The Relevance of Cultural Diversity in Ethical and Green Finance

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Abstract

In the current paper the relevance of culture in the dissemination of ethical, especially green finance throughout the world is analysed. Different forms of ethical finance, such as ethical investment, shareholder advocacy and community finance, have become a novel instrument for those who were seeking alternatives for traditional investment tools. It is also clear that a great variety of ethical and environmental finance forms have evolved in different cultures. The question naturally arises whether typical ethical finance development patterns can be identified according to culture. In order to cluster different cultures, the principles of the comprehensive Global Leadership and Organizational Behaviour Effectiveness Research Program (GLOBE) was applied. It was found that the regional enhancement of different forms of sustainable economics, typical for certain regions, can be derived from GLOBE metrics for most cases. The preferential form and local evolution of ethical finance is also culturally determined to a great extent and this indicates that GLOBE clustering can be generalized for a broad set of sociocultural phenomena.

Keywords

Ethical finance · Green finance · Cultural clusters

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1 Introduction

Ethical finance refers to economic activities that do not focus primarily on financial gain, but instead consider social, welfare and ecological aspects. Green or environmental finance means the mobilisation of financial instruments to preserve natural resources and the environment.

The idea of sustainable economics in not a new phenomenon, Quakers and Methodists drew up the directive of not investing money in ethically questionable businesses already in the eighteenth century. Thus they distanced themselves from weapon manufacturing, slave-traffic and alcohol and tobacco factories (Kite and Kite 1818). Since this very first appearance of ethical finance, methods of ethical investments have progressed greatly and nowadays highly sophisticated techniques are available for responsible investors.

Among social finance, the most well-known and prevalent form is microfinance. Even though many similar institutions and cooperative banks have been operated throughout the world for decades, microfinance became widely popular after Muhammad Yunus received the Nobel Peace Prize for his comprehensive poverty eradication activities in this field (Yunus 2008).

The relevance and actuality of the research on ethical finance (sometimes also termed as sustainable finance) is greatly stressed by the recent economic crisis. The global crisis in 2008–2009 has pointed out the weaknesses of the current capital and money markets and many investors now question the sustainability of the system, thus ethical finance forms are significantly more appreciated. This is due to the fact that businesses which realised sustainable aspects in their business policy were more resistant to the economic turbulences caused by the crisis. Furthermore, political actors in low-GDP countries that were highly affected recognised the crisis management opportunities using the different tools of ethical finance. Additionally, as environmental pollution and resource scarcity are highly discussed topics, societies are becoming more interested in financial methods that help to solve or at least mitigate these problems.

It is also known that ethical finance tools that proved to be efficient, greatly differ from country to country and it is often not obvious, which additional or new sustainable financial method would be most appropriate for a given culture. Therefore, the question naturally arises whether typical ethical finance development patterns can be identified according to culture and whether this classification can help the development of the corresponding instruments.

In this paper, the relationship between culture and ethical finance is closely investigated. The aim of this paper is to identify cultural factors which influence the adaption and permeation of the diverse tools of ethical finance in different cultural clusters.

For clustering countries, findings of the GLOBE (Global Leadership and Organizational Behaviour Effectiveness Research Program) project were used as this was the most extensive study regarding culture in the beginning of this century. An international team collected by qualitative methods data at almost 1000 organisations in 61 countries. The outcome of the questionnaire, which analysed the culture of the societies in addition to the organisational cultures, was supported by archival data, interviews and media analysis as well. In the second part of the project, the results were empirically tested. In the end, GLOBE researchers identified nine cultural dimension that are able to describe national cultures and allows to define cultural clusters among the countries of the world (House et al. 2004).

The recent study aims to use the above mentioned cultural classifications to find out whether given cultural attitudes are of advantage or disadvantage for the prevalence of the different ethical financial tools in different cultures. Conclusions with concrete findings could help international organisations, financial institutions and governmental actors to use these financial tools in their decision process more efficiently.

