



2018

## Financial Capability as Social Investment

Mary Caplan

*University of Georgia*, [caplan@uga.edu](mailto:caplan@uga.edu)

Margaret Sherraden

*Washington University*, [sherraden@umsl.edu](mailto:sherraden@umsl.edu)

Junghee Bae

*University of Georgia*

Follow this and additional works at: <https://scholarworks.wmich.edu/jssw>

### Recommended Citation

Caplan, Mary; Sherraden, Margaret; and Bae, Junghee (2018) "Financial Capability as Social Investment," *The Journal of Sociology & Social Welfare*: Vol. 45 : Iss. 4 , Article 9.

Available at: <https://scholarworks.wmich.edu/jssw/vol45/iss4/9>

This Article is brought to you for free and open access by the Social Work at ScholarWorks at WMU. For more information, please contact [maira.bundza@wmich.edu](mailto:maira.bundza@wmich.edu).



# Financial Capability as Social Investment

Mary A. Caplan  
*University of Georgia*

Margaret S. Sherraden  
*Washington University*

Junghee Bae  
*University of Georgia*

*People are increasingly part of a complex landscape of financial transactions, services, and institutions across nearly all realms of everyday life. They face an often confusing array of choices of products, and the consequences of those choices can both reflect and exacerbate social and economic inequalities. In response to these contemporary conditions, there are global efforts to increase peoples' financial capability, which is composed of the interrelated concepts of financial literacy and financial inclusion. The term financial capability includes a person's ability to act (knowledge, skills, confidence, and motivation) and his or her opportunity to act (access to quality financial products, services, and policies). As such, financial capability efforts can be considered a social investment strategy, as the aims are to invest resources in communities to promote social and individual well-being. This paper provides what the authors see as the current state of the art regarding financial capabilities through a series of short case studies that exemplify the most current efforts across the globe.*

*Key words: Financial capability, social investment strategy, global*

Technology and globalization have impacted the financial lives of people around the world, with complex banking, savings, insurance, and asset-building schemes permeating the spheres of everyday life. As such, the ability of people to function has become more and more dependent on financial services. In the past, people's financial lives were somewhat simpler and less tied to market-based financial services. Financial transactions could be done with cash, people were more likely to have a pension from their job that would supplement social security retirement income, and a good credit score was not necessary to rent an apartment or get a job. Today, all of this has changed. Families have been thrust into complex worlds of finance that require considerable knowledge and management, and for families are poor, any mistakes can be detrimental to their livelihood.

Despite these challenges, there are advances in financial services that make some aspects of managing financial life somewhat easier and more productive. For example, the widespread availability of automated teller machines (ATMs), mobile banking, automatic deposit availability, and debit cards that can be loaded with benefits can streamline the ability to access resources. In fact, it is now possible to pay bills, access bank accounts, manage finances, and even run a business without a brick-and-mortar investment.

The challenges and benefits of these financial services advancements are unevenly experienced. The consequences of growing financialization and inequality are especially serious for people who are financially vulnerable. Financial vulnerability, which can be broadly defined as threats to financial well-being, including income and wealth poverty, financial exclusion, and low financial literacy, is widespread across the globe. To address financial vulnerability, social workers aim to build *financial capability*, a goal that includes both the *ability to act* (knowledge, skills, confidence, and motivation) and the *opportunity to act* (access to quality, appropriate, affordable and fair financial products, services, and policies). The American Academy of Social Welfare and Social Work considers building financial capabilities as one of the top goals for the profession for the 21st century (Sherraden et al., 2015).

This paper presents the current state of financial vulnerability and capability in a global context and examines the concept

of financial capability using the lens of the social investment approach (Midgley, 1999). It examines policies in three diverse countries that illustrate strategies for building financial capability. Finally, it discusses implications regarding the interplay between social investment and financial capability.

## Global Indicators of Financial Vulnerability

Large swaths of the world's population are financially vulnerable. Although numbers are highest in the Global South, large numbers of people in nations around the globe live in poverty, lacking sufficient income and wealth to subsist from day to day and provide future opportunities for their children. They also lack access to financial services, limiting their ability to save money safely, borrow on good terms, insure their valuables, and invest productively. The following sections outline global indicators of financial vulnerability: poverty, large numbers of unbanked persons, and low levels of financial literacy.

### *Poverty*

Poverty can be conceived of in at least three ways: in an extreme form, in a relative form, and in a multidimensional form, each with commensurate measures. In 2013, it was estimated that one in ten people lived in extreme poverty, which is a global standard of under approximately two U.S. dollars per day (World Bank, 2016). Even in wealthy countries, such as the U.S., 1.5 million adults and 3 million children live in extreme poverty (Edin & Shaefer, 2015). Outside the United States, welfare states measure poverty in relative terms, i.e., an income comparison that is relative to others in the same society. The European Union (EU), for example, has established a poverty line that defines a family as poor if they earn less than 60% of the median income within a given country. By this measure, 17.3% of EU residents are income poor (Eurostat, 2017), and this risk of such poverty varies only slightly by region of Europe (Iacovou, 2013). Using the Multidimensional Poverty Index (MPI), which has been created to measure acute and overlapping deprivations in such areas as health, education, and standard of living, the United Nations estimates that nearly one-third of the global population experiences such poverty (United Nations, 2016).

