Seismo

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Save Money, Save the World! Motivational and Structural Underpinnings of Ethical Finance in Switzerland

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Abstract: We study the motivations and constraints for ethical banking and ethical investing by private individuals in Switzerland with a representative survey of the general population. The use of both types of ethical finance instruments is motivated by ethical beliefs and constrained by the endowment with various forms of economic and cultural capital. Yet, ethical banking is more strongly linked to ethical motivations, while ethical investing is more resource dependent. Moreover, exposure to topics of sustainability during socialization fosters the use of ethical finance.

Keywords: Ethical banking, ethical investment, Switzerland, constrained choice, social inequality

Sauver l'argent, sauver le monde ! Motivations et fondements structurels de la finance éthique en Suisse

Résumé : Nous étudions les motivations et les contraintes des particuliers en matière de banque éthique et d'investissement éthique en Suisse à l'aide d'une enquête représentative de la population générale. L'utilisation des deux types d'instruments financiers éthiques est motivée par des croyances éthiques et limitée par la dotation de diverses formes de capital économique et culturel. Cependant, la banque éthique est plus fortement liée aux motivations éthiques, tandis que l'investissement éthique est plus dépendant des ressources. En outre, l'exposition à des sujets de durabilité au cours de la socialisation favorise l'utilisation de la finance éthique.
Mots-clés : Banque éthique, investissement éthique, Suisse, "constrained choice", inégalité sociale

Geld sparen, die Welt retten! Motivationale und strukturelle Grundlagen von ethischen Finanzaktivitäten in der Schweiz

Zusammenfassung: Wir untersuchen die Motivationen und Opportunitäten für ethisches Banking und ethisches Investieren von Privatpersonen in der Schweiz auf der Grundlage einer repräsentativen Bevölkerungsumfrage. Die Nutzung beider Arten von ethischen Finanzinstrumenten ist durch ethische Überzeugungen motiviert und wird durch die Ausstattung mit verschiedenen Formen von ökonomischem und kulturellem Kapital ermöglicht und eingeschränkt. Ethisches Banking ist jedoch stärker mit ethischen Motiven verknüpft, während ethisches Investieren stärker ressourcenabhängig ist. Darüber hinaus fördert die Beschäftigung mit Nachhaltigkeitsthemen während der Sozialisation die Nutzung von ethischen Bank- und Finanzinstrumenten
Schlüsselwörter: Ethisches Banking, ethische Investitionen, Schweiz, "constrained choice", soziale Ungleichheit

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1 Introduction

In recent decades, social scientists have observed a moralization of markets (Chow et al., 2022; Stehr, 2007). Ethical, political, or religious considerations have become more salient for an increasing number of market actors. This comes in different varieties, like buying sustainable food, boycotting companies involved in pornography, recycling garbage, or providing capital to ESG (Environmental, Social and Corporate Governance) funds. It relates to consumers and producers, but also to investors and financial market intermediaries such as banks. While the production and consumption of ethical products has generated much sociological interest (cf. Schenk et al., 2024), ethical finance has remained comparatively underresearched. Ethical finance subsumes decisions in the financial sector, where the social, environmental, or political consequences are taken into account (congruent with definitions of ethical consumption; Stehr, 2007).

To study ethical decisions in this sector, we focus on the choice of ethical banking and ethical investment as two important cases. Most types of ethical investment are dominated by big institutional investors, whereas private investors are still quite reluctant to go into these forms of investment. Usually, only a share of their investments is considered ethical (Meunier & Ohadi, 2022; Scholtens & Sievänen, 2013; Signori, 2020; Studer, 2021). Likewise, social banks remain in a subordinate position in the Swiss market (Bues et al., 2018; Rickenbacher, 2022). Yet, banking and investment have distinct characteristics also. Most importantly, while it is quite straightforward to open a regular bank account in most cases, investing is deeply intertwined with economic profitability and more strongly constrained by monetary resources (Chamorro-Mera & Palacios-González, 2019; Wins & Zwergel, 2015).

Given the current challenges to establish more sustainable societies, we aim at better understanding the reasons for the limited prevalence of ethical finance. Therefore, our primary research question is: Which motivations, attitudes, capitals, and constraints are the main determinants of private individuals' use of ethical banking and ethical investing in Switzerland? As two distinct forms of ethical finance, we furthermore ask whether there are differences in the main determinants between ethical investing and banking. To do so, we integrate sociological conceptions of social inequality and research on the motivations for ethical behavior in a constrained choice approach (cf. Schenk, 2017; Sunderer & Rössel, 2012). We argue that the use of ethical finance is motivated by ethical beliefs and constrained by endowment with various forms of economic and cultural capital.

To properly test such an explanation, a sample of the general population with sufficient variation in the use of ethical finance, resource endowment, and ethical orientations is essential. Previous research is limited insofar as it mostly compares ethical and conventional investors or uses small convenience samples, therefore focusing on rather specific populations with distinct goals and sufficient resources

(Bayer et al., 2019, Meunier & Ohadi, 2022; Signori, 2020). In contrast, we conducted a large-scale survey of the general population, covering all language-regions of Switzerland, in December 2023. Switzerland is an especially fitting context. It exhibits favorable conditions for generating sufficient variation in the variables of interest. Switzerland has one of the highest GDP per capita among OECD countries and the savings rate is more than twice as large than the average in the European Union (OECD, 2024). Moreover, it has a highly developed banking and finance system, offering a diversity of ethical investment and banking options (Studer, 2021).

