

ICT and Ethical Finance: Fostering Social Innovation and Financial Inclusion (provisional title).

Gian-Luca Gasparini¹, Aurora Prospero¹

¹ SEFEA Consulting, Padua, Italy
{g.gasparini, a.prospero}@sefea.org

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Extended abstract

This paper illustrates how the promotion of financial awareness and literacy by ethical and responsible financial institutions can be a driver of social innovation. It is divided into a theoretical part, where we define key concepts, and an empirical part, where a real world scenario puts those concepts to the test.

The paper begins by highlighting the links between ethical and responsible finance and social innovation. Ethical banks have the objective of achieving a positive impact on the collection and use of money. They offer financial services in an accountable, transparent and ethical manner. The core components of ethical and responsible finance are:

- client protection: offering appropriate financial services to meet the financial needs of the clients, as well as developing a long-term relationship with them;
- financial literacy: enabling clients to better understand the products and services offered and to take informed decisions;
- triple bottom line: optimising financial, environmental and social results via impact assessment; and
- inclusive financial services: catering for excluded and vulnerable market segments.

Given the focus on financial literacy activities carried out by ethical and responsible financiers, this concept will be also defined as a combination of awareness, knowledge, skill, attitudes and behaviours necessary to make sound financial decisions and ultimately achieve higher financial wellbeing. Financial literacy levels of citizens that are considered as vulnerable or excluded from mainstream finance should be a priority, in order to break a vicious cycle of poverty and social and financial exclusion.

Social innovation is defined as a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals. A social innovation can be a product, production process, or technology (much like inno-

vation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them.

The global financial crisis has further enhanced interest into ethical and responsible finance on the one side, and social innovation on the other as a promise for the creation of quality and meaningful jobs and affordable solutions to address the challenges of shrinking budgets and increased social needs.

The two have long been in a close relationship. Ethical and responsible finance has traditionally supported projects that face difficulties in the mainstream banking sector, fostering experimental approaches (to give but an example) to market failures of traditional welfare. Moreover, ethical and responsible finance is interested not only on the economic viability of a project to fund, but also its social and/or environmental impact. Not only that, but ethical and responsible finance actively encourages its clients to ask questions about such impacts, resulting in more social and financial awareness. Another characteristic of ethical and responsible finance applied to social innovation is the bottom-up emergence of solutions to social challenges, where the identification of a potential answer comes from a dialogue with the beneficiaries – indeed, many social entrepreneurs often come from the very same group of potential beneficiaries.

After the theoretical analysis, the focus shifts to the PROFIT platform, presented as a practical example of ICT response to the need for improving the financial awareness and literacy of the citizens for better decision-making and social resilience. Part of the CAPS initiative, the PROFIT project is conceived as a solution to the need of greater financial awareness and capability that has been identified as a major target for improved social performance, client protection and, ultimately, greater societal well-being.

More specifically, PROFIT will create a user centred financial awareness platform that will obtain finance related crowdsourced data from the web and its users and create new knowledge and advanced forecasting tools to help them understand financial data and trends and empower them in decision-making and financial capability, catering to their specific profile. Thanks to the final PROFIT platform, European citizens will be able to:

- report financial news or related information;
- express their opinion by commenting contributions made by other users;
- connect and interact with other citizens inside and outside their communities;
- get informed on financial news, as well as financial and market trends, forecasted by techniques that exploit the market sentiment;
- assess their financial literacy level; and
- get assistance in order to better understand all available financial information.

As an innovative financial awareness platform, the project will lead to new collective financial knowledge, forecast market trends extracting the market sentiment from users' opinions throughout the EU, and improve the financial literacy of EU citizens.

The vision to promote financial awareness and stability requires a true multidisciplinary approach that casts new light on the capabilities, functionality and potential uses of ICTs. It also means that in problem articulation we need to involve a variety

of stakeholders and expertise that exists beyond the ICT domain, engaging economics, social economics and finance, business and education studies. PROFIT through its multidisciplinary approach supports the empowerment of people towards informed financial decision-making.

During the design of the platform, its creators have taken the diversity of the potential beneficiaries into account, in order to be useful for as many social groups as possible. The paper concludes with an analysis of the social innovation potential of the PROFIT platform and the related indicators.

Starting from the theoretical impact assessment framework developed in the context of the CAPS projects, the paper focuses on the indicators that are in line with both the objectives of the PROFIT project and of ethical and responsible finance. They are:

- Impact on community building and empowerment: it gathers data about the users of the PROFIT platform and how they use it; investigates how PROFIT projects can support the empowerment of online and local communities; investigates the PROFIT community itself, the internal level of collaboration and the relationship with other stakeholders.
- Impact on information: under this subcategory, the focus is on the capability of projects to provide access to high-quality information, provide users with the necessary tools for navigating information, and positively influence information asymmetries. This subcategory has strong influence on other ones, such as “Impact on ways of thinking, values and behaviours”, “Impact on community building and empowerment”, and political impact as a whole. In fact, having access to information and being supported in sharing information is a condition sine qua non for changing opinions, habits and being civically and politically engaged.
- Impact on ways of thinking, values and behaviours: this area of impact tackles the changes introduced in citizens’ way of thinking and behaviours, especially as related to more sustainable individual and collective behaviours and lifestyles. It is not easy to monitor changes in opinions, ethical orientations and behaviours since, even when observing a shift, it is very difficult to associate that change to a defined input. The issue is complicated by the fact that changes in opinions and behaviours are influenced by the number of people that decide to assume certain behaviours: the more people assume a new behaviour the easier it becomes to see this change spreading across the population (network effect).
- Impact on education and human capital: this subcategory investigates if, and to what extent, projects are working on the transfer of their research results and, more generally, the knowledge made available by the projects to users. With reference to human capital, this term refers to the competencies, skills and abilities that workers have or acquire through formal and informal education and on the job training and that constitute an important productive factor of any organisation (for profit or not-for-profit). The aim is to understand if the PROFIT project will improve the human capital of its users and/or of the professionals working in the project. Special attention is dedicated to e-Skills, as a lack of such skills may result in the impossibility to benefit from Digital Social Innovation.

The paper concludes with a summary of the main empirical results drafted from the final test cycle of the PROFIT platform, which will provide valuable insights into similar projects and initiatives that want to achieve social impact and foster social innovation. Such analysis will benefit from a multidisciplinary approach, reflected in the PROFIT project consortium members.