI market in Spain. More specifically, they were asked to assess the growth of the global and specific demand.

To stimulate the response rate, two strategies were used: a reminder was sent by post and email a month after the first sending. The organizations that did not reply were called and marketing managers were offered the option to fill out the questionnaire by phone. The valid sample was of 30 savings banks (response rate of 65 per cent) and 63 credit unions (83 per cent). The fieldwork was carried out during 2004. The information about products was updated in June 2005, contacting marketing managers by email and phone.

Financial data of these organizations were obtained from the Intertell database. Specifically, three variables were used to categorize the entities: total assets, number of employees and number of branches. Yet, to run t-tests, (total assets and number of branches) two variables were used. They were turned into a three-category variable by using percentiles. The t-tests show that there are no differences between respondent organizations and non-respondent (p-value > 0.100) vis-à-vis the variables used for categorizing the entities. On average, respondent organizations have assets totalling €3,317 million and 620 employees.

4 Results

Industry and organizational commitment to SRI

More than half of the participant organizations believe that credit unions and saving banks should be more committed than banks to SRI development. Yet, 2 out of 10 entities do not believe that social economy entities must exhibit a stronger commitment. Differences between savings banks and credit unions are statistically significant (p-value = 0.000): savings banks report having a stronger normative commitment to SRI than banks (mean = 8.14), whilst credit unions do not perceive such a commitment (mean = 6.22). 44 per cent of surveyed organizations believe that it is important for their organization to promote this type of product. On average, promoting SRI products is more important for credit unions, although the difference is not significant (p-value = 0.899).

As regards the history of these products, two credit unions report using socially responsible criteria for giving out credits since their foundation. On average, credit unions report a longer history of commitment with SRI (mean = 9.86) than savings banks (mean = 4.21 years). A clear peak in 2000 is observed, specifically among savings banks. However, the heterogeneity among respondents is very high, given that the variation coefficient is higher than 100 per cent.

It is necessary to highlight that differences are observed over time vis-à-vis the products offered with a SRI approach. Savings banks started offering microcredits and charitable debit cards. Then they focus on mutual funds and more recently current accounts and deposits. Credit unions started with credits, then micro-credits, and, more recently, micro-credits and current accounts.

Current SRI policy

Fifty-five per cent of the organizations interviewed do not market any socially responsible product. Yet, participants offering SRI products have a very wide portfolio. Savings products range from very liquid assets (e.g. current and saving accounts or short-term deposits) to less liquid assets (mutual and pension funds). They also offered responsible credit products (micro credits) and payment products connected to SRI (credit and debit cards). Yet, the most common product across all organizations is a mutual fund.

As regards product types, the most common product are ethical products, followed by community investment and sharing or charitable products. A strong atomization is observed vis-à-vis the recipients of donations of sharing products: three charities (Oxfam Spain, Red Cross, and the saving bank's trust) receive most of the donations. As regards the community investment products, recipients vary. Most organizations report favouring local or rural development, groups financially excluded (e.g. immigrants) or disabled entrepreneurs.

The number of products self-labelled as 'ethical' by participant organizations casts doubt on these self-reported descriptions. Hence, to increase validity, these responses were contrasted by reviewing their websites and the brochures deposited at Banco de España and the CNMV. This validation offered new findings, that helped understand the notion of SRI shared by savings banks and credit unions. First, these figures do not imply different products. Since most of the respondent organizations are small, they trade products created and managed by other financial managers. As explained in section 2, these financial managers are actually an affiliate company created and participated by the savings banks (e.g. Ahorro Corporación) or the credit unions (e.g Gescoperativo), for performing general services.

Second, it is remarkable the confusion and misunderstanding about the different types of SRI. Although the regulatory framework (the aforementioned 'Circular') clearly defined three types of SRI products and although the questionnaire included a set of definitions taken from this norm, marketing managers have included as 'ethical' financial products that are, in fact, sharing or charitable. That is, these products do not use exclusionary or positive criteria, but they donate part of the fee to a charity. It is also worth mentioning that some organizations could not name the products being offered or report not having an informative brochure. That is, some products do not comply with the regulatory framework defined by INVERCO. Finally, some organizations say that all their products are 'ethical' because the entity is a saving bank or a credit union. This handwritten quotation on one of the questionnaires is very illustrative of this confusion:

> *In our organization, the trust* [fondo de obra social] *implies an indirect way of rendering all our products ethical, since the profits obtained are reinvested in the communities where we operate*

As regards the ethical management of the products, most organizations resort to internal committees (21 entities, accounting for 22.8 per cent of respondents currently trading a responsible product). That implies that the screening process is carried out internally, including the search for information. Ten participant organizations use an external committee. Three entities use both internal and external committees. Only one organization benchmark their products against an ethical index. All of the credit unions use internal committees and do not report using external sources of information for the screening.

