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Swimming Against the Tide: Ethical Banks as Countermovement

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Abstract

This paper adds to the literature on bank ethics, social movements and stakeholder engagement by presenting ethical banks as a countermovement to the process of financialisation. The financial crisis beginning in 2007/08 has prompted the expansion of ethical banks since to be considered as a response to this particular crisis. Conversely, this paper seeks to demonstrate that ethical banks have been, and remain, connected to social movements and civil society organisations (CSO). The paper uses a mixed-methods approach to review ethical bank coverage in media and to explore ethical banks' connections with CSOs via Social Network Analysis, with the aim to compare them to, and contrast them from, building societies, credit unions and other alternative banks. The link between ethical banks and CSOs were further examined in interviews with ethical banks. Findings support the idea of ethical banks as countermovement by highlighting how connections with CSOs constrain ethical banks behaviour, but at the same time give ethical banks privileged access to niche markets.

Swimming Against the Tide: Ethical Banks as Countermovement

Introduction

Writings on financialisation have highlighted the ascendency of shareholder value as a dominant mode of corporate governance in companies (Epstein 2005;Erturk et al. 2008). The need to increase profitability through continuous financial innovation has led to the significant expansion of the global capital markets (Palley 2007) and this unsustainable development has played a pivotal role in causing the Financial Crisis beginning in 2007/08 with far-reaching impact on the global economy and democratic institutions in Europe and elsewhere.

Whilst the financial crisis has had a major impact on the banking industry, it also promoted alternative ideas about banking which, at UK level, encompasses building societies, credit unions and ethical banks. Specifically ethical banks have received interest from politicians, the media and the public, and as a result, managed to increase their market share through organic growth (GABV 2012). Crucially however, coverage from media and academics appears to treat the growth of ethical banks as being in response to the crisis (Hargreaves 2008;Carboni 2011;Benedikter 2011;Goff 2012). This study is taking an alternative route and aims to refocus attention to ethical banks as a counter- (or social) movement. Ethical banks have not emerged for opportunistic reasons, but have developed since the 1980s.

This paper aims to alter the perception of ethical banks from being a 'response' to crisis, to ethical banks being seen as a long evolving social movement against the financialisation and increasing disembeddedness of banking. The research is framed using Polanyi's notion of the counter-movement (Polanyi 1944 [1957]) to highlight how civil society interests in social and environmental sustainability are link to the initial emergence and recent expansion of ethical banks. To that end, it utilises social network analysis to investigate ego-network structures of ethical banks to establish their connectedness with civil society. Interview and secondary data is used to support network findings.

Findings highlight the different structural parameters of ethical banks by comparing them to credit unions and building societies. Ethical banks appear keen to develop relationships with civil society organisations to strengthen stakeholder commitments which affect ethical banks connections to other financial services. Compared to mainstream banks, ethical banks are more oriented towards creating and sustaining social value by limiting their product markets and providing transparent services to a selected customer base which vice versa rewards ethical banks with ongoing custom and support from civil society.

The process of financialisation and its link with ethical banks

Advancements in the concept of financialisation have highlighted considerable changes to how day-to-day business activities are organised (Epstein 2005;Froud et al. 2000;Krippner 2005) with wide-ranging impact on the everyday life of Americans and the British, and other communities worldwide (Aalbers 2008;Epstein and Jayadev 2005;Montgomerie 2006). More specifically, the literatures have recorded key developments in the financial markets, the extension of credit card debt to fuel consumer spending (Montgomerie and Williams 2009) and mortgage debt as part of a social welfare programme (Froud et al. 2010), but also the excessive growth of the derivatives market globally and new demands of business performance evaluation standards in the form of shareholder value which enable investors to access firm performance based on the financial results.

The increasing proximity to and increasing intertwinement with the financial markets has transformed banking. Business models emerged which allow firms to maximise financial results by reducing cost basis and incentivising hard-selling (Which? 2013) which is often facilitated by an accepted work-hard/play-hard culture, repeated fee earning opportunities per retail transaction (CRESC 2009: 7), deregulation which concentrated markets in the UK and increased the interconnection between retail and investment banking (ICB 2011). Moreover, the lack of effective consumer protection in the UK has enabled these global financial conglomerates to sell increasingly complex products to private and SME customers without attracting attention and interest from regulators to assess the quality and benefits of such products. Banking has received much negative press, but overall, little has changed and consumers are increasingly alienated: 2/3 of the British population distrust banks (Gardiner 2012;Wheatley 2012). The latest OFT update on retail banking highlights that only limited progress has been made in a push for a more transparent and customer-oriented banking industry, but more crucially, consumer choice remains limited (OFT 2013: 7f). Still, there seems to be one benefactor in all this that has not only expanded during the financial crisis (Carboni 2011;GABV 2012) but also named as a solution (Benedikter 2011) to the crisis: Ethical banks.

The term 'ethical bank' is not legally defined like 'retail banking' and 'investment banking' which results in a certain ambiguity as to what exactly characterises an 'ethical bank'. For the purposes of this study, ethical banks are defined as having 'ethical and sustainable developments at the core of their mission, ambitions and practices' (De Clerk 2009: 209). A summary of the common characteristics of ethical banks by the Institute for Social Banking (ISB 2011), the de facto educational force behind European ethical banks, illustrates the importance of non-financial goals, stakeholder engagement and transparent conduct which differentiates ethical banks from high-street banks whose main goal is achieving high financial returns (Table 1).