*Large Numbers of Unbanked Persons*

In a financialized global society, it is becoming a necessity to have a safe place to store money, be able to access it, borrow against it, and invest it. According to the World Bank, 38% of the world's population did not have a bank account in 2015 (Demirguc-Kunt et al., 2015). The percentage of banked or unbanked people within each country varies extensively around the world; while 94 percent of adults reported having an account in high-income countries which are members of the Organization for Economic Cooperation and Development (OECD), only 54 percent of the adult population had an account in developing countries (Demirguc-Kunt et al., 2015). South Asia (31%) and East Asia/the Pacific (24%) together constituted 55% of the world's unbanked adults (Demirguc-Kunt et al., 2015, p. 59). Of those that do have a bank account, 15% rarely, if ever, use it (Demirguc-Kunt et al., 2015). Not surprisingly, across the globe, people with low incomes, women, and those with low education are least likely to have and use a bank account (Demirguc-Kunt et al., 2015; Honohan & King 2012).

*Low Levels of Financial Literacy*

According to the Global Financial Literacy Survey, about two-thirds of people in the world lack financial literacy, and lower socioeconomic status was strongly associated with financial illiteracy (Klapper et al., 2015). Carried out by Standard & Poor Ratings, this survey provides the largest and the most comprehensive global statistics of financial literacy based on interviews with more than 150,000 adults across 148 countries (Klapper et al., 2015). It defined a person as "financially literate" when the respondent correctly answered at least three out of the four basic financial concepts: knowledge of interest rates, compound interest, inflation, and risk diversification. Similar to what has been found for financial inclusion, gender, age, income and education disparities in financial literacy rates also exist, with more men, working-age adults, middle and upper-income people, and those with higher levels of education being more financially literate. High-income OECD countries outpace non-OECD countries in this measure of financial literacy, at 65% and 25% respectively (Klapper et al., 2015). In an international assessment of financial

literacy of teenagers in 15 countries on financial knowledge and the ability to apply it, it was found that about two-thirds did not know how to manage a bank account, 25% could not make simple financial decisions regarding daily spending, and 90% could not comprehend more complicated financial concepts, like income tax (OECD, 2017). The highest scores in this financial literacy test were earned by students in China, Belgium, Canada, and the Russian Federation, the lowest were in Chile, Peru and Brazil.

Poverty, large numbers of unbanked people, and low levels of financial literacy pose a serious concern, especially against the backdrop of increasingly complex financial systems that necessitates both institutional connection and keen navigation skills. Such economic and financial insecurity in nations around the world is a threat to the well-being of families around the world and calls for a thoughtful, informed, and achievable response. We turn to social development theory, and the social investment approach specifically, for guidance in tackling widespread financial vulnerability.

## Social Development and Social Investment

Social development and social investment occupy the same social welfare policy paradigm, one that seeks productive social change in lieu of maintenance-based welfare arrangements (Midgley, 1999). Social development, rooted in the Global South's struggle for independence, seeks to fuse industrial investment with local participation to achieve economic growth and social well-being. According to James Midgley (2014), social development is "a process of planned social change designed to promote the well-being of the population as a whole within the context of a dynamic multifaceted development process" (p. 13). Such change efforts have many dimensions, and include economic, social, political, cultural, environmental, and gender dimensions. The social development approach rests on the three foundational axioms: i) institutions facilitate and support harmonization between social and economic activities; ii) resulting sustainable policies and programs are created that directly improve well-being; and iii) these social policies and programs contribute to economic development (Midgley, 1995). While the theoretical underpinnings of social development encapsulate a range of normative perspectives and ideologies,

Midgley suggests a “pluralistic normative conception that accommodates the role of diverse institutions, including the family, market, community and state, as well as different agents and practice strategies” (Midgley, 2014, p. 16).

In this way, social development is distinct from a conventional approach to social welfare, which is based on consumption of resources and tends to focus on remedial and maintenance functions, without expectation of individual payoff or social reward. The social development approach, in contrast, is productivist, meaning that it harnesses the power of institutions to devote resources toward the development of individual, community and social overall well-being now and in the future (Midgley, 2010). For example, a social developmentalist approach to mental health would go beyond case management and other traditional mental health interventions, and incorporate community development efforts, like social enterprise development, into treatment (Caplan, 2010). Such a strategy has returns beyond the alleviation of individual symptoms, and serves also to build human capital and strong communities. In other words, as Midgley (2014) describes it, “social development practice is distinctive because it links social, economic and other activities, stresses the role of social investments and enhances people’s participation in development” (p. 65).

*Social investment* is a term that has myriad meanings, depending on the discipline or orientation of the context in which it is used, and is considered both a policy approach and distinct set of interventions (Midgley, 2017). Some scholars have proposed a concise conceptualization that social investment is a set of efforts that develop human capital and promote full employment (Deeming & Smyth, 2015). Midgley has proposed that social investment be defined as a way to allocate resources that generate a return *vis-à-vis* social, community, family, and individual well-being, and therefore contributes to the overall development of society (2017). As such, social investments are foundational to social development practice, and can be thought of as the vehicles to express the productive nature of social development (Midgley, 2014). Such interventions can take the form of education, training, and technical assistance, or take the form of a transfer of resources, such as cash payments or pensions, as these can generate human capital returns as well as economic outcomes for the whole community (Midgley, 2014). Unlike



neo-liberal approaches to social welfare that engage the market as the primary conduit of services (Caplan & Ricciardelli, 2016), the social investment approach emphasizes the strong role of the public sector in human capital development (Deeming & Smyth, 2015).