After a short introduction of the standard forms of ethical (or sustainable) finance, the short history of ethical and ecological finance is described in order to set the context of the current study. The third part outlines the GLOBE project which is then used to classify the cultural attitudes that are of main importance for the prevalence of a given ethical financial tool in a given culture. The next section describes the GLOBE cultural clusters according to their ethical and ecological finance status which is followed by a short summary of the new findings.

2 Forms of Ethical Finance and Relationship to Green Finance

Typically three main forms of ethical finance are identified: ethical investment, engagement (or shareholder advocacy) and community finance. Here, as a general introduction, these categories are shortly reviewed.

Ethical investment focuses on financing of long-term innovative projects wherein economic return and moral profit go hand in hand. The very first sustainable investments were created for the different churches and operated mostly with knock-out criteria, namely, they deselected from their portfolio companies that did not conform with their values. Later on, KO-screening, or negative screening, was complemented by the positive screening method, where capital flows to companies that create a long-term benefit either for society or for the environment (Hellsten and Mallin 2006). Many investors realized that they might be excluding some companies from their portfolio based on their non-sustainable energy practices, even though these businesses are of high importance for the society. The ‘best-in-class’ approach tries to solve this problem by comparing corporations of a given sector to find those that perform best when considering ecology, social values and corporate governance. Nowadays, the above mentioned methods are usually used in combination to reach the best possible solution for an ethical investment portfolio.

Active shareholders make use of their voting rights connected to their shares to apply pressure on the management and to try to improve the ecological, social and corporate business policy of a corporation. They draft proposals and feature alternative solutions that are mainly presented at the annual shareholder meetings. The institutionalised form is called engagement, where a fund manager is trusted to collect the votes associated with the shares of many shareholders to be able to apply added pressure on the board.

Community finance incorporates many different subsets such as microfinance, cooperative banking or community investments. These financial forms aim to serve social classes in society that do not have access to conventional financial services or that are underrepresented. Informal financial institutions have a wide range of forms. Typically in low-GDP countries, societies spontaneously work out various monetary institutions or cooperations regarding their needs and demands.

The spread and penetration of the above described tools in different parts of the world depend not only on the economic frameworks but rely strongly on cultural attitudes. The main goals and targets and the evolution of ecological aspects in ethical finance differ from country to country. Typically, some cultures are very sensitive to ecological issues while others put an accent on social problems. To understand the background and frameworks for the dissemination of ethical finance, a short presentment of the history of ethical finance is presented.

3 Green Finance as a Form of Ethical Finance in History

The very first ethical financial practices were rooted in religiously motivated and/or human rights movements in the eighteenth and nineteenth centuries and were only later affiliated with other ethical, ecological or green aspects. Even though the idea of ecological responsibility has been present for several decades, the first half of the twentieth century did not favour green financial tools because countries were pre-occupied with the restructuring of their societies and economies after the world wars and the 1929 financial crisis.

The only important milestone of ethical finance in the period of the world wars was the establishment of the world's first ethical fund on the demand of the Protestant Evangelists who wanted to avoid investing in "sin stocks"; alcohol, tobacco and weapon manufacturing companies. However, this fund was not available for the general public (Travinski 2008). Then, for a few decades, these activities remained hidden until the 1960s brought some new movements in human rights, corporate social responsibility and consumer awareness. The long-term effects of this line of thought in the United States can even be tracked in Ralph Nader's public criticism on the social and ecological irresponsible behaviour of multinational companies and his actions to make consumers and shareholders aware of their responsibility regarding their consumer behaviour and shareholder voting rights (Malkiel and Quandt 1971). His presidential campaigns also stressed these aspects in the first years of the new millennium.