Table 1: Common Characteristics of Ethical Banks

- Criteria to prevent unsustainable ways of living and doing business that **do/do not** foster the common good,
- Contestation of the values underlying its activities,
- Dialogue with a wider group of stakeholders,
- Emphasis on human rights and solidarity,
- Equal treatment of genders,
- Organisational structures based on participation,
- Ownership structures preventing dependency of dominant individual interest,
- Pro-active contributions to the public discussion of perceived problem areas,
- Promotion of giving as a central ingredient to renewal and development,
- Rejection of the profit maximisation principle and of speculative activities,
- Self-perception as an intermediary providing services to depositors and borrowers,
- Transparency in all business conduct,
- 'Triple Bottom Line' approach for the simultaneous consideration of multiple success criteria.

However, the idea of banks acting ethically is met by general cynicism and 6 in 10 Britons consider it to be a PR stunt (Mintel 2012), or simply opportunistic behaviour of mainstream banks: Barclays is rebranding its image as 'World's First Ethical Bank' (Blackburne 2013) following the PPI and LIBOR scandals whilst simultaneously advising staff to avoid paying national insurance (Guardian 2013), and HSBC has been found guilty of money laundering (BBC 2012) despite having been awarded 'Best Bank' by an ethical business survey (HSBC 2007). Still this does not mean that ethical banks should be considered yet another financial 'innovation' in which bankers identified a lucrative niche market and aim to opportunistically exploit that market. Instead, ethical banks depict similarities with counter/social movements and long-term commitment to, and engagement with, different actors within civil society: organic farming, environmentalism, third sector and fair trade (FEBEA 2012).

Ethical banks as institutionalised counter-/social movement

A good starting point for investigating whether ethical banks can indeed be understood as an institutionalised form of social movement is Polanyi's (1944 [1957]) book 'The Great Transformation' in which he argues that the emergence of Laissez-faire capitalism is an elite project with the result that economic activity is increasingly disembedded from social reality. He proposes that free-market economies are not a naturally product of 'man's propensity to 'truck, barter and exchange'', but a product of 'continuous, centrally organized and controlled interventionism' (Birchfield 1999: 36). Thus, free-market capitalism was, and is, promoted via 'deliberate political action' by the political and economic elites (Birchfield 1999;Mills 1958), and because of this Block concludes that 'a system of self-regulating markets cannot be foundation for social order' (2008: 3).

It is apparent that the way in which global finance is organised and legislated by economic and political elites and experts epitomises Polanyi's (1944 [1957]) idea of a dissembled economy: the financialisation of retail banking has by and large been welcomed by American and European elites alike. Greenspan, Bernanke, Brown and co's rhetoric used to describe financial innovation prior to the financial crisis evokes images of utopia. Financial markets are 'flexible, efficient and hence resilient [… and] facilitate the dispersion of risk' (Greenspan 2005), thus avoiding future 'boom and bust' (Brown) and justifying light touch regulatory systems in place as well as unregulated derivatives markets (Bernanke 2007). Even after the near-collapse of the global financial system, it is heart to identify changes: Bernanke (2009) calls for regulation that 'should not prevent innovation' and the ICB's (2011) call to structurally separate UK retail and investment banking has been replaced by ring-fencing which wont be introduced until 2019 (FT 2013) but already threatened by loopholes (Central Banking 2012).

Polanyi (1944 [1957]) presents 'countermovement' as a non-elite response to such an increasingly socially dis-embedded economy, one which seeks to re-root economic activity as part of the social. They are not necessarily organised through institutions, such as strikes and unions, which represent specific class interests, but are 'spontaneous, unplanned, and [emerging] from all sectors of society' (Block and Somers 1984: 57). The most visible countermovement response to the financial crisis was the '*Occupy'* movement which has received considerable media and scholarly attention (Kuchler and Jones 2012;FT 2011;Juris 2012;Harvey 2011). However, despite expanding significantly in recent years (GABV 2012) ethical banks have, so it appears, continued to work within their specific niches without raising their public profile significantly. As a result, they are seldom linked to social movements that encourage changes to how banks operate as a response to, or sanction of, economic events such as the financial crisis.

Historically, social movement theory has placed importance on collective identities and shared beliefs (ideologies) as 'precondition for the emergence of a social movement' (McCarthy and Zald 1973: 1214). During the 1970s, McCarthy and Zald (1973) and Tilly (1978) developed a more systematic way of analysing social movements (Resource Mobilization Theory (RMA)) as a rational social process. To be successful social movement participants need to access the right resources, employ the right processes and form suitable alliances (Tilly 1978) to ensure that the 'resource availability, the pre-existing organization of preference structures, and entrepreneurial' (McCarthy and Zald 1973) activity interact. In other words, McCarthy and Zald highlight a more 'complex, or formal, organization which identifies its goals with the preferences of a social movement or a counter movement and attempts to implement these goals' (Duijvelaar 1996).