Finally, Midgley (2017) insists that neither social development nor social investment is a process that has been incubated or should be centered in developed economies of Western Europe, the United States, and East Asia. The roots of social development have been firmly grown in the Global South, and while many European social policy stakeholders have espoused social investment, it is by no means exclusive to that part of the world. As will be shared, the Global South has much to offer regarding these approaches in terms of financial capability.

## Financial Capability as Social Investment

We would like to propose that financial capability is a social investment strategy within the larger social development framework. Conceptually, financial capability shares a philosophical orientation with social development, namely that both aim to harness institutions to invest in human capital endeavors, improve access to opportunities, and change social institutions for the purpose of social, community, family and individual well-being. The twin foundations of financial capability are financial inclusion and financial literacy (Sherraden, 2013). Financial inclusion describes the extent to which people are connected to mainstream financial institutions and policies, including banking, credit, saving and investing, insurance, and so forth. Financial literacy describes the knowledge and skills to make informed financial choices. Financial capability incorporates what individuals know and can do (agency) along with their real access to financial services, policies, and other opportunities. This definition builds on the work of philosopher Amartya Sen (1999) who advanced the idea that capabilities provide the freedom to achieve certain levels of functioning, such as financial well-being. In capability theory, functionings are a combination of an individual's ability to act, along with the individual's opportunity to act (Sherraden, 2013). Capabilities have both individual and social dimensions, or put sociologically,



encompass both sides of the agency/structure debate. In financial capability, agency is located in individual ability, such as the ability to save and plan for the future. Structure is located in access to financial services, community supports, and social and economic development policies that make it possible for people to act in their best interests (Johnson & Sherraden, 2007). In other words, financial capability captures the nature of the interaction between individual and social structure (Sherraden, 2013), which resonates with the field of social work's "person-in-environment" foundational perspective for practice (Green & McDermott, 2010; Karls & O'Keefe, 2008).

In social work, the focus of financial capability is on improving well-being in low- to moderate-income (LMI) and other vulnerable households. This involves change at individual, organizational, community, and policy levels. While improved financial literacy can help people navigate an increasingly financialized world, this is often not enough to ensure financial stability and well-being of vulnerable households (Banerjee, 2016; Sherraden & Ansong, 2016). In fact, a singular focus on financial literacy without simultaneously developing opportunity structures may be harmful (Sherraden & McBride, 2010).

The two main ways to achieve financial capability are to: (1) expand financial inclusion; and (2) improve financial literacy. Examples of financial inclusion efforts include lowering service fees, using new financial technology (such as mobile banking), facilitating program participation, integrating financial and social services, and creating new policies and institutions that enable financial capability and asset building in LMI households (Huang et al., 2015). A range of policies have been proposed to build financial capability and assets in LMI households in developed and developing economic contexts, including lifelong asset building through universal and progressive accounts (such as Child Development Accounts), elimination of asset limits for public assistance, and professional education for improving financial capability in vulnerable households (Huang et al., 2016). In developing economies, proposals also include access to livelihood opportunities, micro insurance, and other financial capability and asset building opportunities. Examples of approaches to improving financial literacy include lifelong financial education, financial coaching and counseling and other efforts to increase people's financial knowledge and skills.

Although the focus of financial capability is on financial well-being, the social and community implications are far-reaching. For example, when parents have secure financial lives, they can provide an adequate standard of living for the family, including good nutrition, housing stability, access to education, and other advantages. With these strengths in place, communities grow stronger. Simultaneously, financial capability approaches are developmental, in the sense that these investments enable families to contribute to their own and their children's current stability as well as future development.

### State of the Art: Financial Capability as Social Investment in National Policy

In this section, we offer three examples that aim to improve the financial capability of vulnerable populations. Spanning less- to more-developed economies, we focus on six countries that have used distinct approaches, and each demonstrates a different approach to social investment. The first is *YouthSave*, a bank-based initiative in four countries that offered low-cost savings accounts and financial education to youth who are largely outside the financial mainstream. The second is *Prospera*, a conditional cash transfer program in Mexico that offers low-income families a small cash grant with certain conditions on beneficiaries. The third is the *Consumer Financial Protection Bureau*, created in the wake of the 2008 economic recession, to protect and equip U.S. consumers to manage their increasingly complex financial lives.

#### *YouthSave*

YouthSave tested the potential of savings accounts to contribute to youth development and financial inclusion in four developing countries, Colombia, Ghana, Kenya, and Nepal between 2010 and 2015. Over four years, banks in each country opened savings accounts for more than 130,000 underserved young people, ages 12 to 18 years old. Researchers in each country analyzed demographics and savings patterns, and an experiment was conducted in one country (Ghana) that tested impacts of youth savings accounts on savings and development outcomes for youth and their households.