We make several contributions to the literature. First, we provide new results on the prevalence of ethical banking and ethical investing in the general population of Switzerland, beyond professional and institutional investors (Bayer et al., 2019; Meunier & Ohadi, 2022; Signori, 2020). Second, we systematically compare the determinants of using ethical banks and ethical investments as two distinct forms of ethical finance (Meunier & Ohadi, 2022; Paetzold & Busch, 2014), connecting our results to research on ethical consumption, which discusses similar determinants (Diekmann & Preisendörfer, 2003; Schenk, 2017; Schenk et al., 2024; Steg et al., 2011; Sunderer & Rössel, 2012). Third, we use differentiated measures for various forms of cultural capital (formal education, knowledge of ethical consumption and production, repeated practice of ethical market behavior, socialization processes), going beyond the social and demographic correlates in previous research (Beal & Goyen, 1998; Chamorro-Mera & Palacios-González, 2019; Junkus & Berry, 2010; Wins & Zwergel, 2015). Finally, we put a focus on the socialization of ethical finance, which has been largely ignored so far (Hellström et al., 2020). We measure the exposure to issues of sustainability, consumption, and production in schools and families, showing that socialization processes have a strong and unique effect on ethical finance decisions.

We start with a brief characterization of ethical finance, before turning to the theoretical model and empirical results on motivations and capital endowment in previous research on ethical investing and banking. After presenting the data, methods, and statistical analysis, we discuss our main findings. In the conclusion, we reflect on the theoretical significance of the results, mention limitations, and derive practical implications.

2 Ethical Investment and Banking: Definition, Theory, and Research

2.1 Prevalence of Ethical Finance

In recent years, the market for ethical finance has grown rapidly (Bues et al., 2018; Chalisseri et al., 2023; Itzenga, 2022; Meunier & Ohadi, 2022; Scholtens & Sievänen, 2013; Signori, 2020). Ethical finance aims to generate long-term positive societal

impact alongside financial returns. Generally, ethical criteria refer to some notion of the common good, transcending narrow self-interest and mere economic utility. Yet, there are more specific frameworks to evaluate ethical impact. The environmental, social, and governance (ESG) framework is widely used and is highly institutionalized at the company, rating and political level. Environment refers to a company's impact on natural resources, carbon emissions, and so on. Social criteria consider factors such as labor practices, human rights, or community engagement. Governance criteria focus on the quality and transparency of corporate governance structures, including board diversity or executive compensation. Beyond these conventional ESG criteria, ethical finance may also include other considerations like religious norms, patriotic feelings, or even socially exclusive criteria.

There are various instruments of ethical finance. We focus on ethical investments and ethical banking as two highly relevant, but differing cases. Investments have the goal of using capital productively to generate profit. Ethical investing comes under several labels, such as sustainable, socially responsible, green, impact, and ESG investment. Banks serve as financial intermediaries or act as institutional investors themselves. Ethical banking in a broad sense means that banks conduct their activities in an ethical, honest, and sustainable way (Höhnke, 2020; Patterson & McEachern, 2018). In a narrower sense, social banks focus on granting loans with the explicit goal to promote social and environmental benefits. They refrain from speculation and rely on transparency and fair compensation systems. Their entire business model is built around ethical criteria (Bayer et al., 2019).

The prevalence of ethical investment and banking varies significantly across countries (Itzenga, 2022; Chalisseri et al., 2023; Meunier & Ohadi, 2022; Signori, 2020; Scholtens & Sievänen, 2013). According to various studies, an increasing number of institutional investors in Europe and North America incorporate ESG criteria into their investment strategies, reflecting a growing demand for sustainable and responsible investment options (Scholtens & Sievänen, 2013; Signori, 2020). Europe, in particular, has emerged as a global leader in ethical investments. Countries like Sweden, Norway, and the Netherlands have among the highest proportions of ethical investments relative to total assets under management. The European Union's Sustainable Finance Action Plan and initiatives like the EU Taxonomy Regulation (European Union, 2020) have propelled the growth of sustainable finance across the region, including Switzerland (Studer, 2021).

However, even with the global diffusion and the strong institutionalization of ethical finance in Europe, there is still a reluctance among private customers to choose ethical forms of investments or banking. Several studies ascertain a prevalence of big institutional investors and pension funds within ethical finance (Meunier & Ohadi, 2022; Paetzold & Busch, 2014; Scholtens & Sievänen, 2013). Furthermore, most private investors are hesitant to invest a bigger share of their savings in ethical investments and finance (Schrötgens & Boenigk, 2017; Signori, 2020; Studer, 2021).

This is reflected in the sampling strategies of studies on ethical investment, focusing mainly on professional investors (Meunier & Ohadi, 2022; Signori, 2020). Only a few studies take note of ethical investment considerations in the general population (e.g., Koh et al., 2022; Seifert et al., 2024). The situation is similar with ethical banking. The niche position of social banks is mirrored in the general lack of scientific research on the reasons for using ethical banking (Bayer et al., 2019; Krause & Battenfeld, 2019). However, there is a trend among younger investors to move more strongly into ethical investment and ethical banking (Schrötgens & Boenigk, 2017), with sustainable fonds steadily growing and achieving a market share of up to 52% in Switzerland in the year 2020 (Bues et al., 2018).