Concerning organisationally supported activism, new sustainable funds were already created in the 1960s and 1970s, such as the Aktie-Ansvar in Sweden, the first open-public fund with mostly conventional screening strategies in 1965, and the US Pax World Fund in 1971 (Kreander et al. 2004). Also in the 1970s Charles Jacob, the Methodist Church's investment manager, worked out a new methodology on how to study a corporation as an aggregate unit including its manufacturing processes, employer-employee relationships and the overall contact to its ecological and social environment. This proposal included the first steps to the modern form of ethical finance; underlined the social and ecological responsibility of the companies and furthermore of its employees and customers and introduced the positive screening strategy (Stewardship Fund Prospectus 1973 in Kreander 2001 and Leahy 2008).

After the different political issues that concerned investors in the 1960s and 1970s, such as the Vietnam war and the South African Apartheid, the next decades brought a shift of the attention toward environmentally focused financial activities. Countries of the developed world set the concept of "ecological crisis" and as a first step to fight it, reacted mostly with "pragmatic legal-administrative response" (Berger et al. 2001). Different institutions were created to work up appropriate environmental policies and "end-of-pipe" solutions were introduced which prescribe the use of scrubbers and filters (Hajer 1996).

As a result of increased ecological attention, the World Commission on Environment and Development was created in 1983 by the United Nations for the popularisation of sustainable development and they saw "the possibility for a new era of economic growth, one that must be based on policies that sustain and expand the environmental resource base." Sustainable development is defined as meeting "the [human] needs of the present without compromising the ability of future generations to meet their own needs…" in addition it will be realized that "growth will come through better managing technology and social organization" as well Ecology and economy are becoming ever more interwoven locally, regionally, nationally, and globally into a seamless net of causes and effects." (WCED working paper 1981[1]) During the 1990s the European Union set an accent on the harmonisation of the member states' environmental policies on a global, national and regional level. Resource efficiency, internalisation of the ecological costs and industrial self-regulation were defined as the most important topics (Berger et al. 2001). In parallel, the Bush and Clinton administrations of the United States became again more aware of ecological problems, especially the ozone depletion, acid rain and hazardous waste. They imposed rules regarding emission levels and different taxes to put pressure on the green policies of corporations.

Ecological issues enforced also international collaboration, since the 1990s, many international summits were held in the topic of climate change, global warming, sustainable development and other environmental problems, where protocols and principles were drawn up as proposals. At the very last United Nations Climate Conference that was held in December 2015, the Paris Agreement was issued, which, according to the UNFCCC Executive Secretary Christiana Figueres,

[1]World Commission on Environment and Development (1987), p. 8.

"confirms the irreversible transition to a low carbon, safer and healthier world" (UNFCCC homepage).[2]

It is also worth mentioning that more recently, the World Business Council for Sustainable Development evolved new generations of green ethical funds. The Council is now an association of some 200 international companies and is a "CEO-led organization of forward-thinking companies that galvanizes the global business community to create a sustainable future for business, society and the environment. Through its members, the Council applies its respected thought leadership and effective advocacy to generate constructive solutions and take shared action to drive business action on sustainability…" (homepage WBDSD). Today, as a result of all of these positive changes in the way of thinking of global actors and societies "have locked the global economy and global ecology together in new ways" (Redclift 2005). Political and corporate decision makers, investors and consumers are all involved in a process to minimise ecological stress, to cooperate on the international level in order to curtail environmental costs on economic growth. In the last years, ethical forms of finance continually grow at a faster rate than the conventional asset management market in Europe (Eurosif 2014). These developments can be viewed as a process of globalisation of ethical and green finance. However, it has to be noted that this process is culturally differentiated, and exactly this feature will be analysed in the main part of this paper.

The increased public attention in ecological issues in recent decades set the stage for the development of different forms of ethical finance in different cultural circles. This evolution, however, can not be understood without the cultural specificity of the given social environment, therefore, cultural clustering has to be applied in order to properly highlight the mechanisms of the development of ethical and green finance in the world.