Despite different levels of development, all four countries lack avenues for youth development. *Colombia* is a middle-income country with a long history of civil conflict, and although it experienced growing prosperity and security in recent years, there are high rates of unbanked persons. *Nepal*, one of the poorest countries in the world, has suffered from civil conflict and low economic growth, severely limiting economic opportunity for young people. *Kenya* is a pioneer in financial inclusion, having achieved near universal mobile phone access, but its youth, particularly in rural areas, have low access to livelihood opportunities. *Ghana*, the experimental site, has experienced economic growth, but rural and impoverished youth in particular have few economic opportunities. In some countries (Nepal, Ghana, and Kenya), age restrictions on financial account holding also are major barriers to financial inclusion.

The YouthSave initiative demonstrated that improved financial services designed to target a vulnerable and difficult to reach youth population lead to successful account opening and saving (Chowa et al., 2015; Johnson et al., 2015). Based on bank data for the 69,247 youth who opened accounts, YouthSave participants accumulated the equivalent of approximately \$1.8 million in savings in the 8 to 13 months their accounts were open. The difference by income in amount of savings was not statistically significant except in Ghana, where poorer youth were more likely to be lower savers (although this difference went away after an account had been held for 12 months or longer). Savings rates vary by several key factors, and it appears to matter that parents are involved. For example, younger youth (under 13) save more, probably because they have fewer expenses and they receive financial help from parents. Youth save more when parents are co-signatories on the account, probably because their parents encourage and contribute to saving.

Study results also point to the important role of institutions in saving. When banks and other institutions make explicit efforts to reach diverse groups, they reach particularly underserved populations, such as girls and lower income youth. Commitment by financial institutions in both Nepal and Kenya to reach out to girls' schools, for example, led to a 9% and 15% increase in female participation, respectively (Johnson et al., 2015). Another successful institutional strategy—outreach to low-income youth through schools and youth-serving organizations, and

in-school banking opportunities—encouraged participation of low-income youth and girls (Johnson et al., 2015; Lee et al., 2015).

Policy changes also matter. For example, relaxing the rules about when youth can legally open a savings account increased account openings. A bank's willingness to allow a "trusted adult" to cosign on the account not only facilitated greater opportunity for youth participation, but also encouraged greater involvement and support of those in the youth's social network. In fact, a majority of youth who opened accounts in Ghana and Kenya did so with a nonrelative as cosignatory because the account opening rules were relaxed (Johnson et al., 2015).

Nonetheless, despite the initiative's many successes, average savings balances were low and there were many dormant accounts. About 60% of accounts showed no account activity in the last six months of the study. This suggests the importance of incorporating incentives and facilitating access, perhaps through electronic access. The study results also suggest that encouraging savings from an early age, helping youth to set goals for their savings deposits, and restricting withdrawals are also strategies that may stabilize and increase savings (Johnson et al., 2015). More could be done by parents, schools, communities, and by policy makers to support and encourage youth participation in financial services (Johnson et al., 2015).

Both Kenya and Ghana, for example, moved forward on a national policy agenda for financial education in schools. This direction offers a potential foundation for expanding financial capability through school-bank partnerships. As one parent noted: "When [my son] told me [about the policy change], I was very happy. I was very excited that this bank is doing savings accounts for the young ones. They have a good plan for the children of the nation or the children of the world" (Johnson et al., 2015, p. 69).

### *Prospera*

In 1997, the Mexican government created *Progresa*—which later became *Oportunidades* and now is called *Prospera*—in order to supplement household income and improve health and education outcomes of the poor (Adato & Hoddinott, 2010). It is one of the world's first and largest conditional cash transfer (CCT) programs. As Mexico's largest antipoverty program, *Prospera*

absorbed several prior social welfare and nutrition policies. This policy is credited with helping to reduce Mexico's notoriously high income inequality during the first decade of the 21<sup>st</sup> century (Lustig, López-Calva, & Ortiz-Juarez, 2013), although the recession took a toll on this improvement.

Prospera, which reaches approximately 6.5 million families, provides small monthly cash grants for expenses, including education. Financial support is accompanied by a condition, or what the program calls a "co-responsibility," that families seek basic health and nutrition care, and schooling for children (Prospera, 2017). Rigorous research on this approach in Mexico has demonstrated positive impacts on well-being, including education, health and nutrition status, (De Janvry, Finan, Sadoulet, & Vakis, 2006; Levy, 2006). Nonetheless, there are design and implementation problems that limit the program's potential, such as barriers in quality and availability of services, and discrimination (Adato & Hoddinott, 2010). In addition, some critics cite use of coercion in CCTs as well as paternalistic tendencies (Handl & Spronk, 2015; United Nations, 2012).

In 2015, what originally was a social welfare program that boosted incomes and improved human capital in poor households, Prospera intentionally built financial capability. Joining a worldwide trend, President Peña Nieto announced a financial inclusion strategy to expanding access to and use of financial services with Prospera playing a key role in achieving this strategy. Since its inception, beneficiaries' funds had been transferred using a prepaid card from the Banco del Ahorro Nacional y Servicios Financieros (BANSEFI), but few beneficiaries used the available savings accounts to store their funds. Noting a lack of financial knowledge and skills (Reddy, Bruhn, & Tan, 2013), Prospera's focus expanded to include deliberate efforts to bring beneficiaries into the financial mainstream and increase their financial capability.