Yet, those more formal organisations are not, and must not, be justified by economic interests alone; they are 'primarily a cultural and social phenomenon, and only secondly an economic one' (Block and Somers 1984: 67). Della Porta highlights that social movements have maintained their 'distinctive focus on the social and cultural bases' (2009); still, modern civil society organisations (CSOs) are not legitimised by contesting existing power structures as noted by Gramsci (Birchfield 1999) or by responding to a specific 'problem-environment' (Offe 1985) alone. Indeed, the economic function of formal social movement actors has long been overlooked (Salamon 1995), but because of the growing importance of more formalised NGOs (Davis and McAdam 2000), sophisticated governance principles were adopted to ensure accountability and transparency (Lewis 2003;Anheier 2000;Anheier 2009) and to legitimise their actions to external stakeholders (Froud et al. 2009;Mulgan 2009). Therefore, introducing formal governance codes seems to drives the professionalization, marketisation and institutionalisation of CSOs (Kaldor 2003; Lang 2000;Eikenberry and Kluver 2004).

Viewing social movements as a formally organised entity allows for more specific enquiries into movements that have a distinctly more economic character and are not exclusively focused on environmental or humanitarian issues such as Greenpeace, Red Cross or Fairtrade International. Ethical banks represent a social movement that seeks to offer an alternative to mainstream banks; thus viewing ethical banks as a formally organised extension of civil societies' discontent with financialised banking, is a useful way of thinking about the different norms, values and governance principles that constrain their commercial ambitions to suit the movement.

Ethical banks, constraint action and the niche concept

Viewing ethical banks as a formally organised countermovement to financialised banking underlines their status as a 'niche'. Although there is no agreed upon definition of what a niche constitutes in economic and business terms, niche business models are defined by specific target audiences and a well-defined but limited market (Osterwalder and Pigneur 2009; Porter 1980) or by entrepreneurism (Morris et al. 2005). Commercial niche actors tailor products and services 'to the specific requirements of a niche market' (Osterwalder and Pigneur 2009: 21), which leads to competitive advantages and allow extraction of superior profits because of limited competition within a 'unique, defensible' market (Morris et al. 2005: 730).

A more useful concept of niche has been presented by Barth (1963;in Swedberg et al. 1987) in which a niche is only exploitable if the right 'resources' –economic resources and social capital – are available. The niche and available resources restrict the firms' behaviour and action is furthermore constraint by social costs, for example moral and social constraints. Although his analysis is based on small communities in Northern Norway, similar principles might apply to ethical banks because of the relationship between ethical banks and their customers which include social and environmental enterprises, organic farms and charities. Because the market for ethical banks is limited, social capital, defined by Bourdieu as 'aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition' (1986), is likely to be pivotal to sustaining ethical banks in the long run. Without the trust and support offered to ethical banks by the communities they engage with, ethical banks may find it difficult to justify limited and often less cost-efficient products and services when compared with mainstream banks. The relationship between civil society and ethical banks constrains the action of ethical banks because the banks' customers will in many cases be directly connected to, or a member of, the social and environmental movements that have established a market for ethical banks in the first place.

Research Methods

The study combines three approaches in a mixed-method design. First, secondary data has been reviewed to examine key developments in ethical banking which included annual reports and trade association databases to collect data on the years ethical banks have been established and to capture the recent expansion of ethical banks. To gather additional information on the rising importance of ethical banks, media coverage for ethical banks in the UK was also reviewed. Data was collected by searching selected newspapers' online databases[1] for search terms 'Ethical Bank', 'Triodos Bank' and 'Co-operative Bank' and the Factiva database was searched for 'Ethical Bank.'

Secondly, I examine banks' networks because to get insights into their relations with mainstream the banking industry and CSOs. The number of ethical banks existing in any one national setting is limited (FEBEA 2013;INAISE 2013;GABV 2013). Ethical banks (EB) that operate in the UK are Charity Bank (Charity), Ecology Building Society (Ecology) and Triodos Bank (Triodos). The interest is in understanding how and if the social network of ethical banks differ from 'non-ethical non-mainstream banks' (NeNmB) which are constituted by building societies (BS), credit unions (CU) and alternative banks (AB) like Airdrie Savings Bank, CAF Bank, the Co-operative Bank, Kingdom Bank and Reliance Bank. Whilst all these organisations represent an alternative to mainstream banks (Carboni 2011;GABV 2012;Mutuo 2012), they also represent different ideas about what an alternative may look like (Tischer 2013). Thus, by comparing and contrasting ethical banks networks to those of building societies and credit unions, it is possible to highlight the distinct connections ethical banks hold with CSOs such as Shared Interest, organic farms or social housing organisations.

The data collected in this study is *egocentric*[2] network data gathered through questionnaires sent out to executives of chosen banks (CEOs, Directors). The data are based on the self-informed networks emerging from individual actors and have been inputted and analysed using UCINet (Borgatti et al. 2002), but at the same time, the degree of overlap between actors is known, anticipated and used to construct a whole network based on individual responses as the whole network could not be reached. Thus the network has been constructed based on 43 ego-networks to reflect ethical banks view of the network and produce a proxy version of the real-world network. Because of this, routines that are highly sensitive for missing data, for example, Burt's (1992) structural holes, are not available for this analysis.

Besides gaining an initial descriptive understanding of key network parameters using the visualisation software Netdraw, the analysis of ego networks focused on three key measures: ego network density[3], Freeman Betweenness[4] and E-I index[5] (Borgatti et al. 2002;Krackhardt and Stern 1988). Because the collected dataset exhibits issues of missing data, it does not lend itself to be analysed using Burt's (1992; 2001) *Structural Holes* routine. Instead, Gould and Fernandez (1989) *Brokerage*[6] routine has been used as it identifies the opportunities an organisations has 'to coordinate across structural holes' (Burt 2009). The intention is to highlight how ethical banks's networks differ from those of building societies, specifically with regards to connections with organisations outside finance, to examining who the important actors within the network are, and whether ethical banks form a cohesive subgroup within banking.