4 Cultural Clusters, Ethical Finance and Green Economy

Here, it will be shown how culture influences the prevalence of ethical finance, especially why given forms of ethical finance (e.g. ethical investment, microfinance or engagement) are well accepted and used in some parts of the world while others are neglected. Additionally, the objectives of ethical or ecological financial movements differ from one country to the other which is also culturally determined. This statement will be supported by the correlation of cultural clustering and typically observable forms of ethical finance. More specifically, for cultural clustering, the principles of the comprehensive Global Leadership and Organizational Behaviour Effectiveness Research Program (GLOBE) can be applied.[3]

[2]Homepage UNFCCC.http://www.cop21.gouv.fr/en/the-world-talks-about-parisagreement/ accessed on 2 Jan 2016.

[3]All Globe data in this paper are taken from the book Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies.

The GLOBE project was a global research initiative of more than 170 researchers lasting for over a decade in the 1990s and beyond. The team collected vast amounts of data from 17,300 middle managers at 951 different organizations. Qualitative methods were used to assist the development of quantitative instruments. As a final outcome, nine cultural competencies had been clearly identified and more than 60 countries were grouped into ten clusters, representing common leadership attitudes. Here, a novel approach is presented where GLOBE findings are applied to characteristic features of ethical finance, therefore, as an initial step it is important to introduce the original principles and conclusions of the GLOBE study to set the framework for the correlation with ethical finance.

4.1 Cultural Clustering Principles of the GLOBE Project

The cultural clusters identified by the GLOBE project can be examined one by one by analysing their so-called dimensions that define the characteristics of cultural clusters. The dimensions used by the GLOBE project are the following:

Performance orientation is the degree to which a collective encourages and rewards group members for performance improvement.

Assertiveness defines to what extent individuals are assertive, confrontational and aggressive in their relationships.

Future orientation describes the importance of long-term thinking and systematic planning.

Humane orientation express the degree to which a collective encourages and rewards individuals for being fair, altruistic, generous, caring, and kind to others.

Institutional collectivism stands for collective distribution of resources and collective actions, while *in-group collectivism* describes the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.

Gender egalitarianism characterises the rate of gender equality in a society.

Power distance is the degree to which members of a collective expect power to be distributed equally.

Uncertainty avoidance describes how a society or group relies on social norms, rules and procedures to minimise unpredictability of future events.

According to these cultural dimensions, ten clusters were identified: Latin Europe, Germanic Europe, Anglo cluster, Nordic Europe, Eastern Europe, Latin America, Confucian Asia, Southern Asia, Middle East and Sub-Saharan Africa.

Analysing these GLOBE dimensions and using its clustering strategies, it can be observed, which clusters are more sensitive to the traditional forms of ethical finance and are concerned more about social problems and which are those that are interested more about green issues. Some dimensions show the sensitivity towards ecological problems in the society to a great extent. One of these is assertiveness, where non-assertive societies tend to prize nature, the integrity of the environment and society and are concerned about ecological issues.

Selected GLOBE results on the self-evaluation of cultural dimensions in different clusters is shown in Table 1 (House et al. 2004) based on a scoring system with a potential range of values between 1 and 10. The world average is also shown for reference so that significant deviations from the world average are clearly visible. Section 4.2 contains a number of relevant findings with respect to ethical finance forms and practices that can be derived from these cultural features.

4.2 Forms of Ethical, Especially Green Finance Specific to Each Cultural Cluster

The **Nordic Europe**[4] cluster is the one with the lowest assertiveness ranking and this cluster indeed includes countries with outstanding ethical financial practices regarding ecological investment funds and other financial activities. In Sweden, for example, people are more attracted by ecological issues than social ones and a leading criterion in creating an investment portfolio is environmental awareness (Eurosif 2010, 2014). In this trend, however, the high economic standard of the Nordic economies plays also an important role. Interestingly, the engagement approach is also prevailing in the region; private and institutional investors are aware of their influence on the business and social/environmental policy of the corporations they hold shares of. The prevalence of ethical finance is also supported by high uncertainty avoidance scores which represent well-regulated and formalized countries that are often open for novel challenges. New ideas are welcome and people are ready to take a bit higher financial risk in order to support social and ecological solutions that might be of great positive impact in the future (Bengtsson 2008).

