Center for Social Development

Brown School

Toward Finance as a Public Good

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2021

CSD Working Papers

No. 21-03

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Acknowledgment

Support for this publication comes from the Kauffman Foundation (Grant No. 201806-4478).

Toward Finance and a Public Good

Abstract

In a financialized and digitalized society, financial inclusion is fundamental for assuring the financial stability and security of families, as well as for building a successful economy. Financial inclusion is often defined as access to and use of a range of appropriate and affordable financial services provided by financial institutions in the market system. In the present study, we propose a broader understanding of financial inclusion that takes into account the interaction—and increasing merger—of financial services and social policies. Empirical analyses of data from the 2016 National Financial Well-Being Survey and a case study of Child Development Accounts provide support for this broader conceptualization. In this understanding, financial inclusion has characteristics of a public good—as fundamental to survival as clean water and clean air. In this understanding, financial inclusion is achieved through the integration of market finance and social policy.

Key words: Asset building, Child Development Accounts, financial capability, financial inclusion, financialization, social policy

In the twenty-first century, finance has become increasingly prevalent in everyday life. The process, often termed financialization (Martin 2002; Aitken 2007), touches all members of society. Even the poorest families must have access to and use of numerous financial instruments. This is a major transformation. A century ago, it was common for families to conduct most transactions with cash, but that is no longer possible without incurring costs in both time and money. As just some examples, consider the inefficiency of making a consumer purchase without being able to shop and pay via the internet. Many landlords refuse cash rent payments, and tenants without checking accounts purchase money orders to pay rent. Taxpayers with cash face the waiting lines and business-hour limitations of administrative spaces, as well as structural impediments like parking accessibility and transportation constraints.

In ways and in numbers that were uncommon during much of the twentieth century, individuals participate in payment, consumer-credit, home-mortgage, education-financing, insurance, and investment systems. Many mass-marketed financial products and services have been invented within the last two decades. Ismail Erturk and colleagues (2007) call widespread access to and use of financial products the "democratization of finance." But even in this heavily financialized era, the democratization of finance has not reached everyone.

Many people, especially the most disadvantaged, lack access to mainstream financial instruments (Erturk et al. 2007). Account ownership is a common (albeit imperfect) indicator of access. Worldwide, more than 1.7 billion people are unbanked; that is, they do not have a basic bank account (World Bank 2018). In the United States, 7 million households (5.4 percent) are unbanked, including nearly one quarter (23.3 percent) of low-income households (Federal Deposit Insurance

Corporation 2019). Still more are underbanked;[1] that is, they have a bank account but also rely on alternative financial services, such as check cashers, payday loans, and auto title lenders, in performing basic financial tasks. Although available and often convenient (Servon 2017), alternatives can be expensive and pose significant risks (Bradley et al. 2009). Widespread use of alternative financial products and services illustrates the inherent limitations of a financial market that is ineffective in providing basic financial services to the whole population. In sum, financialization has imposed a steep economic burden and generated inefficiencies for those who lack access to mainstream financial services (World Bank 2018).

Although technology could reach many more people with appropriate and affordable financial services, this potential has not been realized. Millions of the world's poor and rural households still lack secure access to the digital world and digital finance (Silver et al. 2019; United Nations Conference on Trade and Development 2019). In the United States, 10 percent of adults do not have access to the internet, and the lack of access is linked to a variety of demographic and socioeconomic characteristics also associated with financial exclusion, including education, household income, and community type (Anderson et al. 2019). In a modern information society, limited access to financial services and digital technologies work together, disproportionately impeding the financial well-being of disadvantaged families.

Financial Inclusion

Across the globe, international organizations, national governments, financial institutions, and nongovernmental organizations have embraced financial inclusion as a way to improve financial well-being. Identified by the United Nations Capital Development Fund as a key strategy for reducing poverty, financial inclusion is achieved "when all individuals and businesses have access to and can effectively use a broad range of financial services that are provided responsibly, and at reasonable cost, by sustainable institutions in a well-regulated environment" (United Nations Capital Development Fund 2018, 3). This definition has been widely adopted (e.g., Global Partnership for Financial Inclusion 2011; World Bank 2018; International Monetary Fund 2019; National Financial Educators Council n.d.).

Financial inclusion benefits entire economies. It is directly associated with national economic growth rates, as well as with financial stability, integrity, and protection (Beck, Demirgüç-Kunt, and Levine 2007). Access to appropriate financial services enables families to complete routine financial tasks, satisfy basic needs, smooth consumption, manage financial risks, accumulate assets, take advantage of opportunities for economic development, and eventually achieve financial well-being (Collins et al. 2009; Global Partnership for Financial Inclusion 2020).

Recognizing financial inclusion as a pillar of the global development agenda, the leaders of the G20 (or Group of Twenty) nations have endorsed a concrete Financial Inclusion Action Plan to improve financial access and opportunities for low-income households, and they created a series of indicators

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[1] Underbanked households were not counted in 2019 but numbered 24 million (18.7 percent) in 2017 (Federal Deposit Insurance Corporation 2018).

to measure financial inclusion (Global Partnership for Financial Inclusion 2010). In the United States, the interagency Financial Literacy and Education Commission is tasked with broadening financial inclusion. Created under the Fair and Accurate Credit Transactions Act of 2003,[2] the commission released a National Strategy for Financial Literacy, which identified financial access as a key element of individual financial capability (Financial Literacy and Education Commission 2016). In the market, financial institutions such as the Citi's Global Consumer Bank have actively responded to the call for financial inclusion by investing in efforts to enable underserved clients to access financial services (Citi Inclusive Finance 2020).

