

EXPANDED ABSTRACT

Economy for the Common Good and Ethical Finances

Economy for the common good model (ECG) proposes the use of different instruments, measures and indicators to develop an ethical management in the organizations. Such proposal implicates the organizations involved to give priority to ethical and social banking and, also, the employment of alternative financial instruments. This way, money stops being considered as an end by itself and starts to be a mean to serve firm's growth and human development.

The present study has as main purpose to analyze the role played by ethical finances in ECG model through the criteria and sub-criteria included in the Common Good Matrix (CGM). CGM relates some specific human rights values and principles to the different stakeholders in the firm. Then, it sets up a number of variables and indicators to measure the organizations' contribution to the common good.

Therefore, the current study analyzes the relationship between ECG model and Ethical finances from both points of view, macro-economic and micro-economic, as ECG model aims to have some impact at both levels. To do so, authors have analyzed the CGM (version 4.1) relating the five different types of value comprised in the model to the firm's main stakeholders, playing special attention to funders.

Consequently, the present study depicts in an accurate way which are the proposals made by ECG model to implement an ethical financial management in whatever type of organizations. Although such proposals are addressed to both levels, macroeconomic (Estates' economic and financial behavior within the international context) and microeconomic (Firms' behavior in terms of ethical funding), the present research focuses on the microeconomic level.

ECG model is clearly committed to ethical and social finances development at macro and microeconomic levels. Thus, through one of its main tools as it is CG Balance sheet, ECG model proposes a number of criteria and measures aimed at the improvement of financial management based on ethics and social responsibility. Above all, ECG model considers the firms themselves to be the ones able to promote social and ethical finances by including ECG principles and values in their day by day management. In this sense, firms should manage their finances from a social and ethical approach. To do so, they can collaborate with ethical and social banks, employ alternative funding tools and, also, implement sustainable investment projects which make social and environmental impact on the locations where they operate.

In Spain, ethical banking has not had the historical tradition it has had in central and northern Europe, in fact ethical bank deposits suppose 1% of the overall Spanish financial institutions. Moreover, the financial crisis has supposed a significant lose for proximity and social banking in Spain (Saving Banks and Co-operative Banks). As a consequence, in the Spanish context the offer in terms of social and ethical banking services is very limited. However, since 2008, ethical banks operating in Spain have increased considerably their share of deposits and customers served. On the other hand, new non-banking funding initiatives based on social and ethical principles have been launched. This is the case of financial services co-operatives, integral co-operative, self-funding communities, time banks, barter networks, social currencies and collaborative finances. Such initiatives wide the options for financial cooperation among SMEs and social and environmental projects development.

By means of ethical financial management, ECG can lever financial inclusion. This is important for societies because previous research has demonstrated that financial exclusion turns into social exclusion and poverty. Financial exclusion involves that over time more and more people and organizations are excluded from banking financing because of the office closures and credit constraints. SMEs and new ventures are the firms more likely to experience financial exclusion.

Moreover, commercial banks usually undervalue social and environmental outcomes. Hence, ethical and social banks are the ones that though their ethical committees integrate social, environmental and ethical criteria into their viability analysis to evaluate invest projects. Consequently, such type banks are able to deliver financial inclusion by operating in territories where the potential for financial profitability is lower (rural areas or depressed territories) and launching financial instruments adapted to the needs of these specific areas or to the need of the enterprises with more difficulties to get access to credit. Thus the firms that implement ECG model have ethical and social banking as potential cooperative partners to set up durable and balanced commercial relationships, which turns into an ethical and sustainable financial management.

For all what has been previously pointed, one can infer the need for widening and spreading ethical and social criteria not only to the financial management of non-financial businesses, but also to financial institutions. Being ECG model appropriate to do it as it holds the suitable tools to develop such process. Due to this, in our opinion it could be of interest for both, scholars and practitioners, to perform an empirical study to quantify how much the firms that have implemented ECG model are contributing to the development of ethical financial management. There are already empirical studies that analyze the entrepreneurial outcomes in terms of sustainability following the complementary three dimensions: social, environmental and economic. For us, it could be interesting to perform further empirical research with similar features but focused on the firms that have implemented ECG balance sheet.

In the same way, for us it could be important that public bodies design and put into practice economic and tax benefits aimed at the businesses which operate with ethical and social banking. In this sense, one important point may be the prioritization of ECG firms in regards of public procurement. Thus, public sector would stimulate businesses to integrate ethical and social criteria into their making decisions process through ECG model.

Finally, the **main contribution** of the present research paper relies on the study of the existing relationship between ethical finances and ECG model. Given that there are not yet any publication relating such research topics. As it has been said before, there are a number of research papers published on ethical finances and also some others on ECG model but none of them relates both research topics.

KEYWORDS: Common Good Balance Sheet, Common Good Matrix, Ethical finances, Ethical Banking, Social Banking.