High future orientation and, interestingly, gender egalitarianism are two more dimensions that favour the popularity of green finance. People in these countries live in stable economies and therefore can afford to enter in eventually riskier, newly formed financial activities that hold promise of being of use for the wider society and global issues. They have expectations concerning the future and are convinced about the possibility to be able to influence future happenings with present actions and strategic planning. The high gender egalitarianism scores further shore up the attractiveness of ethical finance with its cooperative and intuitive attitudes.

The **Germanic cluster**[5] is also one that is well known to put a strong accent on environmental matters. This cluster has many similarities with the above mentioned Nordic cluster and shares similar societal values and interest in green finance. The high uncertainty avoidance score again makes the Germanic cluster societies driven by innovation and ready for higher risk-taking. When this comes together with the overall highest future orientation and very strong performance orientation scores and is additionally supported by strong economic background, ethical finance had and still has very good chances to become more widespread. In this cluster, a wide

[4]Denmark, Finland, Sweden.

[5]Austria, Germany, the Netherlands and the German speaking part of Switzerland.

Table 1 GLOBE research scores on a scale between 1 and 10 corresponding to the 9 cultural dimensions identified by the research for different country clusters

AS IS scores	Anglo	Nordic	Germanic	Latin Europe	Eastern Europe	Arabic	Southern Asia	Confucian Asia	Latin America	Sub-Saharan Africa	Average
Uncertainty avoidance	4.42	5.19	5.12	4.18	3.56	3.91	4.10	4.42	3.62	4.27	4.28
Future orientation	4.08	4.36	4.40	3.68	3.38	3.58	3.98	4.18	3.54	3.92	3.91
Power distance	4.97	4.54	4.95	5.21	5.25	5.23	5.39	5.15	5.33	5.22	5.12
Institutional collectivism	4.46	4.88	4.03	4.01	4.10	4.28	4.35	4.80	3.86	4.28	4.31
Humane orientation	4.20	4.17	3.55	3.71	3.85	4.36	4.71	3.99	4.03	4.42	4.10
Performance orientation	4.37	3.92	4.41	3.94	3.73	3.90	4.33	4.58	3.85	4.13	4.12
Group and family collectivism	4.30	3.75	4.21	4.80	5.53	5.58	5.87	5.42	5.52	5.31	5.03
Gender egalitariansm	3.40	3.71	3.14	3.36	3.84	2.95	3.28	3.18	3.41	3.29	3.36
Assertiveness	4.14	3.66	4.55	3.99	4.33	4.14	3.86	4.09	4.15	4.24	4.12

The last column contains the world average. Relevant conclusions that can be derived from these cultural leadership scores with respect to ethical finance are presented in the next Chapter range of different mutual funds are available (Tober and Vögele 2011), and green topics are very popular. There are different green or alternative banks in these countries that consider social and ecological aspects not only in their investment portfolio but also in their loan decision. These financial institutions often finance ecologically very useful projects that have a return on investment only on the long term and would not have access to capital on the conventional financial market (Eurosif 2010, 2014). Additionally, favourable legal frameworks support the prevalence of ethical investments, e.g. disclosure guidelines for pension funds, certificates and quality labels for sustainable funds and other products.

After the financial crisis, people of **Anglo**[6] cluster societies became disenchanted in conventional capital market that turned out to be unsustainable. They turned more to alternative financial and investment strategies, the demand for these new financial products rose within a short period of time (EIRIS 2010). Environmental issues came to the forefront and the establishment of the Green Investment Bank in the United Kingdom aimed to support the transition of the country into a low carbon economy. Additionally, many research houses and advisory centres were set up to help sustainable investors find the suitable financial method. One might think that the high performance orientation and individualism scores in the Anglo cluster may not favourable for ethical finance (House et al. 2004). High performance orientation countries, however, are the economically developed ones that put an accent on transparency in business that is mostly more ensured with sustainable financial practices. The high individualism is encouraging the prevalence of shareholder activism where investors try to influence business policies according to their moral values. Competitiveness is another attitude that goes hand in hand with the above-mentioned dimensions and leads to the development of new and attractive investment forms for interested investors.