SRI weight over portfolio

On average, these products account for less than 1 per cent of their portfolios (which totals €85 million managed following SRI principles). For 2 out of 10 entities, they represent between 1 per cent and 5 per cent. For one organization (a credit union) the 'responsible supply' account for more than half of total assets. Micro-credits have a similar share of total assets. For 16 organizations they represent less than 1 per cent of portfolio; 1–5 per cent for 6 entities and 6–20 per cent for 3 organizations. The t-tests revealed no significant differences among entities (p-value > 0.05).

More specifically, the weight of microcredits over total credits is very limited. 73.1 per cent of total respondents do not offer this product. More than half of them are credit unions (60 per cent). For those marketing this product, microcredits represent less than 5 per cent of total credits for 70 per cent of the organizations.

Marketing plan for SRI supply

Most participant organizations (32) allocate less than 10 per cent of total marketing budget to promote SRI products. Four organizations report allocating 10–20 per cent of their marketing budget to these products. Two entities (savings banks) declare investing more than 20 per cent of total marketing budget for promoting these products.

As expected, there is a significant positive correlation between the marketing budget and its share of total portfolio (p-value = 0.000); i.e. the higher its share of total portfolio, the higher the budget allocated to promoting these products. Yet, given that correlation does not imply causality, it should be interpreted inversely: the higher the marketing budget, the higher its share of total portfolio. Despite the ambiguity of this finding, a positive correlation is an optimist sign for respondent organizations: it allows us to conclude that promotional expenses on these products are not wasted, since there is a relationship with turnover.

Most of the participant organizations (21 savings banks and 10 credit unions) do specific advertising and promotional campaigns for SRI products. The main distribution and promotion channels of these products are salespeople, Point-Of-Sale advertising or brochures, Internet or direct marketing (post). It should be noticed that none of the credit unions or the small savings banks uses Internet to promote these products.

Demand for SRI

The main customers of the marketed products are households and individual investors, followed at a great distance by companies, and, finally, charities and religious groups. Yet, social organizations are the main customer for two savings banks. More than half of the sample (92 per cent) are not targeting the institutional market.

In short, the profile of the responsible investor is a male, between 35 and 55 years old (for 7 out of 10 entities their customer-base fits in this segment), with low or medium income (82.76 per cent of responses) and education level (90 per cent).

Questioned about the perceived obstacles for increased demand for SRI products, participant organizations acknowledge that lack of awareness of these products is the main reason for the limited demand (39 per cent of responses). For credit unions, lack of awareness is the main obstacle to the growth of this niche. The second reason is distrust (11 per cent of responses), followed by the perception of poorer profitability (6.5 per cent). Several entities say that a combination of the previous reasons explains the limited demand for SRI products in Spain.

Forecasts

More than half of the surveyed organizations (61 per cent) forecast that global demand for SRI products would increase by less than 5 per cent in the next three years. 21 per cent believe that it may increase up to a 10 per cent. Only one entity believes that growth may exceed 30 per cent. Savings banks tend to forecast a higher growth (p-value = 0.000): 43 per cent of savings banks forecast growth between 11 per cent and 30 per cent, whilst the vast majority of credit unions (94 per cent) expect a growth not higher than 10 per cent. Organizations having reported a stronger commitment with SRI than banks forecast higher growth rates for the SRI market (Pearson correlation coefficient, p-value = 0.000)

In tune with previous findings, the majority of participant organizations (77 per cent) do not intend to increase their SRI portfolio in the near future. Savings banks are more likely to increase and further promote their SRI supply (p-value = 0.000), as well as small and medium organizations (p-value = 0.010).

Assuming promotion of these products in the next three years, surveyed organizations exhibit moderate optimism regarding the growth of assets for the entity. 42 per cent expect growth lower than 5 per cent; 3 out of 10 entities report expected growth between 11 and 30 per cent; only one entity expects growth higher than 30 per cent. Again, credit unions are less optimistic, expecting growth rates lower than 10 per cent (p-value = 0.079).

5 Discussion

In this section, the findings will be integrated with previous studies of the Spanish SRI market and will be compared with those of other European countries.

To begin with, most of the savings banks and credit unions are not marketing any SRI product. Considering the limited number of organizations with a SRI portfolio, it is remarkable the vast supply of responsible products, which contrasts with the limited assets accumulated by SRI products. Previous studies of ethical funds have shown that Spain ranks fourth in Europe in number of ethical funds, whilst 1th (the last of the surveyed countries) in assets (Bartolomeo and Familiari 2001).