Despite these commonalities, banking and investment represent different forms of activities. Most importantly, it is usually quite easy to open a bank account, even without greater monetary resources, making banking ubiquitous in the Swiss population. On average, Swiss people have 2.2 bank accounts to manage their everyday financial transactions, their personal savings or investments, or their private pension funds (Dietrich, 2021). In contrast, investment in stocks or equity funds is not only based on the necessary economic capital but also based on the willingness to use such financial instruments. Most Swiss hold monetary assets in their bank or savings account, but only two thirds hold assets in pension funds and even less (around 25%) in stocks and shares (Knecht, 2022). These commonalities and differences need to be taken into account for an explanation of the use of ethical finance instruments.

2.2 Theoretical Background

Constrained Choice

To explain the use of ethical finance instruments, we integrate sociological conceptions of social inequality and socialization processes and research on the motivations of ethical behavior into a parsimonious model of constrained choice (Schenk, 2017; Schenk et al., 2016). Theories of constrained choice refer to an idea of decision-making with two filtering processes: the first filter relates to available opportunities and constraints. For instance, investors need to choose between various financial assets. The availability of financial products in a market dictates the set of feasible alternatives. Yet, these assets also imply different costs. Some presuppose larger monetary resources and financial liquidity, the possibility to take financial risks, or higher search and opportunity costs (Halbritter & Dorfleitner, 2015; Meunier & Ohadi, 2022). Therefore, choices for conventional or ethical financial products are not only shaped by external opportunities, which may be assumed to be rather homogenous on the investment and banking markets, but by the different resources available to individuals, such as income. Therefore, the constrained choice approach is intrinsically related to issues of resource endowment and social inequality. We

theoretically specify these connections and present corresponding empirical research in the sections below. The second filter describes how individuals choose an option within the set of feasible opportunities based on their motives (or goals, attitudes, preferences, etc.). Some investors want to maximize their economic returns, while others want to make a social or environmental impact (Chatzitheodorou et al., 2019; Kapil & Rawal, 2022; Signori, 2020; Yang et al., 2021). The empirical research on different motivations is also discussed below.

Choices for conventional or ethical financial products hence simultaneously depend on resource endowment and an investor's motivation. Yet, the importance of these two filtering processes may differ between behaviors (Diekmann & Preisendörfer, 2003). In high-cost situations, the set of feasible alternatives is small. Choice is dominated by opportunities and resources. In this case, motivations have little explanatory power. In low-cost situations, individuals have more freedom to choose within a broad set of alternatives based on their preferences. Since investing demands larger economic and cultural resources, it might represent a high-cost situation in contrast to ethical banking. A constrained choice model allows us to empirically compare the explanatory power of ethical motives and resource endowment for these two distinct forms of ethical finance.

Social Inequality and Socialization

The opportunities and resources of the first filtering process of the constrained choice model are unequally distributed in society. The choice for ethical finance instruments is thereby tied to structures of social inequality. To describe these structures, Bourdieu (2007) introduces the idea of "capital." This includes, most importantly, economic (money and wealth) and cultural capital (competencies). Cultural capital comes in different subtypes in turn. Institutionalized cultural capital is issued by societal institutions. Educational credentials are the most important example of this type. Incorporated cultural capital denotes embodied cultural knowledge, skills, and practical understandings. For example, individuals have practical knowledge of ethical products and ways to appropriate them. The distribution of economic and cultural capital defines positions in social space (Bourdieu, 2007). Individuals with similar positions in social space are part of a common social class with objectively similar life situations. Social class, in turn, shapes their differential practices and lifestyles, like ethical consumption and finance.

While being a product of classed experiences, cultural capital is fundamentally acquired through socialization processes in various fields (Warde, 2015). Although often neglected in previous research, this should also apply to knowledge, values, and decisions related to ethical market behavior (Schenk et al., 2016). People acquire necessary competencies through their repeated practice as ethical consumers or investors. Yet, while investors become socialized in markets, Bourdieu (2007) reminds us of the importance of primary and secondary socialization in families

and schools. In schools, individuals may acquire fundamental knowledge on market processes, financial planning, and sustainability through explicit instruction. In many countries, including Switzerland, consumer and financial education have been an important part of the curriculum (Hashinaga, 2023). In families, socialization takes place to a large extent unconsciously through mimetic learning, for example with parents being conscious of environmental issues in their daily lives (Lizardo, 2009). Hence, being exposed to issues of sustainability at an early age might have long-lasting effects on financial decisions in later life.

To summarize: the endowment with economic and cultural capital shapes the opportunities for the individual choice of ethical finance instruments. Socialization in schools and families might play a vital role for capital acquisition by fostering general competencies for ethical investment and banking. This connects the first filter of the constrained choice model with structures of social inequality and socialization processes. In the following sections, we present further evidence from previous research on ethical finance for both filter processes and their social structuration.

2.3 Previous Research on Ethical Investing and Banking

Economic Returns on Investment

As outlined in the constrained choice model, economic motivations could be a determinant for choosing ethical finance instruments. This has prompted researchers to explore how different forms of ethical investment compare to conventional investments in terms of financial performance and broader social implications. While findings vary, there is some evidence that ethical investment can deliver competitive or even superior financial returns in the long term, constituting new investment opportunities (Chatzitheodorou et al., 2019). Overall, however, the results are quite heterogeneous depending on country context, industry, and the development of possibilities for ethical investments in a market – indicating that financial returns may also change over time (Halbritter & Dorfleitner, 2015; Itzenga, 2022; Signori, 2020). In line with this, investors have a mixed perception of ethical investments, with some studies reporting higher financial (Bauer et al., 2021; Studer, 2021) and others worse financial expectations (Bayer et al., 2019; Wins & Zwergel, 2015) compared to conventional investments.