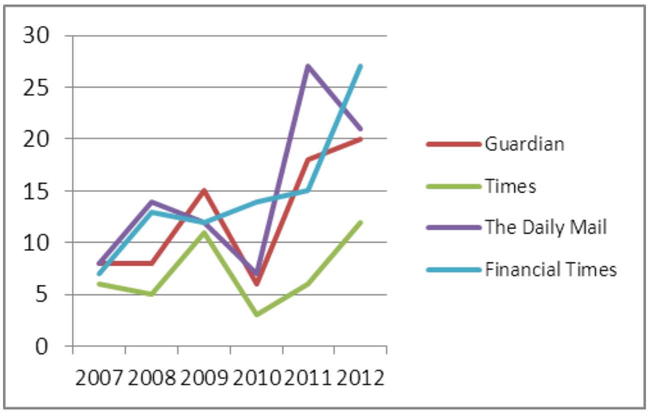
The second part of the analysis and third method aims to add a qualitative dimension to the analysis of ethical banking as a countermovement to financialised banks. The semi-structured interviews with a sub-section of 13 executives from alternative banks, building societies and credit union, who responded to the initial questionnaire and were identified as important to the network, focused on three main topics to identify their attitude towards ethical banks, their individual ambitions and if and how ethical banks seek to influence the banking sector as a whole. Interview data has been examined for accounts that demonstrate how ethical banks try to connect to and engage with multiple stakeholders which they consider to be crucial to be sustainable. The idea is to contextualise SNA results and to give examples of what connections with CSOs entail and how it impacts on ethical banks' behaviour.

Results

Ethical banks: Crisis response or movement?

To understand whether ethical banks are a response to the current crisis or exhibit characteristics of, or connections with, a countermovement, secondary data has been reviewed and analysed. Results show that ethical banks have received considerable coverage from UK media outlets to the left and the right. Figure 1 highlights a marked increase in articles naming ethical banks in post-crisis Britain, and this coverage is not confined to the centre-left *The Guardian* newspaper, but includes more conservative dailies such as the *Daily Mail*, the *FT* and *The Times*. Coverage includes feature stories on ethical banks and how they differ from the Big5 (Moneywise 2012;The Independent 2012), articles endorsing ethical banks and investments as an alternative to the Big5 that resonates with society (Goff 2012), and entire sections dedicated to ethical investments, for example the Guardian's 'Ethical Money' section (Guardian 2012). Civil society, including think tanks (Nissan and Spratt 2009;Good Banking Summit 2011), social movements (Move your Money 2012) and academics (Benedikter 2011;San-Jose et al. 2011;Buttle 2007) have acknowledged ethical banks as a response to the financial crisis.

Fig 1: #Newspaper articles mentioning 'Ethical Bank'; 2007-2012



Source: Selected newspaper archives

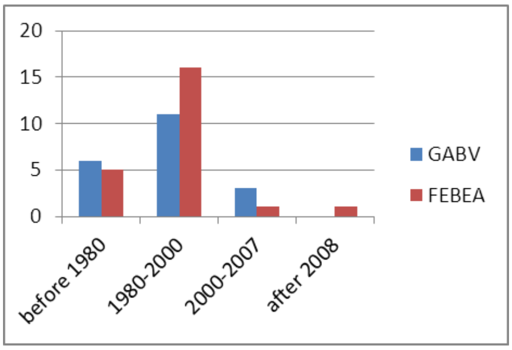
Table 2: Comparison of GSIFI & Ethical Bank Growth Rates 2007-2010 (GABV members only)

	Loan Growth	Deposit Growth	Asset Growth	Net Income Growth
Ethical Bank Average	80.52%	87.74%	77.60%	64.62%
GSIFIs[7] Average	21.38%	27.28%	23.14%	-6.72%

Source: Own data

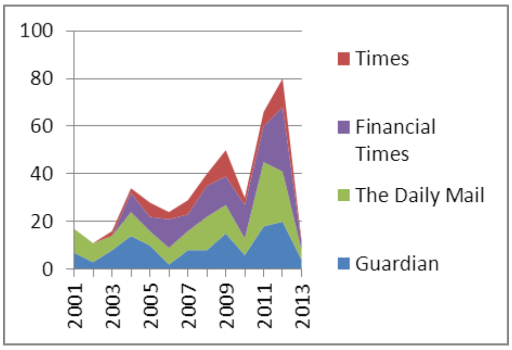
The rise in ethical bank visibility also shows up in the expansion of ethical banks in the UK and globally. Applications to open accounts with ethical banks have risen sharply, between 83% at Triodos Bank and more than 200% at Charity Bank (Birch 2012). The Move your Money movement estimates that over 500,000 bank customers have switched accounts from high street banks to ethical alternatives since the financial crisis (Move your Money 2012; Orr 2012). A report by GABV (2012) further demonstrates that ethical banks have outperformed GSIFIs in various areas including loan, deposit, asset and net income growth (see Table 2). Charity Bank, formed in 2002, has posted its first profit in 2011 after growing the business (Ainsworth 2011). Moreover, it appears that ethical banks extend services offered: The German Triodos branch offers customers bank and credit cards which should make them more attractive to potential customers. This data suggest that ethical banks are becoming increasingly important players in post-crisis banking systems; yet, this account also confines the phenomenon of ethical banks to being a response to, or benefitting from, the financial crisis