Additionally, these scores combined with high future orientation made the cluster to become one of the pioneers in ethical finance that rarely represent short-time projects. Strategic planning belongs to future orientation that makes future happenings more predictable. People in these societies are aware of their responsibility regarding the shaping of the future for upcoming generations. In most cases this leads to the pronounced concerns on the subject of ecological issues (Chhokar et al. 2007). These facts all underline that beyond economic reasons, also cultural attitudes have been favourable for the prevalence of ethical finance in the cluster.

The **Latin Europe**[7] cluster is rather different from its other European counterparts regarding history, prevalence and forms of ethical finance. This comes as no surprise if one inspects the countries in the cluster. They show a very heterogeneous historical background, are quite different from the religious point-of-view and regarding their economies, some are highly developed where others have been badly affected by the economic crisis (Setem 2006). The cluster's countries have high in-group and family collectivism scores compared to other European countries

[6]Australia, Canada, New Zealand, the white sample of South Africa, United Kingdom, United States.

[7]France, Israel, Italy, Portugal, Spain, Switzerland.

in spite of the fact that worldwide ranking is around the average. The relatively early establishment of cooperative banks in the cluster reflects the cohesion in the society. Italy especially had very sophisticated agricultural, green and social issues oriented small financial institutions from the eighteenth century on that rely on solidarity, collaboration and democracy. This is further supported by low assertiveness figures (see Table 1), which again stands for cooperative societies; people try to live in harmony with their neighbours, the environment and values such as cohesion and equality are important. Other dimensions are mostly around the average in the cluster, without noticeable scores.

Regulatory frameworks of ethical finance are mostly well developed in the cluster and the social investment market is growing. Institutional investors are the key players in the field, however more and more private financiers are interested in socially and ecologically related financial products, especially in countries that have been facing more difficulties since the economic crisis (Eurosif 2014). People are looking for alternatives to conventional financial products and they have learned to concentrate more strongly on long-term planning and transparency, which highly favour the spread of ethical and also green investment tools. Switzerland, the cluster's (and one of the world's) leading financial centre plays also an important role on the sustainable market. Most financial institutions offer a large variety of sustainable financial products and additionally, Switzerland is one of the world's microfinance centres.

The **Eastern European**[8] cluster is lagging behind its Western European counterparts regarding ethical finance which can be explained by the economic and political transition they have been facing for decades (Eurosif 2010, 2014). These countries show low future and performance orientation scores—due to the planned economy in socialism—that do not favour ethical finance. The high power distance and collectivism scores can explain the lack of shareholder activities. At the same time, however, the high in-group collectivism and gender egalitarianism scores reflect the importance of empathy, commonality and other soft values in the cluster that might support other forms of ethical finance. In fact, there are some microcredit institutions all over the cluster and also local, pioneering financial institutions dealing with social and ecological problems (Kraemer-Eis and Conforti 2009). Moreover, international banks offer different investment alternatives that mostly focus on green issues.

The development of ethical finance in the **Southern Asia**[9] cluster is probably more influenced by economic than by cultural factors. There are many people living in poverty in the cluster that might be the reason for the success of community financial forms. Moreover, the cluster stands for the overall highest humane orientation scores and high collectivism scores supplemented with low assertiveness, definitely helping the dissemination of financial practices that are based on the moral values such as cooperation, mutual assistance and loyalty. As mentioned earlier, the first successful ethical financial forms were microcredit institutions that have plenty of different forms all around Asia developed according to the needs and

[8]Albania, Georgia, Greece, Hungary, Kazakhstan, Poland, Russia, Slovenia.