Rethinking Financial Inclusion: The Role of Social Policy

The current definition of financial inclusion focuses on individual access to and use of financial services provided by private financial institutions in the marketplace (i.e., the supply of the financial market). Without doubt, the private financial sector is the most significant provider of financial services and a key player in promoting financial inclusion. However, this definition of the concept ignores a relatively recent and growing relationship between financial services and public policy.

Since the 1980s, there has been a massive shift toward the provision of basic public services through the financial markets (Crouch 2009, 2011). For example, most benefits from Social Security, Temporary Assistance for Needy Families (TANF), and the Supplemental Nutrition Assistance Program (SNAP) are sent directly to bank accounts. Thereby, the nature of social policy has changed and financial services have claimed an expanded role in people's lives.

Increasingly, social policies rely on financial services to advance other goals in human and social development. For example, policies use financial services to deliver savings subsidies that encourage preparation for later life (retirement savings accounts), higher education (college savings accounts), and health care (health savings accounts). The delivery of cash assistance sometimes is directly linked to recipients' job training behavior and work performance and to their children's education and health care (Sun et al. 2021). The interaction of financial markets and social policies demonstrates that they may share similar financial instruments for achieving individual and family well-being.

The relationships between social policy and financial services have considerable consequences for well-being. For example, the federal response to the COVID-19 pandemic has relied on financial services to deliver resources to families and businesses, failing to reach some. Several months passed before the emergency income payment from the Internal Revenue Service reached the 25 percent of US households that are unbanked or underbanked (Federal Deposit Insurance Corporation 2018; Cheung 2020). Overloaded filing systems for unemployment insurance crashed in multiple states, delaying payments to laid-off workers (Ordonez and Winn 2020; Solon and Glaser 2020). Lack of access to technology and to information on navigating the social welfare system impeded eligible families from accessing benefits during the pandemic (Pollitz and Claxton 2020; Solon and Glaser

[2] Pub. L. No. 108-159, 117 Stat. 1952 (2003) (codified at 15 U.S.C. §§ 1681–1681x (2018)).

2020). In short, without appropriate mechanisms for transferring resources, social policies can fail to achieve their goals.

Other nations have struggled with the disconnect between social policies and inclusive finance. Despite major advances in financial technology and digitalization, China did not distribute cash assistance to its citizens during the pandemic. Although China's society and economy are highly centralized, the nation lacks a universal account system and identified the absence of such a system as one reason for forgoing cash assistance (Yang Lan One on One 2020).

The now-universal need for accessible financial services suggests that basic finance should be understood as a public good. That shift could be achieved effectively and with efficiency through social policy. Therefore, it is very important to understand how social policy shapes financial inclusion.

In this study, we explore the relationships among financial services, social policies, and financial well-being, presenting results from an empirical test conducted with data from the 2016 National Financial Capability Survey. We also discuss a policy approach for elevating financial inclusion to the status of a public good, illustrating the approach with evidence from a case study of Child Development Accounts (CDAs). We conclude with a discussion of implications for policy and research.

Social Policy and Financial Inclusion

According to Richard Titmuss (1965) and Mimi Abramovitz (1983, 2001), the United States has three welfare systems for redistributing financial resources to support basic needs. Social welfare assistance, the most widely known of the three, is for disadvantaged families. The two others are fiscal welfare and occupational welfare. Fiscal welfare provides economic support, mainly to affluent individuals and families, through tax expenditures (e.g., exemptions, deductions, and credits). Occupational welfare provides economic support through the workplace.

Abramovitz (2001) lists policy examples of the three systems. For instance, TANF, Supplemental Security Income (SSI), SNAP, and the Earned Income Tax Credit are social-welfare assistance programs targeted for populations with low income. Tax deductions for retirement savings accounts (e.g., 401(k)s, 503(b)s, and IRAs) and the home-mortgage-interest tax deduction subsidize retirement income and homeownership, respectively, through the fiscal welfare system. Tax deductions for employer-provided health insurance are an example of benefits delivered through the occupational welfare system.

Social policy uses financial services to distribute public resources through the three welfare systems. The government deposits TANF benefits, for example, into recipients' bank accounts and the Electronic Benefits Transfer (EBT) accounts of unbanked beneficiaries. Benefits from SNAP are loaded to an EBT card for food purchases, reaching EBT accounts through electronic funds transfers across the National Automated Clearing House Network. The transfers are specific financial-transaction services initiated by states and the private sector for these two social-welfare programs. A similar system is in place for other federal programs. The US Department of the Treasury requires electronic payment of Social Security, Supplemental Security Income, and veterans and other federal benefits (US Treasury Electronic Payment Solution Center 2020). The Treasury

Department collaborated with financial institutions to initiate a debit card program (Direct Express) for beneficiaries without a bank account.