Table 3: Ethical banks' founding year



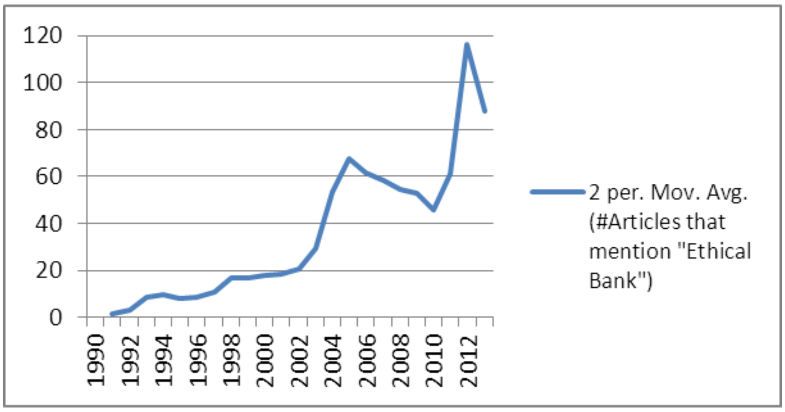
Source: FEBEA 2013; GABV 2013

Table 4: Ethical banks in the UK news 2001-2013



Source: selected newspaper archives

Table 5: 'Ethical bank' in the news 1990-2013



Source: Factiva (search 'ethical bank')

However, the emergence and growth of ethical banks is not only a response to the crisis but rather represents a movement that emerged as early asthe 1970s and 1980s. If ethical banks were a response to the financial crisis, one would expect to see ethical banks established since 2008; however, Table 3 clearly highlights that most ethical banks were established before the 2000s and only one has been established after 2008. Correspondingly, while media coverage of ethical banks has increased, they have featured in more conservative papers such as the *Times* and *Financial Times* since the early 2000s (Table 4), well before the financial crisis hit. This underlines the fact that the growing importance of ethical banks is not only attributable to people's increasing dissatisfaction with banks but that ethical banks constitute a longer-term movement. Indeed, data extracted from Factiva (Table 5) shows that ethical banks have been in the media since the early 1990s.

Thus speaking of ethical banking as a 'response' to the current crisis is misleading and dangerous as it suggests that ethical banks act opportunistically and grow on the back of the crisis without being really different to retail banks such as Barclays, RBS and co (Independent 1997;O'Sullivan 2009;Manchester Mule 2011). Such a view could also be interpreted as being short-term in nature, thus raising issues about the sustainability of the growth of ethical banks; especially considering that recent changes proposed by behemoths like Barclays enables them to flex their CSR muscles and sell themselves as an 'ethical banking superpower' (Blackburne 2013). Doing so also ignores the history of the ethical bank movement which is characterised by their long-term commitment to, and engagement with, various parts of civil society: organic farming, environmentalism, third sector and fair trade (FEBEA 2012). Instead, it appears that ethical banks have emerged alongside the 'New Social Movements' that mobilised in the 1970s and 1980s (Kriesi 1995) as a response to the rising conflicts between 'system' and 'lifeworld' (Habermas 1987). As Crossley points out, these new social movements are 'anticorporatist' in nature and seek to counter the increasing corporatisation of civil society (2003) as society seeks to 'emancipate itself from the state' (Offe 1985: 820).

Network structures of ethical banks

Before discussing the analytical measures, it is useful to give an overview of the data to highlight initial differences between the types of banks investigated here: Ethical Banks (EB), Alternative banks (AB), credit unions (CU) and building societies (BS). Questionnaire respondents totalled 43, including 8 ethical banks, 16 buildings societies and 19 credit unions[8]. Data gathered describes their self-assessed network relationships with financial and non-financial organisations in the UK.

Table 6: Basic ego-network measures

	Charity	Ecology	Triodos	AB	BS	CU	Total
Freeman Degree[9]	21	72	32	29.4	50.6	7.7	27.7
Median Degree				22	53	8	18
S.D.				19.2	11	3.31	22.17
S.D. as % of Mean				65.3	21.2	42.8	80.0
(ave) Ego-network Density	14.52%	12.62%	8.77%	14.39%	24.80%	13.09%	17.43%
(ave) Ego-net Efficiency[10]	.630	.478	.516	.593	.340		

The average size of the network is 27.7 nodes and varies significantly between all ego-networks (Standard Deviation (S.D.) 22.17) but also within types (Table 6). Average (Ave) density for all ego-networks is low – respondents are connected to 17% of possible connections within their ego-network. BSs, including Ecology, have named more connections with other organisation (n_{BS}=50.6) and vary least from one another ($S.D._{BS}$ in % 21.2), whereas both ABs and CUs have less connections on average (n_{AB}=29.4; n_{CU}=7.7) but more variation ($S.D._{EB}$ in % 65.3; $S.D._{CU}$ in % 42.8). Ego network density for the types of banks averages relatively low, between 13% for CUs and 25% for BS, thus the overall network constructed from ego-networks is relatively sparse; however, this is in line with findings from comparable studies (Corteville and Sun 2009;Valente et al. 2007;Provan and Milward 1995).