[9]India, Indonesia, Iran, Malaysia, the Philippines, Thailand.

demands of the poor (Yunus 2008). As the performance orientation dimension is high in the cluster, these institutions are mostly very cost-effective and represent a really efficient tool in the reduction of poverty. The high power distance scores, that mostly correlate with rigid hierarchical systems and the again overall highest in-group and family collectivism scores probably repress individual actions that shareholder activity requires, so this form is almost non-existent in the cluster.

Regarding green issues, climate change became an important issue for responsible investors "and targeted investments to tackle environmental challenges are growing in importance. 62 % of respondents state that climate risk will be more important in the next 2 years" (ASrIA 2003).[10] The three most important targets are climate change, energy and water security. Recently, the Association for Sustainable and Responsible Investment in Asia, leading political decision makers of the region, international experts of climate change and financial organisations arranged a meeting to find options for alternative financial strategies and for "climate finance solutions."[11] On the whole, there is a conscious process of these countries to turn their economies into a low carbon one and they try to use various means to reach this goal, including the tools of green finance.

The other Asian cluster is comprised of very strong economies: the **Confucian Asian**[12] cluster's countries are becoming the leaders of ethical finance in Asia, even though the ethical money market is still in its early stages. However, demographic expansion caused severe ecological and social problems that must be treated both on the political and societal level. Most activities are supply-driven, on the one hand because of the international pressure, on the other hand because governments realised that these financial tools can assist them in mitigating the above-mentioned problems. According to the latest research of ASrIA,[13] their "findings also confirmed that investors in Asia are increasingly concerned about climate risk. Importantly, climate change is considered an issue for both dedicated sustainable investment managers but also for more mainstream asset managers."[14] Cultural dimensions are strongly influenced by religion. These countries are highly performance-oriented and masculine. This means that depositors are usually focused on investments that bring higher profit in the short run, soft values and long term social or ecological profit represent negligible factors. As mentioned above, this has been changing in recent years as people and investment managers are directly facing the social and ecological problems and realise the fact that social investments can make the same profit as conventional ones (SIFJ 2009). This, also

[10] http://asria.org/asias-sustainable-investment-market-is-robust-and-growing/ accessed on 23. April 2015.

[11] http://asria.org/transforming-economies-how-to-fund-green-growth-in-southeast-asia/ accessed on 23. April 2015.

[12] China, Hong Kong, Japan, South Korea, Singapore, Taiwan.

[13] Association for Sustainable and Responsible Investment in Asia.

[14] http://asria.org/asias-sustainable-investment-market-is-robust-and-growing/ accessed on 23. April 2015.

complemented by high collectivism and future orientation scores indicate the strong prevalence of these financial methods in the future.

The **Middle East**[15] cluster's ethical financial market is very different from the above mentioned ones due to the fact that financial decisions are strongly influenced by Islam. However, Islamic finance operates on a similar principle to sustainable investments; helping the poor and solidarity play an important role. The Dow Jones Islamic Market Index launched in Bahrain in 1999 for example screens for Islamic compliance (Hassan and Mahlknecht 2011) and the Egyptian Corporate Responsible Index is the first index in the region that concentrates on social and ecological aspects (EIoD[16] homepage). Climate change and food security are those global problems that concerns these societies the most (MENA 2009). Important steps were made by the leading private equity fund, the Abraaj Capital that created the Ethical Framework for Investors and introduced a number of sustainable investment practices. The high net worth individuals (who usually invest in equity funds) are increasingly interested in renewable energy and clean technology projects. GLOBE dimensions describe the cluster as highly group and family collectivist which is probably the reason for the different forms of community finance developed in the region, mostly according to Islamic principles. These institutions often support families (rather than women as in the conventional microfinance world) and allow only transfer of goods (instead of money) to exclude interest rates. Additionally these institutions focus more on charity enabled by donations prescribed by religion (Costa et al. 2010).