All types of retirement savings programs in the fiscal welfare system are investment services operated by asset management institutions in the marketplace. Employment-based health insurance in the occupational welfare system is another type of financial service managed by private insurance companies for the purpose of delivering access to health care. Similar interpretations can be extended to other policy examples in the three welfare systems.

These examples illustrate financialization in the implementation and delivery of social policies. In that process, social policies have created new financial services (e.g., EBT cards, Direct Express cards, and retirement savings accounts) and subsidized existing services (e.g., home mortgages and whole life insurance) that facilitate resource transactions. Policy effects these changes in a manner that Claes Belfrage (2008, 282) calls "state-sponsored financialization." As Colin Crouch (2009) suggested, the rising trend of the financialization of social policy, a trend grounded in the US welfare state, is also consistent with a privatized Keynesianism.

Gøsta Esping-Andersen (1990, 3) classified the US welfare state as a "liberal" regime whose approach to welfare is characterized by active and passive public subsidies for market solutions to social problems. Strict entitlement rules accompany modest and means-tested social assistance for low-income people. In liberal regimes, public subsidies for private sector delivery of social welfare provisions created space for financializing social policies. However, the strict entitlement of social welfare assistance limits the ability of disadvantaged families to access fiscal and occupational welfare, as well as associated financial services. Public policy thereby facilitates an incomplete democratization of finance.

The financialization of social policy, like market-based mainstream financial services, benefits mostly the well-to-do (Sherraden 1991; Howard 1997; Levin, Greer, and Rademacher 2014).[3] In 2013, for example, low-income families, and especially low-income families of color, received little of the estimated $128 billion in retirement tax benefits (Levin et al. 2014).

The financialization of policy is also like mainstream financial services in that both may significantly impede financial inclusion of the disadvantaged populations. People who lack access to mainstream financial services do not benefit from the efficiencies of electronic banking and can incur fees to access social welfare benefits. Recipients of TANF in California and Colorado, for example, may pay significant fees to access EBT services, with fees depending on the ATM they use and the number of withdrawals (Migoya 2006; Covert 2014; Luquetta 2015). The Direct Express card allows beneficiaries of federal programs to have one free withdrawal from a network ATM per month (Direct Express, n.d.). Moreover, financially vulnerable families and people of color are much less likely to access fiscal and occupational welfare systems (Abramovitz 2001). They are less likely to qualify for many of the tax expenditures in the fiscal welfare system, and they are less likely to hold

[3] Exceptions include the Earned Income Tax Credit, the Child Tax Credit, and the Child and Dependent Care Tax Credit, which benefit the poor.

jobs that come with benefits delivered through the occupational welfare system (Abramovitz 2001). Efforts to advance financial inclusion, therefore, must take into account how policies are structured and delivered. The interaction between social policies and financial services shapes financial inclusion and, eventually, financial well-being.

Another way to think about the connection between social policy and financial services is to consider whether social policies are intended to support consumption (income) or asset building (Sherraden 1991).[4] Financial services that deliver benefits differ by policy purpose. Basic banking and transaction services are the financial options typically used to deliver consumption support. Direct Express and EBT deliver income supports to checking and savings accounts and load them onto EBT cards. In contrast, wealth-management, insurance, tax, and accounting services are used to deliver asset building. Retirement savings accounts, health savings accounts, college savings plans, home mortgages, and whole life insurance are examples of such social policies.

Similar to the noted differences in access across the three welfare systems, there are differences across populations in access to policy-related financial services for consumption support and asset building. For example, low-income renting households do not pay on home mortgages and therefore do not benefit from the home-mortgage interest deduction. Prospects for financial inclusion are affected not just by the structure of welfare systems, but also by the purposes of social policies. The financial services provided to the poor through welfare assistance (mostly income supports) aim to support people from month to month. In contrast, those in the fiscal welfare system promote asset building for long-term development. The above classification of three social welfare systems and social policy purposes demonstrates how policy can shape the accessibility of policy-related financial services and affect individual financial well-being.

Social Policies Can Advance Financial Inclusion

The financialization of social policy is one aspect of the relationship between social policy and financial inclusion. Another is the influence that social policies can exert over the scope of financial inclusion and strategies to achieve it.

If social programs support basic needs, people are less likely to seek (or create demand for) private financial services that address those needs. Conversely, if social programs fail to meet basic needs, people seek private remedies. This argument can be supported by the institutional model of social welfare (Wilensky and Lebeaux, 1965; Titmuss, Abel-Smith, and Titmuss 1974). The institutional policy model suggests that social welfare provisions are a normal and integral part of society. They are

[4] Similarly, C. Eugene Steuerle (2016) proposes two types of policy aims: income maintenance and opportunity promotion. In Steuerle's classification, consumption support resembles social welfare assistance (Titmuss 1965; Abramovitz 1983, 2001), alleviating liquidity constraints and providing income for food, nutrition, housing, utilities, and other household needs.

prerequisites to use of other private financial services. In this understanding, as soon as social welfare has been created as a social institution, it may become a prior condition for private financial services.[5]

The institutional model is illustrated in retirement provisions for older adults and in the so-called three pillars of pensions (Willmore 2001): Social Security retirement income, employment-based pension income (in the occupational welfare system), and personal retirement savings (in the fiscal welfare system). The higher the Social Security income, the lower the need for employment-based pension and personal retirement savings. In this example, the sufficiency of Social Security income often is a prerequisite to determine the amount of personal retirement savings needed through private financial services, but not the other way around.