Like other BSs, Ecology has a higher degree (N=72) than Charity (21) and Triodos (32); still, networks for the ethical banks are sparsely connected with ego-network densities between 8.77 and 14.52% per cent. Ecology's ego-network density of 12.62% is significantly lower than the average ego-density of BS which suggests that it is connected to a more varied group of actors. However, low density scores are more efficiently connected as shown in Burt's efficiency scores. The difference between actors highly connected within their neighbourhood and those less connected and the efficiency of their connections could have significant consequences for the constraints and opportunities EBs face within their network (Hanneman and Riddle 2005), thus raising questions about the social capital held by ethical banks.

Gould and Fernandez (1989: 101) propose 'an exhaustive listing of the possible types of two-step paths on which any actor may lie, and it is thus an exclusive and exhaustive partition of any actor j's total raw brokerage score tj' from which they identify 5 distinct roles taking into account 'the direction of the ties and the groups actors belong to' (Bellotti 2009):

- Coordinator: a, b and c belong to the same group.
- Gatekeeper: a and b belong to the same group, while c belongs to a different one.
- Representative: b and c belong to the same group, while a belongs to a different one.
- Consultant: a and c belong to the same group, while b belongs to a different one.
- Liason: all the actors belong to different groups.

Table 7: Average (mean) Relative brokerage scores for EBs and NeNmBs (incl CUs & excl CUs)

	Coordinator	Gatekeeper	Representative	Consultant	Liaison
Ave EB	0.00	0.26	1.10	0.86	2.75
Ave NeNmB	1.85	0.15	1.12	0.00	0.10
Ave NeNmB excl CUs	2.70	0.27	1.71	0.00	0.19

Brokerage scores for Charity, Ecology and Triodos show that these ethical banks are important brokers within the network. Mean average brokerage scores for EBs show that they are 2.75 times more likely to 'liaise' than they would by chance alone. Both EBs and NeNmBs also represent organisations of the same type to other kinds of organisations whilst NeNmBs are strongly engaged in coordinating amongst themselves (Table 7). Table 8 illustrates the specific groups EBs broker between and show that they are most likely involved in liaising, and that the majority of this liaising is done between CSOs and NeNmBs [11] (Charity – 19 out of 27[12]; Triodos – 20 out of 31; Ecology – 110 out of 181).

Table 8: Group to group brokering for ethical banks (group 5)

	Charity					Triodos					Ecology				
	1	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
1	6	4	4	***19***	3	5	1	10	***20***	2	96	6	65	***110***	19
2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	0	2	2	3	0	1	1	5	5	0	84	0	11	11	1

1=NeNmBs; 2=Retail Banks; 3=Other Financial Services; 4=CSOs; 5=EBs

These findings indicate that ethical banks bridge (liaise) between CSOs and NeNmBs which in turn suggests that ethical banks are important actors in providing civil society organisations with banking products and services. Furthermore, the finding supports the argument that ethical banks are likely to, or even required to, invest resources into sustaining and furthering connections with civil society organisations because, based on their brokerage position, the loss of 'liaison' brokerage positions would have significant negative impact on ethical banks function as a broker. Normalised Between scores (Table 9) support the idea of ethical banks as powerful actors within the network, in the sense that they connect two otherwise weakly or unconnected types of organisation and have scores that are considerably higher than that of most NeNmBs. The high scores for the Co-operative Bank (Coop) are because the Coop is in a favoured position between credit unions and other actors in the network

Table 9: Brokerage scores (highest to lowest) for selected actors

	Betweeness	nBetweeness
Ecology	1864	5.1
Coop	1681	4.6
Charity	1677	4.6
Triodos	340	0.9
NeNmBs	0-291	0-0.8

Table 10: E-I index for type

	Internal	External	Total	E-I
EBs	38	116	154	.506
ABs	8	111	119	.866
Building Societies	1002	229	1231	-.628
Credit Unions	90	102	192	.063

The results from the E-I index (Table 10) further clarifies the connectedness of the various types of organisations. Building societies are homophilic as they are largely connected to other building societies (-.628). Credit unions show no preference to any particular group and the E-I index of .063. Both ethical banks and ABs are strongly heterophilic (.506 & .866) and external connections are to mainstream banks, regulators and trade associations[13]. Links to these external organisations are also held by BS; however, the dense BS cluster is more prolific. Besides its connections to mainstream banking, ethical banks are also significantly engaged with civil society organisations including NEF, UK SIF, London Rebuilding Society, Rootstock and Shared Interest, and hold connections to business and interest groups within organic farming and renewable trade sectors. In addition, ethical banks also members of international ethical banks trade associations INAISE, FEBEA and GABV. This clearly demarcates them from BS and CU whose connections are generally limited to organisations within or adjacent to the UK banking industry. It is these connections to CSOs that demonstrateshow ethical banks are altogether differently networked, even compared to NeNmBs, which supports the argument for understanding ethical banks as a social movement.

The ego-network visualisation samples further illustrate the different network connections. The network of the ethical banks (Fig 2) shows its connections with civil society organisations such as the Community Development Finance Association, Rootstock and Shared Interest, and various organisations within the third sector, renewable energy and organic farming (green). Moreover, it depicts connections to other ethical banks (red), some building societies (blue) and mainstream banks (grey) and institutions (pink). This network highlights that ethical banks are more connected to other ethical banks and civil society organisations when comparing their ego-networks with those of building societies (Fig 3) and credit unions (Fig 4). Building societies are much more entangled in a network containing other building societies and credit unions have very few connections.