In the **Sub-Saharan Africa**[17] cluster, ethical finance initiatives come from above (from international development organisations and the governments) and as many people live in poverty, diverse forms of community finance are very popular (Cleene and Wood 2004). High in group collectivism, humane orientation and assertiveness scores are conducive to the spread of ethical financial practices. People believe in the positive correlation of input and result and humane aspects play an important role in the decision making process. These societies are not formalised, it is easy to enter in small financial interactions, take a small loan and start a new business. The regulation of this by the governments is however of great importance, since many usury-based programs run under the flag of microfinance.

Regarding ethical investment, South Africa is the centre for sustainable investment in the region and the very first responsible index in emerging markets was also launched here. The most important exclusion criteria of the fund interestingly focus on environmental issues which shows the awareness of citizens (having a higher standard of living) on the long-term negative effect of climate change and water/air pollution (International Finance Corporation 2011). The index tries on the one hand to encourage corporations to integrate environmental and social aspects in their business policy and additionally convince private but mostly institutional investors to consider sustainable principles (International Finance Corporation 2011).

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[15]Egypt, Kuwait, Morocco, Qatar, Turkey.

[16]Egyptian Insitute of Directors, accessed on 2 Jan 2016.

[17]Namibia, Nigeria, South Africa, Zambia, Zimbabwe.

The **Latin American**[18] cluster drew up early interest in responsible finance. Compared to other emerging markets, ethical investments and community finance are both developed in the region (Kumar and Siddy 2009). Informal relations, familiar cohesion and tradition all play an important role in these clusters and this is demonstrated by the low uncertainty avoidance and performance orientation scores along with high family collectivism and gender egalitarianism. Overall cultural frameworks (except for the low future orientation) with its humane ideals create a really favourable environment for ethical finance. There are several microfinance institutions and cooperative banks in the region (Meagher et al. 2006) that are not only important self-organisation groups but also strongly supported by the government and to some extent they are also regulated. Regarding ethical investments, pension funds play the most decisive role as investors. Issues targeted represent mainly human rights, poverty and green issues. Own development banks (like in Brazil), social investment mutual funds and corporate sustainability indices all support the further evolution and expansion of responsible financial markets in Latin America.

5 Conclusions

Here, it was argued that even though green finance has spread globally, the observable, significant country-by-country variations of ethical instruments are culturally determined. Beyond pure economic background, cultural frameworks are the most important factors that influence the acceptance, prevalence and evolution of ethical finance. The cultural dimensions introduced and quantified by the GLOBE study have been found to correlate strongly with the ethical-ecological finance characteristics of cultural clusters. It was shown that most of the GLOBE dimensions introduced are helpful tools for understanding the evolution and current state of green finance in different countries that can be clearly classified into a GLOBE cluster. The most important cultural dimensions were identified as humane and future orientation, gender egalitarianism, performance orientation and assertiveness. These dimensions fundamentally determine attitudes toward ethical finance target groups (e.g. the poor) and target objectives (environment protection, air pollution, lack of water etc.). The resulting financial activities and prevailing ethical finance instruments were then found to be specific to cultural clusters.

Obviously, local grassroots initiatives regarding ethical finance are automatically compatible with the cultural framework and their natural evolution is mostly secured by the prompt response of a society for internally identified needs and demands. However, when development and green projects are initiated by external actors like international development organisations or banks, the proper adaptation to the given culture is of great importance and specific cultural aspects have to be

[18]Argentina, Bolivia, Brazil, Columbia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Venezuela.

considered for efficient use of resources, and eventually for the success of the project itself. Conclusions drawn from the cultural clustering of the GLOBE Research Program and adapting its results to ethical finance structures can greatly assist in defining the proper ethical finance instruments for a given cultural circle. The methodology that is based on and developed according to this finding will certainly lead to more efficient utilization of ethical finance practices all over the world.

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