As part of an expanded financial capability agenda, Prospera offers: (1) a prepaid card or debit card and a no-fee savings account; (2) small loans up to \$100 at less than 10% interest and without commissions for 18 months; (3) free insurance for accidental death and funeral assistance up to \$750; and (4) financial education on managing financial accounts, growing savings, and avoiding unnecessary debt (Gris Legorreta, 2016; Prospera,

2017). Financial education is integral to Prospera, emphasizing human capital development in youth.

There is still a long way to go before CCT recipients who receive transfers directly into a savings accounts can be considered financially included. Program beneficiaries receive a banking card linked to a bank account, but still a small minority are effectively banked and most receive sealed envelopes with cash at predetermined dates and locations (Faye & Niehaus, 2015). Half of beneficiaries or more do not know that their payment is associated with a bank account, and many more lack direct access and experience with a bank, so most take the full amount instead of leaving some to accumulate in savings (Chiapa & Prina, 2015; Hart, 2017).

The potential for financial inclusion of vulnerable households, however, is great. Most Mexicans own mobile phones, including half of the population that owns a smartphone. Nonetheless, less than 10% of those with bank accounts have mobile banking services associated with them (Riecke, 2016). Prospera, and other CCTs, give mothers, the primary focus of this policy, control over money and a sense of security, and may increase their decision making role in the household (Sholkamy, 2011; Trivelli & de los Rios, 2014).

### *The Consumer Financial Protection Bureau*

In the United States, following the financial crisis of 2008, the Consumer Financial Protection Bureau (CFPB), located administratively within the government, was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The law aims to “make consumer financial markets work for consumers, responsible providers, and the economy as a whole” (CFPB, para. 1, n.d.). The mission of this independent government agency is to *enforce* laws protecting “consumers from unfair, deceptive, or abusive practices” by unscrupulous companies (CFPB, para. 6, n.d.). It also seeks to *empower* and *educate* consumers by arming them with “the information, steps, and tools that they need to make smart financial decisions” (CFPB, para. 1, n.d.). The Bureau pays special attention to the financial circumstances of four groups: students, older adults,



military service members, and low-income and financially vulnerable people.

To provide protection from hazards associated with some financial products and services, the CFPB writes rules, collects complaints, monitors compliance with federal consumer financial-protection laws, and issues research reports. It reviews the private market's compliance with federal laws and regulations governing financial products. It also brings legal actions against companies that defraud consumers (CFPB, 2014). Overall, between 2011 and 2017, the CFPB received more than 1.2 million consumer complaints, with most complaints relating to debt collection (27%) and mortgages (23%). The organization has generated about \$12 billion for 29 million people who were harmed by financial institutions such as credit card companies and banks (CFPB, 2016). A recent arbitration rule change makes it easier for consumers to file a suit against a financial service provider (CFPB, 2017), which strengthens the advocacy power of the CFPB. Rulings on mortgage lending aimed to reduce risks that led to the 2008 financial crisis and led to loss of homes by many vulnerable consumers. These actions protect homeowners from borrowing mortgages they cannot afford, and against mortgage, title, and real-estate companies that violated laws (CFPB, 2013, 2015a).

The CFPB also conducts research. For example, it issued a report on expensive bank account overdrafts (CFPB, 2013), and another on the 26 million U.S. adults who are "credit invisible" (i.e., lack a credit record) (CFPB, 2015b). It produces guides for consumers on using financial services and avoiding fraud and scams. In addition, the CFPB invites feedback from the public, particularly on subjects relevant to financially vulnerable families, including complaints about financial products (CFPB, 2017).

Finally, the bureau educates the public and practitioners who work with vulnerable populations on financial management. It developed a curriculum, *Your Money, Your Goals*, which provides tools for social service providers to increase sound financial decision making in financially vulnerable families (CFPB, 2015c). It also issued special toolkits for practitioners working with people living with disabilities, Native Americans, service members and their families, students, youth and older adults, the economically vulnerable, and others.



## Implications for Social Investment

The policies presented here have implications for a wide range of stakeholder groups in the field of social welfare, and provide insights into how financial capability approaches fit within a social investment framework. While all three approaches combine social and economic development strategies, they differ in other important ways. The most conventional of these is Prospera, which combines traditional social welfare approaches with financial capability. It highlights the potential of government-to-person programs to expand financial capability. In Prospera, the government is making substantial social investments in its poorest citizens by combining cash payments (income), social and health services, financial accounts, and financial education. These investments are helping to sustain families, and at the same time, increase women and children's human capital. However, implementation barriers limit the asset building potential of Prospera, which must be addressed in order to make the accounts a digital "gateway to help them save, build assets and achieve greater financial inclusion" (Hart, 2017, n.p.). The government-sponsored Prospera is quite literally investing in people via the conditional cash transfer program, and such strong institutional backing is one of the hallmarks of the investment approach. Cash transfers mean increased income, human capital development in health, education, financial inclusion, and financial literacy, and by adding financial inclusion to the policy, this serves to broaden their scope of improving family well-being.