Thus, according to the institutional model of social welfare, the scope of offerings required for financial inclusion, and what financial services can be counted as appropriate and necessary for all, may vary considerably by differences in the social welfare systems tasked with fostering that inclusion. An example comes from China's recent war on poverty, in which private financial institutions initiated new financial services for low-income families in rural areas. Critical illness insurance for older adults is one such service (Mo 2019). The financial service sector expanded these services to include more low-income individuals (Mo 2019). Although designed to protect health and financial security in rural China, these new services would be unnecessary in countries with universal health care.

In additional to the above examples, financial inclusion determined by social policies is indicated in the financial inclusion measures created by the G20. One measure of the G20 Financial Inclusion Indicator considers the percentage of social welfare recipients who use their financial accounts to receive welfare benefits (Global Partnership for Financial Inclusion 2017*b*). The higher the percentage, the more inclusive the finance in a country. The measure encourages governments to promote financial-service accessibility through the distribution of social welfare benefits. As mentioned, EBT and debit cards are valuable to support basic financial services for the unbanked in the United States. In such cases, social policies increase financial inclusion among financially vulnerable populations.

In 2014, the Indian government adopted Pradhan Mantri Jan Dhan Yojana, a radical financial inclusion plan, under the National Mission for Financial Inclusion. The plan uses new technology to open bank accounts, which serve as vehicles for transferring social welfare benefits for 75 million poor families. By 2017, 99.99 percent of those families held such an account (Sridhar 2018; Singh 2019). By 2020, there were 404 million bank accounts (Pradhan Mantri Jan Dhan

[5] An alternative hypothesis is often assumed, however, by the residual policy model of social welfare. In the residual policy model common among liberal welfare states (Titmuss, Abel-Smith, and Titmuss 1974; Pinker 1979), social welfare assistance is assumed to be a supplement of last resort, a residual offering consumed if the marketplace's private services have been exhausted or are unavailable.

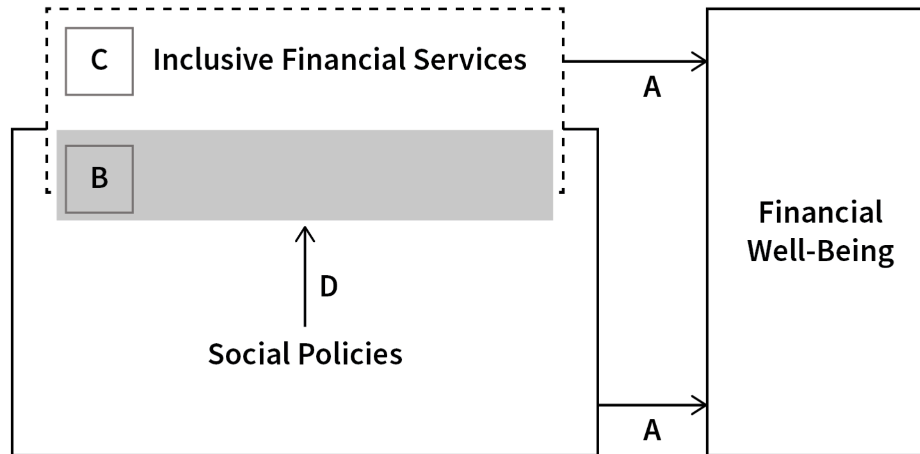


Figure 1. Relationships between social policy and financial inclusion.

Yojana 2020). The scale of this policy action suggests that social policy can aim for massive, perhaps even universal, financial inclusion. In this way, policy can become a structural approach for elevating basic finance to the status of a public good.

A New Definition of Financial Inclusion: Basic Finance as a Public Good

We summarize the relationships between social policy and financial inclusion in figure 1. Inclusive financial services (i.e., private financial services) and social policies are institutions that, in tandem, support people's financial well-being (relationship A in figure 1). The financialization of social policy is reflected in the variety of social policies delivered and implemented via financial services, as well as in the interaction between social policies and financial services (relationship B and the overlapping, shaded section). The scope of inclusive financial services is partially determined by the social policy provisions (relationship C and the area of inclusive financial services). In a society with limited social welfare services, the scope of financial inclusion may be broad, but disparity may remain high. Finally, social policy can be a strategy for promoting financial inclusion, and more importantly, for offering basic finance as a public good (relationship D).

This figure illustrates interrelationships between social policy and financial inclusion. In contrast, a typical and narrow view on financial inclusion would fail to consider the policy context and to illuminate current reality or opportunities to achieve policy goals. We propose the broader view of financial inclusion. We suggest that inclusive finance can become a public good. That will have been realized when individuals and families have full access to social welfare policies and appropriate, affordable financial services to receive financial resources. Access to both is necessary for families to achieve financial goals and well-being. A social policy approach can be an effective and efficient way to achieve financial inclusion.