Furthermore, critics point to challenges in evaluating and quantifying the impact of ethical factors on financial returns and to measure the sustainability of businesses (Dorfleitner & Utz, 2023). The complexity of measuring intangible factors such as social impact and corporate culture poses methodological hurdles in assessing the true consequences of ethical investment. It has furthermore led to accusations of greenwashing in the field of finance and investment, i. e. the pretension to follow ethical and responsible practices. In light of this discussion, it becomes evident how difficult it is for lay customers to actually ascertain the economic, social, or ecological

performance of ethical investments or when choosing ethical banks (Bayer et al., 2019; Halbritter & Dorfleitner, 2015). Questions of transparent information and credibility are therefore at the forefront in establishing ethical finance (Gajewski et al., 2023; Meunier & Ohadi, 2022).

Capital Endowment

While there is no single socio-demographic profile that defines all ethical investors and customers of ethical banks (Signori, 2020), previous results suggest that endowment with economic capital is important for ethical finance. Investors with higher income levels may have greater financial resources to allocate towards ethical investments and may be more inclined to prioritize non-financial goals alongside financial returns. In line with this, income and wealth have been found to significantly impact participation in different forms of ethical investment (Beal & Goyen, 1998; Chamorro-Mera & Palacios-González, 2019; Wins & Zwergel, 2015). Yet, wealthier investors still prioritize financial returns in comparison to non-financial goals (Junkus & Berry, 2010; Paetzold & Busch, 2014).

Having said this, research has also concluded that income is not the main driver of ethical investments (Wins & Zwergel, 2015). Moreover, it is essential to recognize the growing number of accessible options tailored to investors with varying income levels, such as crowdfunding investments (Hashinaga et al., 2023; Signori, 2020). Thus, the link between economic resources and ethical investments may have become even weaker, especially when studying the general population. In contrast to ethical investing, studies on the choice of social banks did not find any correlation with income (Bayer et al., 2019; Krause & Battenfeld, 2019). Given the ubiquitous nature of bank accounts in Switzerland, ethical banking may be even less driven by economic resources compared to ethical investment.

Cultural capital in the form of education also shapes the profile of ethical investors and banking customers. Individuals with higher levels of education are more likely to possess greater awareness and understanding of sustainability issues, ESG criteria, and the potential impacts of their investment decisions. Studies have shown that investors with higher educational attainment are more inclined to engage in ethical investing practices, including incorporating ESG considerations into their investment strategies and actively seeking out sustainable investment opportunities (Beal & Goyen, 1998; Chamorro-Mera & Palacios-González, 2019; Junkus & Berry, 2010; Wins & Zwergel, 2015). Likewise, customers of social banks are more educated on average than customers of conventional banks (Krause & Battenfeld, 2019).

While the results on education hint at the importance of socialization processes, there is barely any research explicitly testing socialization effects in ethical finance. Hellström et al. (2020) found that an individual's propensity for socially responsible investing is higher if parents own such funds one year prior. Gong et al. (2022) showed how green consumption values were transmitted from mothers to children

by the parent's environmentally friendly behavior, in line with sociological theories of mimetic learning (Lizardo, 2009). In a study by Le et al. (2022), peer groups had stronger socialization effects on various types of ethical consumption by adolescents than family members, with media exposure being unimportant.

Summarizing, there is empirical evidence that the first filter of the constrained choice model is relevant for explaining ethical financial behavior. However, resource endowment (especially economic capital) might play a larger role for ethical investing than banking, with the former representing a high-cost situation (Diekmann & Preisendörfer, 2003).

Ethical Motivations

While financial performance remains an important consideration for ethical investors (Dorfleitner & Utz, 2014; Garg et al., 2022; Raut et al., 2023; Scholtens & Willard, 2024; Studer, 2021), research consistently found that investors are also motivated by a desire to make a positive impact on society and the environment, seeking investments that not only generate profits but also contribute to sustainability, social justice, and responsible corporate behavior (Chatzitheodorou et al., 2019; Kapil & Rawal, 2022; Signori, 2020; Yang et al., 2021).

Among these motives, ethical or political considerations are one of the prime drivers of ethical finance. Ethical investors often avoid companies involved in controversial activities such as tobacco, weapons, or exploitation, opting instead to support businesses that demonstrate a commitment to responsible corporate behavior and societal well-being (Beal & Goyen, 1998; Garg et al., 2022; Signori, 2020; Sparkes & Cowton, 2004). Sustainability is another significant motivation (Raut et al., 2023; Studer, 2021). Investors concerned about the environment and climate change recognize the importance of incorporating ecological criteria into investment decision-making (Koh et al., 2022; Seifert et al., 2024). Sustainability considerations also encompass social and governance dimensions, reflecting a holistic approach to investment that considers the interconnectedness of economic, social, and environmental systems (Sparkes & Cowton, 2004). Finally, research on social banking shows how customers want to avoid a bad conscience due to saving deposits being used in unethical ways by borrowers or investors (Bayer et al., 2019; Höhnke, 2020; Patterson & McEachern, 2018). Choosing social banks gives them a stronger feeling of control (Rickenbacher, 2022).