It should also noticed that savings banks and credit unions are launching more SRI mutual funds than other types of financial products, although historically savings banks and credit unions have focused on loans to the financially excluded. Probably competitive pressures from conventional banks have forced them to promote the investment products of their portfolios, i.e. mutual and pension funds.

However, it should be highlighted that most participant companies do not share a definition of socially responsible investments. Their responses show that Spanish savings banks and credit unions tend to misunderstand the 'ethical' dimension of a product, confusing it with the 'sharing or charitable' dimension. This problem has been evident at other levels. Several authors have remarked that Spanish firms confuse corporate social responsibility with philanthropy (Melé 2004, Cuesta et al. 2002). It seems that a similar phenomenon occurs as regards financial products. Because they give away statutory donations, savings banks and credit unions believe their business model is ethical and responsible, disregarding their social and environmental performance. As a consequence, they are very lax in labelling the products marketed as ethical, even though they do not comply with the requirements of INVERCO or AENOR.

Second, the demographic profile of Spanish investors do not allow us to capture the differences in behaviour. The profile of responsible investors of these organizations is not very different from the profile found in other countries, such as the United Kingdom (EIRIS 1999, Lewis and Mackenzie 2000; Lewis 2002), United States (Rosen et al., 1991), or Australia (McLahan and Gardner 2004). Yet, the amount invested in SRI products is much more reduced. Therefore, there are other reasons for the limited growth of the SRI market in Spain.

The first reason indicated by respondent organizations is lack of awareness. Studies of Spanish consumers have reached the same conclusion (CECU 2005): more than 60 per cent of the sample has never heard of ethical or charitable financial products. These figures are not surprising, considering the limited budget for promotion allocated by participant companies.

The second obstacle for SRI growth is lack of trust. This was also found in a report of Spanish charities and religious groups: investors do not trust the 'ethical management' of the fund (Valor 2004). This lack of trust could have been heightened by the confusion between 'charitable' and 'ethical' among managers. This confusion has resulted in organizations marketing as ethical products sharing funds or sharing current accounts. This has obviously worsened the perception of the products among investors.

Besides, this perception is not misguided. Participant organizations do not meet the quality criteria defined in the INVERCO code or the AENOR standard. Other reports (e.g. CECU 2004) have also denounced the lack of information made available to investors vis-à-vis criteria used for the ethical screening or recipients of the donation. Therefore, customers´ lack of trust in the SRI supply seems well grounded.

Yet, an important difference should be highlighted as regards customers' profiles. The main customer of the products marketed in Spain are individual investors rather than institutional investors. However, in other countries (e.g. United Kingdom, Germany, Italy, or France) institutional investors such as charities, religious groups or employees pension schemes played a pivotal role in the SRI market's growth (European Social Forum, 2004). However, Spanish savings banks and credit unions at large are not targeting this segment. Hence, there is a potential market for the current SRI supply that have not been explored.

Third, the lack of awareness is the result of a poor marketing strategy. Participant companies are not investing sufficiently in these type of products or the marketing strategy is poorly defined and/or implemented, since even they recognize lack of awareness among their customer-base as the main obstacle for demand.

6 Conclusions

Participant organizations should be praised for their effort to introduce social and environmental criteria in their portfolio management, being responsive to consumers´ demands and encouraging community beneficial initiatives. Yet, the international trend suggests the development of other strategies of SRI: the use of negative criteria for screening out companies from portfolios (screening strategy); the use of positive criteria for favouring good social and ethical performers in the portfolios (preference strategy); the reinvestment of assets in beneficial community projects (community investing strategy) (EIRIS 1999, Schueth 2003). The strategies grouped under the 'socially responsible investments' movement go beyond donating part of the fee.

It is also remarkable their perceived commitment with SRI. Participant organizations, especially savings banks, acknowledge having a stronger commitment than banks; they recognize having an obligation to engage further in promoting these products. They also report that it is important for their organization to promote these products, given that it is in line with their positioning strategy. Therefore, taking all this into account, social economy entities, are in a good position to trigger demand for these products. Yet, most credit unions and one quarter of savings banks do not trade any SRI product.

The statutory particularities of these organizations explain the different approach towards SRI. Credit unions have a distinctive associative nature that results in an obligation to satisfy the financial needs of their members. Therefore, credit unions would promote SRI if their members demanded it. However, savings banks operate like a trust, managed by representatives of the community (i.e., regional governments, trade unions, local charities, and consumer associations). They must be loyal to customers, following the guidelines of the management board. That is why savings banks are better placed to promote these types of investment.