An Empirical Analysis of Financial Inclusion, Social Policy, and Financial Well-Being

In this section, we analyze nationally representative data from the 2016 National Financial Well-Being Survey to explore relationships among financial services, social policy, and financial well-being

(Consumer Financial Protection Bureau [CFPB] 2017). Conducted by the CFPB, the survey collected information on individual and household characteristics, income and employment, savings and safety nets, financial experiences, knowledge, skills, and behaviors.

Data and Sample

We use three independent measures for these analyses: SNAP participation, employment-based health insurance coverage, and retirement savings account ownership (e.g., 401(k), IRA). The dependent variable is individual financial well-being.

The three social-policy measures analyzed as independent variables indicate use of three social welfare policies and the financial services to deliver these programs. The SNAP participation variable is an indicator of the EBT service for the nutritional supplement program in the traditional social welfare system. Employment-based health insurance coverage measures insurance service access afforded through the occupational welfare system. Retirement savings account ownership is one indicator of investment-service access delivered through the fiscal welfare system. These three variables may capture the intertwined relations among social policies and financial services.

Individual financial well-being is defined as a state "wherein a person can fully meet current and ongoing financial obligations, can feel secure in their future, and is able to make choices that allow enjoyment of life" (CFPB 2015*a*, 10). To measure this concept, CFPB created a standardized 10-item scale that captures four conceptual components: whether an individual has control over their finances, could absorb a financial shock, is on track to meet financial goals, and has "the financial freedom to make choices that allow [one] to enjoy life" (2015*a*, 19). The scale ranges from 0 to 100 and contains items such as "I am just getting by financially," "I have money left over at the end of the month," and "I am securing my financial future." (CFPB 2015*b*) A higher scale value represents a higher level of measured financial well-being.

As working-age individuals are more likely to be included in the occupational welfare system, we limit our analyses to respondents aged 25 to 61. The analytic sample consists of 3,727 adults, whose demographic characteristics are reported in table 1. The mean financial well-being score is 52.6 (SD = 13.4). About 13 percent of respondents receive SNAP benefits, nearly three quarters (74 percent) have employment-based health insurance, and less than two thirds (61 percent) own retirement savings accounts.

Disparities in Financial Services by Social Policy

In table 2, we report participation in the three social policy offerings (SNAP, employment-based insurance health, and retirement savings accounts) by demographic and socioeconomic characteristics. Benefits for all three programs are delivered through financial services (EBT, insurance services, and investment services), and table 2 therefore also reflects the access to three specific financial services by socioeconomic characteristics. Access to these financial services is statistically significantly associated with all demographic and socioeconomic variables at the 0.001 level.

Table 1. Weighted Demographic Characteristics of the Analytic Sample (*N* = 3,727)

Variable	Mean (SD) or Percentage
Financial well-being score	52.6 (13.4)
SNAP participation (yes)	13.4
Health insurance (yes)	74.3
Retirement savings accounts (yes)	61.0
Age group:	
25–34	32.0
35–44	21.3
45–54	28.7
55–61	18.0
Gender (% female)	50.6
Race and ethnicity:	
Hispanic	16.9
Non-Hispanic White	66.0
Non-Hispanic Black	12.0
Non-Hispanic other	5.1
Education:	
Less than high school	11.4
High school	27.3
Some college/associate's	27.5
Bachelor's degree	21.5
Graduate's degree	12.4
Married	59.8
Employment status:	
Full time	64.3
Part time	7.5
Not employed	28.2
Household income:	
Below $20,000	12.6
$20,000–$39,999	16.7
$40,000–$74,999	23.3
$75,000–$99,999	13.8
$100,000–$149,999	16.9
$150,000 or more	16.8

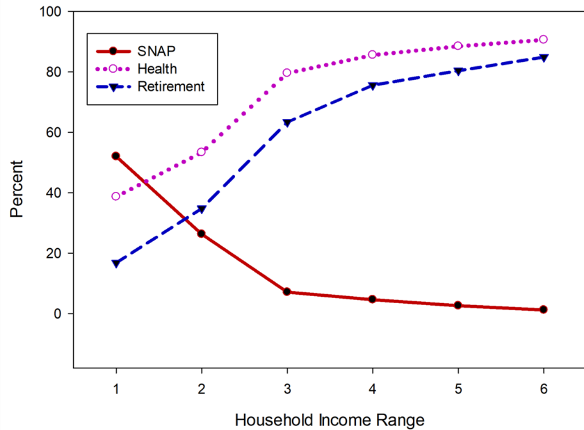
Note.—SNAP = Supplemental Nutrition Assistance Program.

Table 2. Financial Inclusion and Social Policies by Demographic and Socioeconomic Characteristics