*YouthSave* promotes social and economic development by providing underserved and vulnerable youth in less developed economies an opportunity to be financially included. As mentioned previously, the global study on teenagers' financial literacy revealed that "parent support" was not enough to erase the association between low socioeconomic status and low financial literacy, prompting the OECD (2015) to advocate for a stronger institutional role. Publicly-backed participation in the financial mainstream through a bank savings account gives youth a safe place to store money for short- and long-term purposes, and a way to build financial capability. The short trajectory of *YouthSave*, however, did not permit researchers from documenting

longer term developmental outcomes that may occur as a result of being “banked.” Moreover, YouthSave did not reach the poorest of the poor in any of the four countries, suggesting that other strategies, such as reaching people through traditional social welfare programs and financial digitalization, are required to reach this population (World Bank, 2017).

The CFPB promotes social and economic development in its work to regulate and develop safe and affordable financial products that promote financial stability and security, and promotes social development through financial education and guidance for vulnerable groups. Safer and cost-effective financial products and services, along with financial education and guidance, can improve the ability of financially vulnerable households to manage household finances effectively. However, threats to CFPBs future and other erosions of institutional support of financial capability may limit the impacts of this social investment strategy.

Finally, the CFPB is an example of a public response to the Global Financial Crisis of 2008, with the goal of promoting both financial inclusion and financial literacy. Political will was a determining factor in the establishment of the CFPB, but as of this writing, the U.S. Congress has passed legislation stripping the agency’s ability to regulate predatory loans (HR 10, 2017). The extent to which the political will to regulate financial institutions exists in nations across the globe remains to be seen.

### Future Directions

The social investment approach harmonizes the conflict between conventionally held notions of the drag of social welfare and the boon of economic development by harnessing human creativity and institutional support to invest in human capital, promote social capital formation, and remove barriers to economic participation by people who are poor and/or marginalized (Midgley, 1999). As described in the three case studies earlier, global efforts to build financial capability clearly address such a charge.

Acknowledgements: We are grateful to Jim Midgley for his leadership and mentorship over many years; to Lissa Johnson, Administrative Director at the Center for Social Development, and Guy Stuart, Executive Director of Microfinance Opportunities, for their contributions to the chapter; and to anonymous reviewers, who provided suggestions for improving the paper.

## References

- Adato, M., & Hoddinott, J. (Eds.). (2010). *Conditional cash transfers in Latin America*. World Bank & International Food Policy Research Institute. Retrieved from <https://ideas.repec.org/b/fpr/ifprib/9780801894985.html>
- Banerjee, M. M. (2016). "We Routinely Borrow to Survive": Exploring the Financial Capability of Income-Poor People in India. *Social Work*, 61(4), 349–358.
- Caplan, M. A. (2010). Social investment and mental health: The role of social enterprise. In Midgley, J. & Conley Wright, A. (Eds.), *Social Work and Social Development: Theories and Skills for Developmental Social Work*, 71–86.
- Caplan, M. A., & Ricciardelli, L. (2016). Institutionalizing neoliberalism: 21st-century capitalism, market sprawl, and social policy in the United States. *Poverty & Public Policy*, 8(1), 20–38.
- Chiapa, C., & Prina, S. (2015). *Delivering conditional cash transfers via savings accounts*. One Pager, No. 292. International Policy; International Development Research Centre, Canada.
- Chowa, G., Masa, R., Osei-Akoto, I. *et al.* (2015). Impacts of financial inclusion on youth development: Findings from the Ghana Youth-Save Experiment (CSD Research Report 15–35). St. Louis, MO: Washington University, Center for Social Development.
- Consumer Financial Protection Bureau. (n. d.). The bureau: About us. Retrieved from <https://www.consumerfinance.gov/about-us/the-bureau/>
- Consumer Financial Protection Bureau. (2017). Final rule: Arbitration agreements. Retrieved from <https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/arbitration-agreements/>
- Consumer Financial Protection Bureau. (2016). Enforcing federal consumer protection laws. Fact Sheet. Retrieved from [http://files.consumerfinance.gov/f/documents/07132016\\_cfpb\\_SEFL\\_anniversary\\_factsheet.pdf](http://files.consumerfinance.gov/f/documents/07132016_cfpb_SEFL_anniversary_factsheet.pdf)