Although credit unions have a commitment to their members, they also have to compete in the market. This entails attracting other non-member customers. Enlarging their portfolio with SRI-related products would allow credit unions to differentiate, appealing to segments of the public not previously targeted by banks or savings banks. This would explain why credit unions acknowledge that enlarging their SRI supply would be beneficial for the organization.

In addition, there is no agency conflict among savings banks. In credit unions, profits are shared among members (either directly through payment or indirectly through higher statutory reserves), savings banks must allocate, at least, half of the net profit to reserves, giving away the rest through the trust (*fondo obra social*). Therefore, they have more flexibility to launch products, since they can tolerate higher risks. There is no principal-agent conflict in savings banks, since their main goal is to raise the welfare standards of the communities where they operate, via donations and via their product portfolio.

Several recommendations result from the findings of this study. First, savings banks and credit unions should increase the marketing budget and improve their marketing strategy to raise awareness among customers. The analysis of other countries (e.g. in Italy) (European Social Investment Forum 2004) shows that this market can reach a growth stage by opting for push strategies; that is, by pushing SRI products through commercial channels. Given the lack of awareness, a pull strategy would be a failure.

There are other groups (namely, NGOs and religious groups) promoting SRI in the Spanish society. Savings banks and credit unions could coordinate with civil society and consumer groups, national and local governments, for instance, through national SRI forums, the formula used in other countries, in order to make the public better understand this kind of investment, the variety of products available, and their financial, ethical, and risk performance.

To remove the second main obstacle to demand (the lack of trust), organizations should also improve their existing ethical products vis-à-vis the definition of criteria and the screening process. They must ensure that they incorporate the social demands into the ethical screening and inform in a transparent way about how the criteria are included and how the information from companies was obtained. They could try to obtain the label awarded by AENOR, by applying for the certification, since this label will increase their credibility among existing and potential investors and customers.

Yet, after three years of the certification process for SRI products, only two products have tried to get the AENOR label. In addition, research has shown that existing SRI products do not meet the INVERCO code requirements (CECU, 2004). However, the code does not establish an enforcement procedure, that is, a system of responsibilities and penalties in case of infringement of the code. As a result, it is impossible to ask for redress since there is no procedure to do so (Valor and Palomo 2003).

These two factors are an indication that private initiatives alone may not be of help in Spain to increase trust. Given the widespread confusion in practice about the meaning of SRI and the widespread distrust in the ways of putting it into practice, Spain needs a clear framework for both investors and managers so that the SRI market matures. Policy makers should promote transparency and accountability, by following the regulatory initiatives adopted by other European countries. At least, some minimum level of regulation must be introduced to force disclosure of the inclusion of SRI criteria in funds management, as it has occurred in other countries (Cuesta and Valor 2004). If the industry opts for self-regulation, it is necessary to introduce certain mechanisms, in line with the AENOR standard, that provide some guarantee about the ethical performance of SRI funds and financial products. The EUROSIF transparency guidelines for the retail SRI fund sector could be used as the basis for industry self-regulation. It is also essential to implement enforcement procedures in case of non-compliance.

The case analysis of other countries leads us to think that Spanish savings banks and credit unions may benefit from joining the SRI movement. They already have a solid social reputation that would give them a lead against bank competitors. Socially responsible investors would respond favourably to the creation of new ethical products; moreover, they would respond more favourably to organizations that have traditionally engaged in the triple bottom-line approach, since these organizations will enjoy more credibility.

Finally, as recent research (García de Madariaga and Valor 2004, Melé 2004) has shown, the growth in SRI assets has a positive and strong bearing on the CSR development in a country. Consequently, the promotion of SRI by these entities will reach a

Table 1 – Main statistics and variables used for t-tests

	Savings banks				Credit unions			
	Mean (S.D.)	Small (<percentile 25)	Medium (percentile 26–75)	Large (percentile > 75)	(S.D.) Mean	Small (<percentile 25)	Medium (percentile 26–75)	Large (percentile > 75)
Number of branches	329 (377)	<147	148-376	>376	139 (222)	<49	50-67	>68
Total assets	9,720,520,679 (14,629,010,557)	<2716836000	2716836001-9022407001	>9022407002	425,357,097 (704,657,915)	<41074000	41074001-546901000	>546901001

Source: data taken from the financial database Intertell (financial year 2003)