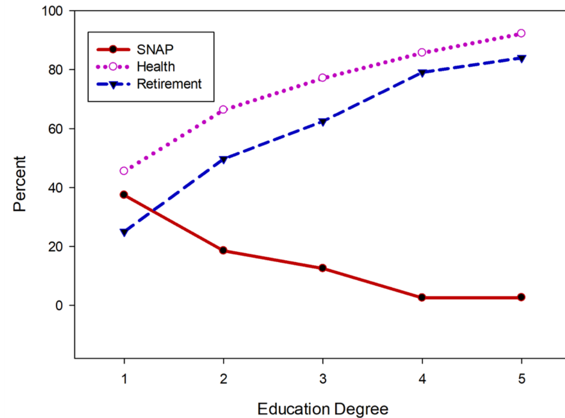
Variable	Percentage of Program Recipients		
	SNAP	Health Insurance	Retirement Savings Accounts
Household income:			
Below $20,000	52.0	38.7	16.8
$20,000–$39,999	26.3	53.4	34.8
$40,000–$74,999	7.1	79.6	63.4
$75,000–$99,999	4.6	85.6	75.6
$100,000–$149,999	2.6	88.5	80.4
$150,000 or more	1.2	90.6	84.9
Education:			
Less than high school	37.4	45.5	25.0
High school	18.5	66.3	49.7
Some college/associate's	12.5	77.1	62.5
Bachelor's degree	2.5	85.7	79.1
Graduate degree	2.6	92.2	84.0
Race and ethnicity:			
Hispanic	18.7	58.9	39.9
Non-Hispanic White	9.7	79.8	68.5
Non-Hispanic Black	25.7	67.9	54.0
Non-Hispanic other	11.4	76.5	61.7
Employment status:			
Full time	7.3	82.9	72.8
Part time	17.7	70.6	53.2
Not employed	26.5	55.4	35.9

Note.—SNAP = Supplemental Nutrition Assistance Program. The associations of program participation with income, education, race, and employment status are statistically significant at the 0.001 level.

The program participation patterns reported in table 2, and in figures 2 and 3, are clear. Rates of participation in SNAP decrease dramatically as household income and individual education respectively increase, while the opposite trends are observed for health insurance coverage and retirement savings accounts. Survey respondents in the lowest income category (below $20,000) are most likely to receive SNAP recipients and use its EBT services, but they are respectively least likely to have employment-based health insurance (39 percent) and retirement savings accounts (17 percent). For those in the highest income category ($150,000 or more), 91 percent and 85 percent, respectively, have health insurance and retirement savings accounts, and only 1 percent participates



SNAP = Supplemental Nutrition Assistance Program. Household income range: (1) Below $20,000, (2) $20,000–$39,999, (3) $40,000–$74,999, (4) $75,000–$99,999, (5) $100,000–$149,999, and (6): $150,000 and above.



SNAP = Supplemental Nutrition Assistance Program. Education Degree: (1) Below high school, (2) high school, (3) some college or associate's degree, (4) bachelor's degree, and (5) graduate degree.

in SNAP.[6] Thus, low-income households and low-education individuals have very low participation rates of employment-based health insurance and retirement savings accounts.

We also observe that, compared with other racial and ethnic groups, non-Hispanic Whites have the lowest SNAP participation rate but the highest rates of health insurance coverage and retirement account ownership. Similarly, compared with respondents employed part time and those in other employment situations, counterparts with full-time employment are most likely to have health insurance and retirement savings accounts but least likely to participate in SNAP. These findings are confirmed in a model that controls for other demographic and socioeconomic characteristics of individuals and households (e.g., gender, marital status, household size, and census region; results available from authors but not reported here).

Public policy shapes the observed socio-economic disparities in access to the financial services used to deliver these three policy offerings. Only low-income households are eligible for SNAP benefits and the EBT services used to deliver the means-tested, publicly subsidized, nutrition assistance Similarly, compared with counterparts who are unemployed or employed part time, those who are employed full time are more likely to be eligible for publicly subsidized employment-based health insurance and retirement savings accounts. Selective mechanisms built into social policies and, more profoundly, the structure of the three welfare systems, lead to inclusion (and exclusion) in these types of financial services. Everyone needs health care and assets for retirement, and health

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[6] The 1 percent SNAP participation rate in the highest income range could be a reporting error in data. Households with an income $150,000 or above are unlikely to be eligible for the SNAP.

Table 3. Average Treatment Effect of Financial Services on Financial Well-Being

Financial Service	Effect
SNAP participation	-9.7*** (.69)
Health insurance program	2.4*** (.75)
Retirement savings accounts	2.9*** (.61)

Note.—SNAP = Supplemental Nutrition Assistance Program. Standard errors are shown in parentheses.

*** $p < .001$.

insurance and retirement savings accounts are part of financial inclusion goals. These analyses suggest that social policies directly influence the achievement of financial inclusion.

When social policies rely on financial services to deliver support for meeting basic needs and financial well-being, they also become an important condition for financial inclusion. Strategies to achieve financial inclusion may not succeed unless they consider the social policy context. These findings support our hypothesized relationships of *B* (the shared service tools) and *D* (policy as an approach) between social policies and financial inclusion (figure 1).

Financial Services and Financial Well-Being

We use propensity score matching, more specifically, the nearest-neighbor matching, to account for the covariates, reduce potential selection bias, and examine the impacts of program participation on individuals' financial well-being score (Guo and Fraser 2015). It is particularly important to examine the relationship between SNAP participation and individual financial well-being. Fewer resources for sufficient nutrition are likely associated with lower financial well-being. In other words, directly comparing financial well-being scores of those with and those without SNAP benefits is likely to generate results that are subject to selection bias because recipients self-select into the SNAP program.