- Consumer Financial Protection Bureau. (2015a). CFPB takes action against Wells Fargo and JPMorgan Chase for illegal mortgage kickbacks [Press release]. Retrieved from <http://www.consumerfinance.gov/newsroom/cfpb-takes-action-against-wells-fargo-and-jpmorgan-chase-for-illegal-mortgage-kickbacks/>
- Consumer Financial Protection Bureau. (2015b). Data point: Credit invisibles. Retrieved from [http://files.consumerfinance.gov/f/201505\\_cfpb\\_data-point-credit-invisibles.pdf](http://files.consumerfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf)
- Consumer Financial Protection Bureau. (2015c). Your money, your goals: A financial empowerment toolkit for social services programs. Retrieved from [http://files.consumerfinance.gov/f/201407\\_cfpb\\_your-money-your-goals\\_toolkit\\_english.pdf](http://files.consumerfinance.gov/f/201407_cfpb_your-money-your-goals_toolkit_english.pdf)
- Consumer Financial Protection Bureau. (2014). *Consumer Financial Protection Bureau: Enforcing consumer protection laws* [Factsheet]. Retrieved from [http://files.consumerfinance.gov/f/201407\\_cfpb\\_fact-sheet\\_supervision-and-enforcement.pdf](http://files.consumerfinance.gov/f/201407_cfpb_fact-sheet_supervision-and-enforcement.pdf)
- Consumer Financial Protection Bureau. (2013). CFPB rules establish strong protections for homeowners facing foreclosure. Retrieved from [http://files.consumerfinance.gov/f/201301\\_cfpb\\_servicing-fact-sheet.pdf](http://files.consumerfinance.gov/f/201301_cfpb_servicing-fact-sheet.pdf)
- De Janvry, A., Finan, F., Sadoulet, E., & Vakis, R. (2006). Can conditional cash transfer programs serve as safety nets in keeping children at school and from working when exposed to shocks? *Journal of Development Economics* 79(2), 349–373.
- Deeming, C., & Smyth, P. (2015). Social investment after neoliberalism: Policy paradigms and political platforms. *Journal of Social Policy*, 44(2), 297–318.
- Demirguc-Kunt, A., Klapper, L., Singer, D., & Van Oudheusden, P. (2015). *The Global Findex database 2014: Measuring financial inclusion around the world*. Policy Research Working Paper 7255, World Bank, Washington, DC.
- Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Pub. L. No. 111–203, 124 Stat. 1376.
- Edin, K. J., & Shaefer, H. L. (2015). *\$2.00 a day: Living on almost nothing in America*. New York: Houghton Mifflin Harcourt.
- Eurostat. (2017). Europe 2020 indicators—poverty and social exclusion. Retrieved from [http://ec.europa.eu/eurostat/statistics-explained/index.php/Europe\\_2020\\_indicators\\_-\\_poverty\\_and\\_social\\_exclusion](http://ec.europa.eu/eurostat/statistics-explained/index.php/Europe_2020_indicators_-_poverty_and_social_exclusion)
- Faye, M., & Niehaus, P. (2015). *Ending poverty with electronic payments*. Washington, D.C.: Brookings Institute.
- Green, D., & McDermott, F. (2010). Social work from inside and between complex systems: Perspectives on person-in-environment for today's social work. *British Journal of Social Work*, 40(8), 2414–2430.

- GrisLegorreta, P. C. (2016). *Comprehensive financial inclusion program*. Prosera: Programa de inclusion social. Retrieved from <http://fundak-workshopmaputo.com/wpcontent/uploads/2016/10/4.-PROIIF-Mexico.pdf>
- Hart, M. (2017). *Going digital: A roundtable examines innovative and scalable financial services for women*. Retrieved from <https://www.womensworldbanking.org/news/blog/going-digital-roundtable-examines-innovative-scalable-financial-services-women/>
- Handl, M., & S. Spronk. (2015). With strings attached. *Jacobin*, 19. Retrieved from <https://www.jacobinmag.com/2015/11/conditional-cash-transfers-cct-latin-america-pink-tide-kirchner-bolsa-familia-lula-poverty>
- Honohan, P., & King, M. (2012). Cause and effect of financial access: Cross-country evidence from the Finscope surveys. In Cull, R., Demirgüç-Kunt, A., & Morduch, J. (Eds.), *Banking the world: empirical foundations of financial inclusion*, 45–84. Cambridge, MA: MIT Press.
- Huang, J., Sherraden, M. S., Clancy, M. M., Sherraden, M., Birkenmaier, J., Despard, M., Frey, J., Callahan, C., & Rothwell, D. (2016). *Policy recommendations for meeting the Grand Challenge to Build Financial Capability and Assets for All* (Grand Challenges for Social Work Initiative Policy Brief No. 11). Cleveland, OH: American Academy of Social Work & Social Welfare.
- Iacovou, M. (2013). Household composition, poverty and hardship across Europe. *Eurostat Statistical Working Papers*. Luxembourg: Publications Office of the European Union.
- Johnson, L., Lee, Y., Ansong, D., Sherraden, M. S., Chowa, A. N., Ssewamala, F., Zou, L., Sherraden, M., Njenga, M., Kieyah, J., Osei-Akoto, I., Sharma, S., Manandhar, J., Rodriguez, C., Merchán, F., & Saavedra, J. (2015). *Youth Savings Patterns and Performance in Colombia, Ghana, Kenya, and Nepal* (YouthSave Research Report 15-01). St. Louis, MO: Washington University, Center for Social Development.
- Johnson, L., Lee, Y., Njenga, M., Kieyah, J., Osei-Akoto, I., Rodriguez, C., Sharma, S., Chowa, G., Ansong, D., Ssewamala, F., Sherraden, M. S., Sherraden, M., & Zou, L. (2018). School banking as a strategy for strengthening youth economic participation and well-being in developing countries: Lessons from YouthSave. *Journal of Adolescent Health*, 1–11.
- Johnson, E., & Sherraden, M. S. (2007). From financial literacy to financial capability among youth. *Journal of Sociology & Social Welfare*, 34, 119.
- Karls, J. M., & O'Keefe, M. E. (2008). *Person-in-environment system manual*. Washington, DC: National Association of Social Workers (NASW) Press.