Generally, such attitudinal variables have been found to be more important than socio-demographic and capital endowment variables discussed in the previous section (Wins & Zwergel, 2015). The findings are in line with research on ethical consumption and environmental behavior (Schenk, 2017; Schenk et al., 2024). Research in these fields has consistently shown how the willingness to make a personal contribution in solving social, political, or environmental issues motivates ethical behavior in markets (Diekmann & Preisendörfer, 2003; Steg et al., 2011; Sunderer &

Rössel, 2012). We hypothesize that the same type of general contribution consciousness drives ethical investing and ethical banking in the Swiss population. It represents a potentially strong ethical motivation in the second filter of the constrained choice model. Given a certain set of feasible alternatives, individuals with a pronounced contribution consciousness are more inclined to choose ethical finance instruments. Yet, since investments generally represent a high-cost situation, we hypothesize that ethical motivations play a smaller role for ethical investing than ethical banking.

3 Data and Methods

Our empirical analysis is based on a standardized online survey of the general Swiss population between age of 18 and older but younger than 80. We used quota sampling according to gender (male, female), age (18–45, 46–79) and language region (German-speaking, French-speaking, and Italian-speaking parts of Switzerland). Participants were recruited by Bilendi, one of Europe's major survey companies. The survey was entitled "Consumption and Well-Being in Switzerland and Japan," avoiding self-selection of participants interested in ethical finance.[1] After asking for informed consent, participants responded to questions on ethical consumption and investing, well-being, attitudes, and socio-demographics. The survey was available in German, French, and Italian. Data collection took place in December 2023. We employed several measures to maximize data quality. First, in the second half of the survey, we administered an attention check. Second, respondents taking less than 3 minutes to finish the survey were excluded (around one percent). Finally, questions within the same battery were shown in random order to mitigate order effects. Median response time was 8 minutes.

In total, 1012 participants completed the survey. Comparing the sample distribution to population statistics shows a very close match in terms of gender (49.9% women, 49.9% men, 0.2% other), mean age (46 years), language region (65% German-speaking, 24% French-speaking, 11% Italian-speaking), and the number of people living in large urban areas (13%). Yet, mean net income per month is lower compared to the population (4365 CHF vs. 6700 CHF, respectively), respondents with (applied) university degrees are slightly overrepresented (39% vs. 30%), and respondents with foreign nationality (17% vs. 26%) are slightly underrepresented (Federal Statistical Office, 2024). Given the data was collected by online questionnaire, there might be additional bias in terms of internet access. However, since 97% of Swiss people were internet users in 2023, undercoverage is marginal (Federal Statistical Office, 2023). Even if there was self-selection of people with an affinity to internet technologies, this would not result in sampling bias in terms of ethical finance per se.

1 The study is part of a larger research project on ethical consumption in Switzerland and Japan. The questionnaire is available on request.

We analyze two dependent variables (see Table A1 in the online Appendix for item wordings). First, we asked respondents how often they fund money to ethical investments. We did not differentiate between various subtypes of ethical investing (e.g., sustainable, responsible, or impact investing). Following the fundamental principle of compatibility (Ajzen, 1991), it is advised to use behavioral measures corresponding in the level of generality to the explanatory variables, i.e., motivations and constraints. Since our independent variables refer to resource endowment and ethical behavior in markets more generally, we used the umbrella term "ethical investing," meaning that ethical considerations play a role when making an investment (Kenton, 2022). Second, we asked respondents how often they conduct their financial affairs through a bank that follows ethical principles. We thus rely on a broad definition of ethical banking (Patterson & McEachern, 2018). Both items refer to the respondents' own understanding of ethical finance, not one that is predetermined by the researcher (Schenk et al., 2024). Responses were recorded on five-point scales from never to regularly/always.

Turning to the explanatory variables, we used the mean of four items to operationalize ethical motivation. It denotes a general orientation to personally contribute to a more sustainable and just world. A sample item is: "It is important to me to contribute to a fairer and more sustainable society." Responses were measured on five-point scales from "does not apply" to "applies." Reliability of the resulting index is very high with Cronbach's alpha of 0.8. We operationalized various types of capital, capturing a respondent's resource endowment. For economic capital, we computed net household equivalence income (in 1000 CHF). We developed several measures for cultural capital. We use the highest level of education achieved to operationalize institutionalized cultural capital: compulsory education or less, apprenticeship, university of applied science, university. Going beyond the majority of the literature so far (see section 2.3), we use three additional measures for incorporated cultural capital. First, knowledge of ethical production and consumption. Respondents rated on four-point scales how well they know the concepts of consumer boycotts, fair trade, organic production, and sustainability. We computed an index of these four items with an acceptable Cronbach's alpha of 0.65. The second variable measures the repeated practice of ethical consumption. Respondents indicated how long they have been taking political, ethical, or environmental criteria into account when purchasing a product. This variable for the duration of ethical consumption ranges from 0 to 10 years and more. Finally, we measured exposure to topics of sustainability and ethical consumption during socialization – emphasized in sociological explanations of economic behavior (Bourdieu, 2007, Lizardo, 2009; Warde, 2015). With four items, respondents rated the extent to which they learned about ecological and social problems in school or from parents. The reliability of the resulting index is very high with a Cronbach's alpha of 0.81.

All models include the following control variables: gender (male, female, other), age (in decades and centered around the mean), and age squared, a dummy

indicating whether children live in the household or not, the size of the municipality (town, village, city), language region (German-speaking, French-speaking, Italian-speaking), and nationality (Swiss, other).