Table 3 reports the average treatment effect of the three measured financial services on individual financial well-being. The propensity score matching estimator suggests that the average treatment effect of SNAP participation is -9.7 ($p < .001$); that is, the financial well-being scores of SNAP recipients are 9.7 points lower than those of respondents not receiving SNAP benefits. Conversely, having employment-based health insurance is estimated to increase individual financial well-being by 2.4 points ($p < .001$), and owning a retirement savings account is estimated to increase it by 2.9 points ($p < .001$). These findings support our hypothesized relationships of *B* (the shared service tools between policy and financial inclusion) and *A* (the impacts on financial well-being of policy and financial inclusion) in figure 1.

The estimated effects of health insurance and retirement savings on financial well-being are consistent with expectations. Individuals with health insurance and retirement savings accounts likely have more resources to meet health-related financial obligations and likely feel more secure in their future. Specifically, regarding the four conceptual components of financial well-being (CFPB 2015), respondents with health insurance and retirement savings accounts may have greater

capability to absorb a financial shock (such as one caused by a health event) and are more likely to be on track for meeting long-term financial goals.

Receiving SNAP benefits increases the economic resources available for meeting nutritional needs. Therefore, if SNAP recipients and nonrecipients were similar on all other characteristics, recipient would have higher financial well-being because SNAP participation would be expected to increase individual financial well-being by improving nutritional intake. What accounts for SNAP participation's estimated negative effect on well-being? One possibility is that the propensity score matching estimator does not fully address the unobserved confounding factors affecting both SNAP participation and financial well-being. Compared with higher income counterparts, low-income respondents may be more likely to participate in SNAP and may still have lower financial well-being scores. Another possibility is that financial well-being consists of components other than those tied to current material hardship and financial obligations (e.g., future financial security and goals, and freedom of financial choices). While SNAP participation may improve nutrition and enable recipients to satisfy current financial obligations, it does not address other important conceptual components of financial well-being such as needs for future financial development.

This examination of the three financial services and their relationship with financial well-being suggests that social policies not only affect the achievement of financial inclusion, but also shape the relationship between financial inclusion and financial well-being. Financial services may vary in their impacts on individual well-being, partially by how the services are used in social policies. If the structure of social policies limits vulnerable populations' access to financial services for certain purposes (e.g., development of human capital and financial asset building), disparities in financial services have to be addressed in these policy contexts.

Achieving Financial Inclusion Through a Policy Approach: A Case Study of CDAs

As results from the prior analysis demonstrate, social policies not deliberately designed to achieve full inclusion may actually reinforce financial disparities generated by demographic and socioeconomic status. What policy model assures financial inclusion? This section examines a model that demonstrates the effects of using policy to achieve full financial inclusion.

Social Policy for Financial Inclusion: Principles

A policy model for financial inclusion should be based on four basic principles (Sherraden and Clancy 2005). First, the model should aim for universality. That is, it should cover all persons with the same services. Social security policies, for example, demonstrate that public insurance programs can be nearly universal (Stoesz 2019). As we have discussed, disparities in access to financial services result from the policy structures of the three welfare systems, each targeting a different population with different benefits. Universality in social policy avoids the stigma associated with social welfare programs and alleviates some of the burden of administrative oversight.

Second, a policy model for financial inclusion should address both financial security and development, and it should particularly aim for development. "Financial security" refers to a state in which one is able to meet basic consumption needs and financial obligations, current and ongoing ones. "Financial development" refers to a state in which one is achieving the long-term financial

investment and goals (Sherraden and Huang 2017). The distinction between financial security and financial development in consumption and investment parallels the previously noted distinction between policy that provides consumption support and policy that builds assets, between income maintenance and opportunity.

As discussed, current policies for financially vulnerable populations focus on financial security, leveraging financial transaction services in attempting to satisfy basic needs, but those populations are largely excluded from policies and financial services that promote long-term development (e.g., insurance, wealth management, and credit). A social policy for financial inclusion should expand the ability of vulnerable populations to access development-oriented financial services. It is important to ensure that financially vulnerable populations are not excluded from financial services that promote long-term development.

Third, a policy model for financial inclusion should promote progressivity. That is, the model should include features to reduce inequality and increase upward mobility. If everyone benefits from policies that ensure financial security (e.g., consumption) and promote financial development (e.g., asset building), such inclusive policies should reinforce the redistribution functions of social policies and lead to greater equality and opportunities for upward mobility.

Fourth, a policy model for financial inclusion should be built on one coherent system or a centralized platform. Financial inclusion involves many financial services, each satisfying different financial needs and accessed through a discrete access point (e.g., banking, asset building, insurance, credit, financial guidance and advice, and social welfare benefits). The access to and the use of one or some of these services cannot satisfy all financial needs of individuals and families. The number and variety of access points for different financial services, however, impose the burden of repeated application processes and costs that serve as barriers to financial inclusion. A policy with a centralized infrastructure accommodating different financial services could serve as a platform for markets to deliver their services transparently and efficiently. For example, public cash-assistance programs could be a platform with automatic and streamlined connections to appropriate banking products offered by the market. Such a model would offer a path to effective policy and allow individuals to make their choices on the financial products offered by different providers.