Table 2 – Supply of SRI financial products among savings banks and credit unions

		Ethical			Sharing			Community investing		
Products		Total	Savings banks	Credit unions	Total	Savings banks	Credit unions	Total	Savings banks	Credit unions
Saving and investment products	Current Accounts	14	6	8	4	3	1	5	3	2
	High yield accounts	8	3	5	2	1	1	2	1	1
	Deposits and saving accounts	9	3	6	3	1	2	3	1	2
	Deposits linked to equity	10	6	4	1	0	1	1	0	1
	Mutual funds	14	7	7	5	3	2	11	6	5
	Pension funds	6	2	4	2	1	1	2	1	1
	SICAV / Investment trust	6	2	4	1	0	1	1	0	1
	Unit-linked	5	2	3	0	0	0	0	0	0
	Retirement plan	6	2	4	1	0	1	1	0	1
	Other products	4	0	4	2	1	1	1	0	1
Payment	Debit cards	11	7	4	7	6	1	8	6	2
	Credit cards	12	8	4	8	7	1	9	7	2
	Affinity cards	7	3	4	1	1	0	1	1	0
	Transfers, receipts	6	1	5	1	0	1	1	0	1
Financing products	Loans and credits	16	9	7	5	3	2	13	8	5
	Micro-credits	24	16	8	14	9	5	23	16	7
TOTAL		158	77	81	57	36	21	82	50	32

Source: Product categories are taken from Palomo and Mateu (2004).

Table 3 – Summary of results

Variable	Savings banks	Credit unions	t-test
Organisational commitment with SRI (average)	High (8.14)	Medium (6.22)	Significant (pvalue = 0.000)
Strategic importance of SRI for the organisation (average)	Medium (6.7)	Medium (6.9)	Non significant (pvalue = 0.899)
Number of years marketing SRI products (average)	4.21	9.86	Significant (pvalue = 0.041)
Weight of the SRI supply in portfolio (less than 1%)	59%	75%	Non significant (pvalue = 0.684)
Weight of the micro-credits of total credits (less than 5%)	90%	95%	Non signficant (pvalue = 0.283)
Marketing budget allocated to SRI products (less than 10%)	86.4%	92.9%	Non signficant (pvalue = 0.471)
Perceived future growth of global demand for SRI products (average)	5-15%	Less than 5%	Signficant (pvalue = 0.000)
Percentage of organisations that will promote SRI products	69%	17.7%	Significant (pvalue = 0.000)
Perceived future growth of specific demand for SRI products (average)	5-15%	Less than 5%	Non significant (pvalue = 0.071)

twofold aim: improve the economic performance of the organization and make an effective contribution to sustainable development.

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Investissements socialement responsables au sein de banques d'épargne et de coopératives de crédit. : Approche empirique du cas espagnol

L'article examine l'offre socialement responsable des banques d'épargne et des coopératives de crédit en Espagne. L'analyse porte en particulier sur la perception de leur engagement dans des investissements socialement responsables, leur gamme de produits,leur stratégie commerciale et leurs prévisions de croissance future. Les résultats amènent à conclure que le marché socialement responsable en Espagne est en phase d'introduction au sein des coopératives de crédit et en phase de croissance au sein des banques d'épargne. L'article présente des implications en matière de gestion pour les responsables du marketing afin de récolter les bénéfices potentiels dérivés de ce type d'investissement.

Sozial verantwortliche Investments von Sparkassen und Kreditgenossenschaften: Empirische Befunde in Spanien

Dieser Beitrag untersucht das Angebot an sozial verantwortlichen Investments von Sparkassen und Kreditgenossenschaften in Spanien. Insbesondere wurden die von ihnen wahrgenommene Verpflichtung bezüglich sozial verantwortlicher Investments, ihre Produktportfolios, ihre Marktstrategie und die ihnen gestellten Prognosen für künftiges Wachstum analysiert. Die Ergebnisse führen zu dem Schluss, dass der Markt für sozial verantwortliche Investments in Spanien für Kreditgenossenschaften ein Einführungsstadium darstellt und für Sparkassen ein Wachstumsstadium. Der Beitrag gibt einen Überblick über Implikationen der Unternehmensführung für Marketing-Manager, wie man die möglichen Vorteile erlangen kann, die sich aus diesem Investment-Ansatz ziehen lassen.

Inversión socialmente responsable en la economia social: estudio empírico del caso Español

Este artículo analiza la oferta de productos socialmente responsables entre las cooperativas de crédito y las cajas de ahorro en España. De forma específica, se analiza su compromiso con la ISR, la cartera de productos, la estrategia de marketing para estos productos y sus percepciones de crecimiento futuro. Los resultados llevan a concluir que las ISR están en fase de introducción entre las cooperativas de crédito y en fase de crecimiento entre las cajas de ahorro. El artículo ofrece implicaciones prácticas para los gestores de marketing, de forma que puedan conseguir los beneficios derivados de este enfoque de inversión.