Since we are interested in two dependent variables, i.e., investing and banking, we use a Seemingly Unrelated Regression (SUR) approach (Baltagi, 2011). SUR simultaneously estimates a set of equations, one for each dependent variable, i.e., for ethical investing and banking. This allows us to statistically compare the effects of an independent variable for two different dependent variables with an inferential test. For example, we can ask whether the effect of ethical motivations on banking is statistically different from the effect on investment by testing a linear restriction, as hypothesized in the theoretical discussion. This is not possible with simple OLS models, estimating each equation separately. We used listwise deletion of missing values, resulting in 963 cases. Given the small number of item nonresponse, listwise deletion is unlikely to introduce bias (Schafer & Graham, 2002). We checked for multicollinearity by computing variance inflation factors (VIF) in OLS models. Since none of the VIF values exceed a threshold of 4, there is no indication of multicollinearity.

4 Results

Figure 1 presents the distributions of ethical investing and ethical banking. The means are rather similar for both types of ethical finance, with an arithmetic mean of 1.9 for ethical investing and an arithmetic mean of 2.5 for ethical banking. Hence, on average, respondents rarely use ethical finance instruments. Yet, we also observe substantial variation. 49% of respondents sometimes, often, or always conduct their financial affairs through a bank that follows ethical principles. The distribution is more skewed towards the lower end for ethical investing. Just 27% of the respondents sometimes, often, or always fund money to ethical investments.

Figure 1 Histograms for Ethical Investing (n = 1010) and Ethical Banking (n = 1009)

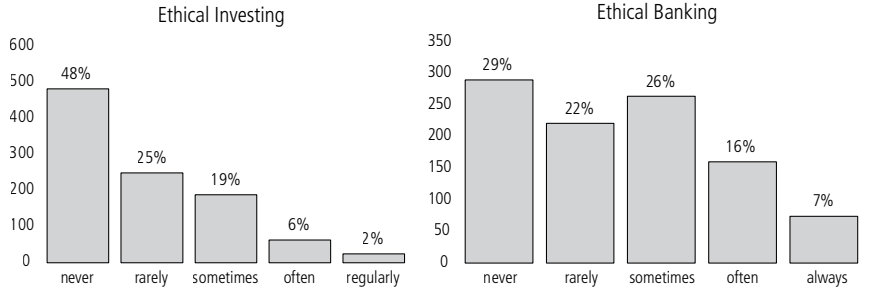

Table 1 Seemingly Unrelated Regressions With Ethical Investing and Ethical Banking as Dependent Variables. Unstandardized Coefficients With Standard Errors in Parentheses

	Ethical Investment	Ethical Banking
	b	b
Ethical Motivation	0.13**	0.29***
	(0.05)	(0.05)
Income (in 1000 CHF)	0.04**	−0.01
	(0.01)	(0.02)
Education: Apprenticeship	0.02	0.10
	(0.11)	(0.13)
Education: Applied University	0.24*	0.13
	(0.12)	(0.14)
Education: University	0.33**	0.00
	(0.12)	(0.14)
Knowledge	0.24***	0.22**
	(0.07)	(0.08)
Duration of Ethical Consumption	0.03**	0.01
	(0.01)	(0.01)
Socialization	0.20***	0.24***
	(0.04)	(0.05)
Gender Male	0.09	0.00
	(0.07)	(0.08)
Gender Other	0.52	−0.62
	(0.70)	(0.83)
Age (in decades)	−0.01	0.05†
	(0.02)	(0.03)
Age^2	0.03†	0.07***
	(0.01)	(0.02)
Children in Household	0.22**	0.20*
	(0.08)	(0.09)
Municipality: Village	0.02	0.24**
	(0.08)	(0.09)
Municipality: City	0.14†	0.23*
	(0.08)	(0.10)
Language Region: French	−0.02	−0.49***
	(0.08)	(0.09)
Language Region: Italian	0.08	−0.02
	(0.10)	(0.12)
Swiss nationality	0.03	0.20†
	(0.09)	(0.10)
Adj. R^2	0.17	0.16
McElroy-R^2	0.17	
n	963	

Note: †p < 0.1, *p < 0.05, **p < 0.01, ***p < 0.001. [1] ref. cat. compulsory education or less, [2] ref. cat. gender female, [3] ref. cat. municipality town, [4] ref. cat. language region German.

Table 1 presents the results from the Seemingly Unrelated Regression (SUR) model with ethical investing and ethical banking as dependent variables. Overall, the explanatory power of the model is good with adjusted R^2s of 17% for ethical investing and 16% for ethical banking. Looking first at ethical motivation, we do find a substantial and statistically highly significant effect on both dependent variables. The stronger the willingness to personally contribute to a fairer and more sustainable world, the more often respondents use both types of ethical finance instruments. As hypothesized, the effect is more pronounced for the use of ethical banking than ethical investments. A statistical test on the equality of coefficients confirms that the correlation is significantly larger (at the 5%-level) in the case of ethical banking than in the case of investments.

Looking next at economic capital, we only find a statistically significant correlation for ethical investing but not for ethical banking. The frequency of funding money to ethical investments hence increases substantially with income while the endowment with economic capital is unrelated to using ethical banks. The same is true for institutionalized cultural capital, that is, the highest level of formal education achieved. Only in the case of ethical investing do we find statistically significant effects. Respondents with a degree from applied universities or universities use ethical investing more often than respondents with apprenticeship, compulsory education, or less. For incorporated cultural capital, we observe consistent and substantial effects of the variables for knowledge and socialization. Respondents with more profound knowledge on ethical production and consumption use ethical finance instruments more often. Likewise, respondents who were taught about sustainability and ethical consumption in school or by parents are more inclined to use ethical finance instruments. The correlations of these variables are similarly strong for both types of ethical finance. Statistical tests on the equality of coefficients yield no significant results. The duration of ethical consumption is a significant covariate for ethical investments only. The longer respondents have been taking political, ethical, or ecological criteria into account when buying products, the more likely they are to fund money to ethical investments. This does not simply mirror the respondent's age. For one, the model controls for this covariate. Second, additional analysis shows that the duration of ethical consumption is longest for people in an intermediate age bracket, possibly reflecting generational effects (cf. Schenk, 2017).