- Klapper, L. F., Lusardi, A., & van Oudheusden, P. (2015). *Financial literacy around the world: Insights from the Standard & Poor's Ratings Services Global Financial Literacy Survey*.
- Lee, Y., Johnson, L., Ansong, D., Osei-Akoto, I., Masa, R., Chowa, G., & Sherraden, M. (2015). Taking the bank to the youth: Impacts on saving and asset building from the Ghana YouthSave Experiment. (CSD Working Paper No. 15-43). St. Louis, MO: Washington University, Center for Social Development.
- Levy, S. (2006). *Progress against poverty*. Washington, DC: The Brookings Institution.
- Lustig, N., López-Calva, L. F., & Ortiz-Juarez, E. (2013). Deconstructing the decline in inequality in Latin America. World Bank Policy Research Working Paper No. 6552. Retrieved from <https://ssrn.com/abstract=2304715>
- Midgley, J. (2017). Social investment: Concepts, uses and theoretical perspectives. In Midgley, J., Dahl, E., & Wright, A. C. (Eds.), *Social Investment and Social Welfare*, p. 13-32. Cheltenham, U.K.: Edward Elgar Publishing.
- Midgley, J. (2014). *Social development: Theory and practice*. London: SAGE Publications.
- Midgley, J. (1999). Growth, redistribution and welfare: Towards social investment. *Social Service Review*, 77(1), 3-21.
- Midgley, J. (1995). *Social development: The developmental perspective in social welfare*. London: SAGE Publications.
- Organisation for Economic Cooperation and Development. (2017). *Many teenagers struggle to understand money matters*. Retrieved from <http://www.oecd.org/newsroom/many-teenagers-struggle-to-understand-money-matters.htm>
- Prospera (2017). *Preguntas frecuentes*. Government of Mexico. Retrieved from <https://www.gob.mx/prospera/acciones-y-programas/preguntas-frecuentes-31349>
- Reddy, R., Bruhn, M., & Tan, C. (2013). *Financial capability in Mexico: Results from a national survey on financial behaviors, attitudes, and knowledge*. Washington DC; World Bank. Retrieved from: <http://documents.worldbank.org/curated/en/653031468287158989/Financial-capability-in-Mexico-results-from-a-national-survey-on-financial-behaviors-attitudes-and-knowledge>
- Riecke, J. (2016). *Mexico launches comprehensive financial inclusion strategy*. Accion Center for Financial Inclusion (blog). Retrieved from <https://cfi-blog.org/2016/07/01/mexico-launches-comprehensive-financial-inclusion-strategy/>
- Sen, A. (1999). *Development as freedom* (1st ed.). New York: Oxford University Press.



- Sherraden, M. S. (2013). Building blocks of financial capability. In J. M. Birkenmaier, M. S. Sherraden, & J. C. Curley (Eds.), *Financial capability and asset building: Research, education, policy, and practice* (pp. 1–43). New York & Oxford: Oxford University Press.
- Sherraden, M. S., & Ansong, D. (2016). Financial literacy to financial capability: Building financial stability and security. In Aprea, C., Breuer, K., Davies, P. et al. (Eds.), *International Handbook of Financial Literacy* (pp. 83–96). New York: Springer.
- Sherraden, M. S., Huang, J., Frey, J. J., Birkenmaier, J., Callahan, C., Clancy, M. M., & Sherraden, M. (2015). *Financial capability and asset building for all* (Grand Challenges for Social Work Initiative Working Paper No. 13). Cleveland, OH: American Academy of Social Work and Social Welfare.
- Sherraden, M. S., & McBride, A. M. (2010). *Striving to save: Creating policies for financial security of low-income families*. Ann Arbor, MI: University of Michigan Press.
- Sholkamy, H. (2011). *How can social protection provide social justice for women?* Pathways Policy Paper. Brighton: Pathways of Women's Empowerment RPC. Retrieved from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.956.1177&rep=rep1&type=pdf>
- Trivelli, C. & de Los Rios, J. (2014). *Creating financial assets: the case for savings accounts as a means for economic independence and empowerment for women*. Proyecto Capital, Peru. Retrieved from: <file:///C:/Users/MargaretAdmin/Downloads/in%20short%2054%20-%20trivelli%20y%20de%20los%20ros.pdf>
- United Nations (2012). Informe 2012: Los bonos en la mira: Aporte y carga para las mujeres. *Gender Equality Observatory for Latin America and the Caribbean, Economic Commission for Latin America and the Caribbean*. Retrieved from <https://www.cepal.org/es/publicaciones/35401-observatorio-igualdad-genero-america-latina-caribe-oig-informe-anual-2012-bonos>
- United Nations. (2016). *Multidimensional poverty index (MPI)*. United Nations Development Programme, Human Development Reports. Retrieved from <http://hdr.undp.org/en/content/multidimensional-poverty-index-mpi>
- World Bank. (2016). *Poverty*. Retrieved from <http://www.worldbank.org/en/topic/poverty/overview>
- World Bank. (2017). *Universal financial access 2020: Mexico*. Retrieved from <http://ufa.worldbank.org/country-progress/mexico>