Fig 2: Sample Network for Triodos

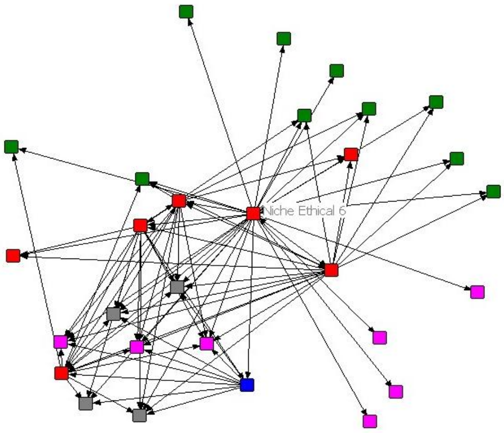


Fig 3: Sample network from Saffron Building Society

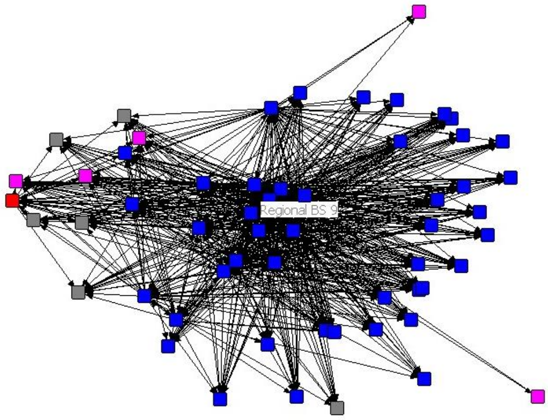
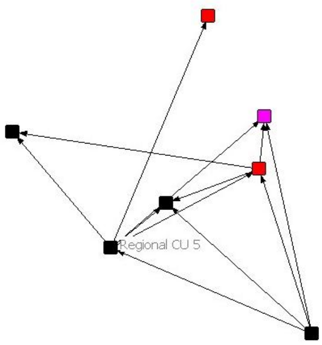


Fig 4: Sample network from Essex Savers credit union



Overall, the social network analysis shows that ethical banks' networks differ considerably from those of other alternative banks, building societies and credit unions. Ethical banks have strong betweeness scores and liaise between other types of organisations in the network. But more importantly, ethical banks appear to be more efficiently connected to actors that matter to them, particularly CSOs, because being connected to civil society is essential to ethical banks as CSOs tend to be their customers, or having good relationships with key CSOs could be important indicators for trust and give ethical banks stakeholder credibility. However, at the same time this means that opportunities for ethical banks to connect to alternative actors are limited, and indeed, because ethical banks had to invest resources to establish links with civil society, they appear more committed to those links.

Connecting with the movement

The network analysis has indicated that ethical banks are intertwined with CSOs as those represent both owners/depositors and their lending markets/borrowers. Findings from the interviews support the view of ethical banks as a countermovment to financialised banking. This is defined by its close relationship with stakeholders and by aspects that are not only financial but also consider what customers (private, CSO or social enterprise) want and need from ethical banks:

> [Our members] interest is not in a set of numbers but to hear what their money has been used to achieve in terms of people. […] Social housing: that is important to our members so it is important to us too.
>
> *(Interviewee Ecology)*

Connections with specific social movements are crucial in gaining trust and credibility in the CSO sector and being 'known' by actors within the network, and thus 'knowing the sector' separates ethical banks from retail banks and NeNmBs:

> Everybody knows Triodos in certain circles – organic farming... [we] have direct interactions with out customers other banks don't have.
>
> *(Interviewee Triodos)*

> [Retail Banks and NeNmBs] don't have relationships with the 'green' community they are serving and their staff doesn't buy into it. So they don't know how to present the product to their customers – they don't understand.
>
> *(Interviewee Ecology)*

Knowing and being known by the movement helps ethical banks to define their market and helps their market to make a judgement about the degree of ethicalness effectively serving as a system of checks and balances. Being aware of the importance of informing customers and markets about the positive impact of their lending, Charity, Triodos and Ecology publish information about the projects and organisations they lend to. This push for transparency is however surpassed by events organised by ethical banks to get depositors and borrowers to meet face-to-face. These specific events and annual meetings give depositors insight in what kind of projects are funded and what social impact has been achieved:

> To see how their money is working and making a difference is extremely valuable […-] so people really do make a connection with their money and what it is doing.
>
> *(Interviewee Charity)*

Informing customers about social impact is as relevant as telling retail bank shareholders about financial performance. Because ethical banks are not about profit maximisation, the connections to social movements and the type of customers they target are vital because of the specific niche markets ethical banks are intertwined with:

> We want to have the right members with the right impact [… and need them] to join us because they agree with what we do.
>
> *(Interviewee Ecology)*

The idea of ethical banks as niche providers is closely linked to their origins in and connections with specific social movements and both constraints their action and gives them power within their markets because they are seen to be more capable and trust-worthy than their retail bank and NeNmB counterparts. Some constraint action is visible in the day to day management; in particular the abstaining from sales or growth targets, but this strengthens the image of ethical banks as being there for the customers, which compares favourably to NeNmBs which operate increasingly like retail banks and show comparably little interest in the actual needs of customers/members and communities they are serving.