Briefly considering the control variables, we find that having children in the household is a highly significant covariate for both types of ethical finance. Geographical and national differences as well as age are significant covariates for ethical banking but not for ethical investment. Gender yields no statistically significant effects.

As a robustness check, we repeated the analysis using logistic regressions with dichotomized dependent variables (see Table 2A in the online Appendix). These variables separate non-users of ethical finance instruments (never) from users of these instruments (rarely or more). Looking at the variables of our theoretical model, the

results are entirely consistent (with university education being marginally significant at $p = 0.055$). Hence, the model explains the use/non-use and the frequency of ethical investing and banking equally well.

5 Discussion

The analysis shows that both types of ethical finance behaviors are simultaneously motivated by ethical beliefs and constrained by capital endowment. These results are in line with a constrained choice model explaining ethical market behavior (Diekmann & Preisendörfer, 2003; Schenk, 2017; Sunderer & Rössel, 2012). They show the fruitfulness of analyzing motivations and capital endowment in one coherent theoretical framework, empirically disentangling their relative importance.

The results confirm previous research stressing ethical motivations in ethical finance, ethical consumption, and environmental behavior (Bauer et al., 2021; Bayer et al., 2019; Beal & Goyen, 1998; Chatzitheodorou et al., 2019; Diekmann & Preisendörfer, 2003; Kapil & Rawal, 2022; Schenk et al., 2024; Signori, 2020; Steg et al., 2011; Sunderer & Rössel, 2012; Yang et al., 2021). The willingness to personally contribute to a fairer and more sustainable society is a strong determinant of ethical investing and banking alike. In this sense, ethical investing and banking are not completely different from other forms of ethical behavior, like environmentally friendly behavior or ethical consumption. They can be explained by the same ethical motivations.

However, we also find marked differences between these two types: ethical banking is more strongly related to ethical motivations, while ethical investing is more resource dependent. Ethical banking represents a low-cost situation in which ethical motivations generally play a larger role (Diekmann & Preisendörfer, 2003). It is unrelated to income and education (Krause & Battenfeld, 2019). Banking transactions are ubiquitous in contemporary society and differences in interest rates for savings have been negligible in past years in Switzerland. In contrast, ethical investing necessitates a larger amount of economic capital, the ability to take risks, a longer time horizon, and entails higher opportunity costs. Additionally, making informed decisions for ethical investments demands analytical skills, experience, and the ability and willingness to familiarize oneself with a complex topic (Beal & Goyen, 1998; Chamorro-Mera & Palacios-González, 2019; Halbritter & Dorfleitner, 2015; Junkus & Berry, 2010; Meunier & Ohadi, 2022; Wins & Zwergel, 2015). This explains why economic capital, institutionalized cultural capital (i.e., formal education), and duration of ethical consumption (as a type of internalized cultural capital) are only relevant to ethical investments. In this case, attitudes are less important compared to the low-cost situation of ethical banking, whereas capital endowment is more important.

Finally, the results underscore the importance of socialization processes for ethical investing and ethical banking (Gong et al., 2022; Hellström et al., 2020). Socialization exhibits strong effects even after controlling for more immediate causal factors such as financial constraints, ethical motivations, knowledge, and duration of ethical consumption. From a sociological perspective, this finding suggests that socialization in early childhood and educational institutions has long-lasting consequences for the use of ethical finance (Le et al., 2022). These effects cannot be reduced to information deficits or knowledge barriers, commonly theorized in economic accounts (Gajewski et al., 2023; Meunier & Ohadi, 2022). Indeed, as previous studies have shown, information alone is often insufficient to promote ethical market behavior (Ota et al., 2019). Learning is not just about explicit instruction or knowledge but about incorporating a sense of appropriate conduct in social fields, which takes a long time to acquire (Bourdieu, 2007). This explains why people do not immediately adapt their behavior to new external conditions, such as better availability or prices. It is important to understand that practices of ethical investing and banking are also learned outside of markets through socialization in schools and families (Hashinaga, 2023; Lizardo, 2009; McCormick, 2009).

6 Conclusion

Our analysis of a large-scale survey conducted in Switzerland confirms that the prevalence of ethical investing and banking was still low in the year 2023 (Meunier & Ohadi, 2022; Paetzold & Busch, 2014). Individuals use these instruments rarely, on average, with a slightly higher prevalence of ethical banking. However, we also observe substantial variation. There is a group of individuals willing and able to use these tools. This suggests potential for ethical finance in Swiss society. To harness this potential, we want to highlight three findings.

First, ethical motivations are essential for both forms of ethical finance. A general willingness to contribute to a more sustainable, fair, and just world drives ethical investing and banking. Ethical motivations underlying the use of ethical finance instruments are hence not categorically different from the motivations underlying other forms of ethical behavior, such as environmentally friendly behavior or ethical consumption (Schenk et al., 2024; Steg et al., 2011; Sunderer & Rössel, 2012).