A last key aspect that supports the view of ethical banks as born in social movements is visible in their membership in trade associations (TA). Whilst being members in national TAs, ethical banks tend to focus on their membership in international ethical bank trade association, because it ‘allows [them] to talk to other organisations across Europe for whom these things matter: impact on community and society.’ This commitment is strong and association with like-minded people/banks matters and extends into human resources. The ethical banks interviewed educate their staff using the non-mainstream Institute for Social Banking, which is an educational facility that has been founded between ethical banks to educate bankers in a way that is in line with what ethical banks aim to achieve:

> HR: it is about employing people who are excepting of/driven by the mission, and who share the values of our banks. We have made mistakes and people found it quite difficult to be part of the team. The ISB was set up to provide professional courses and qualifications for people in social banking.
>
> *(Interviewee Charity)*

Discussion

The material above illustrates that ethical banks are not only an opportunistic response to the financial crisis, but are intertwined with UK civil society since the 1980s. Since then, relationships with CSOs have been sustained and specific patterns of interaction between UK ethical banks and their various stakeholders have emerged.

The relationship between ethical banks and stakeholders are of significant importance to ethical banks. They intermediate between depositors who are keen to invest savings in a socially useful manner and sustainably, and borrowers who represent various types of social and environmental organisations and enterprise. Because ethical banks cannot compete on rate alone, connecting with customers and keeping them in the loop with up-to-date information on social impact allows ethical banks to justify their business model to customers.

The strong link between ethical banks and stakeholders, specifically customers, also signals that ethical banks’ ability to act is constraint by the fact that ethical banks are dependent on customers goodwill. Yet at the same time, customers, at least on the lending side, are dependent on ethical banks to some degree, because their choices to access suitable financial products that support their social movement ideals are limited. At the same time, depositors who are interested in investing their savings sustainably and are social impact-oriented, face similar limitations as there are only very few players in the market. Thus the various actors and ethical banks appear, as a whole, to be mutually dependent on each other via a system of checks and balances that penalises misconduct. The ethical bank can restrict lending to customers, depositors can move their money to another ethical bank and borrowers could try to access funds elsewhere; however, doing so is constraint by the lack of alternative markets and ethical banks. Thus this mutual dependence can also be seen as a positive driver of cohesion that reduces the potential for opportunism in the network and thus limits possible misbehaviour from the outset. Playing against the rules is, unlike in retail and investment banking, not rewarded with access profits but penalised by loosing market access. The position of ethical banks between CSOs and mainstream finance has shown that they are in a powerful, and at the same time privileged, position to access a niche market.

To ensure ethical banks retain their close relationships with social movements and CSOs, a variety of alternative institutions have been established to represent ethical banks and support the ethical bank as a movement. INAISE, FEBEA and GABV represent the specific interests and needs of ethical banks to governments and regulators and also ensure that ethical banks from a diverse set of cultural backgrounds engage with one another and exchange ideas and resources. To ensure employees of ethical banks understand what it means to bank ethically and how to organise day-to-day activities, ethical banks have established the Institute for Social Banking which operates as an alternative to business school educated bankers. Finally, the intertwinement of ethical banks and CSOs supports the view that ethical banks may well be regarded as the extension of social movements into the realm of business. It appears that the interconnectedness between the customers (lending and borrowing side) and ethical banks has established a system of norms and values that engaged actors are mutually subscribed too. The system differs from NeNmBs and retail banks because their customers have little direct influence, or control over, decisions made by NeNmBs who are less invested in specific niche markets.

To conclude, the paper presented findings which suggest that ethical banks should not be regarded as a response to the current crisis but entertain close relationships with civil society organisations. These connections have been shown to constrain ethical banks' behaviour, but at the same time, by engaging with stakeholder interests, ethical banks can sustain their strong position in those niche markets. How these relationships are sustained and what advantages they entail for both ethical banks and civil society organisations necessitates further, larger scale research.

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1 Includes: theTimes.co.uk, dailymail.co.uk, guardian.co.uk, FT.com

2 an egocentric network is a network focused on ego and its perception of relationship with alters

3 Ego network density divides the total number of actual ties present by the number of possible ties. It depicts connectedness and cohesion within local structures.

4 Freeman Betweenness is a measure of a node's centrality in a network based on the geodesic connection through the node. See Freeman, L. C. (1977). A Set of Measures of Centrality Based on Betweenness. Sociometry, 40(1), 35-41.

5 E-I index is a measure of the group embedding based on comparing the number of ties within groups and between groups. The E-I (external - internal) index takes the number of ties of group members to outsiders, subtracts the number of ties to other group members, and divides by the total number of ties. The resulting index ranges from -1 (all ties are internal to the group) to +1 (all ties are external to the group).

6 Brokerage Scores examine the roles played by an actor who lies on a direct path between two actors

7 Global Systemtically Important Financial Institutions

8 Because Ecology Building Society is more similar to other ethical banks, it has been entered as an ethical bank

9 Values for AB, BS & CU represent mean-degree of all egos belonging to that type

10 Whilst the structural hole routine is affected by missing data, Burt's efficiency measure is relatively robust. It is calculated by dividing the effective size of ego's network by the number of alters in ego's network

11 (liaising between 1=NeNmBs and 4=CSO is represented by the value in the corresponding cell)

12 The 'out of …' score refers to the total score for 'Liaison' (Liaison scores are bordered)

13 Includes: Barclays, HSBC, Lloyds & RBS; FSA & BoE; BBA, BSA & ABCUL

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