Second, ethical banking as a low-cost situation is driven more strongly by ethical motives, whereas the unequal distribution of different forms of capital is less important (Diekmann & Preisendörfer, 2003). This is contrary to ethical investment. As a high-cost situation, it is not only strongly shaped by the availability of economic capital, but also by different forms of institutionalized and incorporated cultural capital. We might say that ethical investing is stronger related to class inequality, while ethical banking is more attitude-based.

Third, the results underscore the importance of socialization processes for the use of ethical finance (Hellström et al., 2020; Lizardo, 2009; Schenk et al., 2016; Warde, 2015). In line with a sociological view on economic behavior, general competences for ethical practices in markets are also acquired outside of economic fields through socialization in schools and families (Hashinaga, 2023). To understand the moralization of markets, we need to carefully describe how market behavior is entangled with a society's broader institutional framework (Stehr, 2007).

We also want to point out limitations. In general, we can only speak of correlations and not of causal relationships. Take income, for example. It might be that ethical investing leads to a higher income and not the other way round. We suggest future studies should use panel designs with long timeframes and behavioral data to improve causal inference. Furthermore, results from online surveys with quota samples might lack population validity. As we have shown, the sample closely follows Switzerland's socio-demographic composition. Internet access is extremely widespread in Switzerland. Yet, future studies should employ other techniques, including mixed-mode administration and random samples, to improve population validity. Finally, measuring socialization processes by retrospective questions might be prone to recall bias. Respondents with a special interest in ethical finance and sustainability might be more likely to remember being taught about these topics. Using controls for the interest in ethical issues somewhat reduces this problem.

There is potential for a significant growth of ethical finance, especially among non-institutional investors and younger customers (Gajewski et al., 2023). Depending on the type of instrument, attitude-based strategies, targeting ethical motivations to make the world a better place, or resource-based strategies, improving the opportunities to engage in ethical finance, are feasible pathways. Understanding the interplay of social inequality and motivations helps closing the gap between positive attitudes towards ethical finance and its low prevalence (Wins & Zwergel, 2015; Yang et al., 2021). Yet, ethical behavior in the marketplace is also learned in institutions outside of markets. Financial education in families and schools should therefore empower citizens to make responsible decisions, enhancing societal and environmental well-being (Hashinaga, 2023; McCormick, 2009).

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Appendix

Table A.1 Item Wordings of Main Analysis Variables

Variable	Item wording	Range	
Ethical finance	How often do you do the following? Fund money to ethical investments How often do you do the following? Conducting my financial affairs through a bank that follows ethical principles	(1) never	(5) always/ regularly
Ethical motivation	It is important to me to contribute to a fairer and more sustainable society Starting something myself is the first step to solving political, ethical or environmental issues It is important to me to make the world a better place As a consumer, I can contribute to solving political, ethical or environmental issues	(1) does not apply	(5) applies
Net household equivalence income	What is the total net monthly income of your household? We are referring to the sum that remains after deduction of taxes and social security contributions.	in Swiss Francs	
Education	What is your highest general school leaving certificate? What vocational training qualification do you have?	(1) compulsory education or less	(5) university
Knowledge	How familiar are you with the following terms? Consumer Boycotts How familiar are you with the following terms? Fair Trade How familiar are you with the following terms? Organic How familiar are you with the following terms? Sustainability	(1) never seen or heard of	(4) I've seen and heard about it, and I know what it means
Duration of ethical consumption	If you think back, when have you started to take political, ethical or environmental reasons into account, when considering buying or not buying a product?	0 years (never)	10 years or more
Socialization	I learned ethical consumption could be one of the solutions of environmental and social issues in school education. I learned ethical consumption could be one of the solutions of environmental and social issues from my parents. I learned about environmental and social issues at school. My parents were paying attention to environmental and social issues when I was young.	(1) does not apply	(5) applies

Table A2 Logistic Regressions With Dichotomized Variables for Ethical Investing and Ethical Banking as Dependent Variables. Unstandardized Coefficients With Standard Errors in Parentheses

	Ethical Investment	Ethical Banking
Ethical Motivation	0.22*	0.39 ***
	(0.10)	(0.11)
Income (in 1 000 CHF)	0.09 **	−0.02
	(0.03)	(0.03)
Education: Apprenticeship	0.21	0.17
	(0.24)	(0.26)
Education: Applied University	0.68*	0.36
	(0.27)	(0.30)
Education: University	0.52†	0.04
	(0.27)	(0.30)
Knowledge	0.34*	0.51 ***
	(0.14)	(0.16)
Duration of Ethical Consumption	0.05*	0.03
	(0.02)	(0.02)
Socialization	0.45***	0.49 ***
	(0.09)	(0.11)
Gender Male	0.11	−0.26
	(0.14)	(0.16)
Gender Other	0.64	−0.56
	(1.46)	(1.45)
Age (in decades)	−0.01	−0.03
	(0.05)	(0.06)
Age^2	0.05	0.11 **
	(0.03)	(0.04)
Children in Household	0.50 **	0.15
	(0.17)	(0.18)
Municipality: Village	−0.10	0.46 *
	(0.17)	(0.18)
Municipality: City	0.07	0.21
	(0.18)	(0.19)
Language Region: French	−0.13	−0.84 ***
	(0.17)	(0.18)
Language Region: Italian	0.21	−0.07
	(0.23)	(0.26)
Swiss nationality	−0.07	0.24
	(0.20)	(0.21)
Tjur R^2	0.13	0.14
n	965	964

Note: †$p < 0.1$, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$. [1] ref. cat. compulsory education or less, [2] ref. cat. gender female, [3] ref. cat. municipality town, [4] ref. cat. language region German.