CDAs: An Example of a Social Policy for Financial Inclusion

The principles described above are derived from policy tests and experiments of CDAs in the United States and other countries (Sherraden and Clancy 2005; Sherraden, Clancy, and Beverly 2018; Huang, Zou, and Sherraden 2020). First proposed by Michael Sherraden (1991), universal, progressive, and lifelong asset building is a policy innovation with the potential to address inequality in wealth and child development. Designed to give all children and families (especially those with vulnerable backgrounds) a structured opportunity to accumulate assets over time, CDAs are subsidized asset-building accounts to support investments for development purposes and life course goals. The accounts offer a common platform for resource development. The policy is envisioned as universal (everyone would receive a CDA), progressive (additional subsidies would be provided for vulnerable populations), and potentially lifelong (A beneficiary's CDA would begin at the individual's birth). The combination of universality and progressivity reflects an inclusive approach that allows all children to participate in the goal of asset building but that

targets the children with greatest financial vulnerability for resources sufficient to attain meaningful future aspirations (Powell 2009).

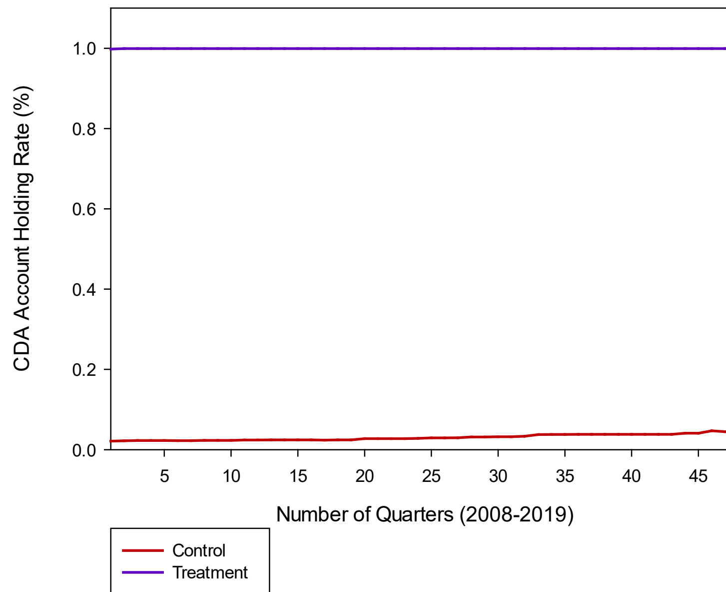
To test the universal and progressive CDA policy model, researchers have conducted a large-scale, statewide experiment in the State of Oklahoma. Built on that state's 529 plan (the Oklahoma 529 College Savings Plan, or OK 529), with the state treasurer's office as the primary partner, SEED for Oklahoma Kids (SEED OK) drew a probability sample of 2,704 mother-infant dyads from the full population of children born in 2007 in Oklahoma (Sherraden et al. 2015). After conducting a baseline survey in 2007 (wave 1), researchers randomized participants into treatment and control groups (treatment = 1,358, and control = 1,346). The experiment automatically opened and made an initial deposit of $1,000 into 529 accounts for all treatment children.[7] For limited time, the experiment offered to match deposits made by low- and moderate-income families. The accounts, initial deposit, and additional supports together comprise the SEED OK CDA (Sherraden et al. 2015). The experiment did not impose restrictions upon families in the control group; they had the usual public access to the state 529 plan. The SEED OK research team collects quarterly data from the State of Oklahoma on the 529 accounts, activity, and balances of treatment and control children up to December 2019. Researchers conducted follow-up surveys in 2011 (wave 2) and 2020 (wave 3).

Research on quarterly account data collected suggests that the SEED OK intervention included all treatment children into CDAs and generated positive financial outcomes for treatment families (Beverly et al. 2015; Sherraden et al. 2015). In 2009, when children were about 2 years old, nearly 100 percent (99.9%) of treatment children had an OK 529 account. In contrast, less than 3 percent (2.4 percent) of control children had an OK 529 account (Beverly et al. 2015). The account-holding rate remained consistent among treatment children through December 2019 and increased over the same period to about 4 percent among control children (figure 4). As this suggests and figure 4 illustrates, the current 529 account policy failed to include 96 percent of control children for over a decade of their childhood, but the tested CDA policy maintained full inclusion over the same period (12 years). Compared with figures 2 and 3, the blue line eliminates disparities in account holding and access caused by socioeconomic status. In the control group, only children with advantaged socioeconomic backgrounds (high income, high education, or both) had 529 accounts (Beverly et al. 2015). The finding parallels broader trends in US fiscal welfare policy. The intervention's design, with automatic, opt-out enrollment, delivered CDAs for all but one child in the treatment group. That is, the SEED OK intervention successfully repurposed an excluded and regressive policy of the fiscal welfare system into an inclusive policy for all.

Results from the SEED OK experiment have spurred considerable interest among state policymakers. Informed by findings from SEED OK, seven states (California, Illinois, Maine, Nebraska, Nevada, Pennsylvania, and Rhode Island) have adopted statewide, automatic, universal CDA policies by legislation or administrative rule. All statewide CDA policies are built on state 529 plans and support asset accumulation for postsecondary education and training. The oldest statewide CDA policy in the United States, in Maine, automatically enrolls every resident newborn (about 12,000 children annually), depositing a $500 grant funded by a private philanthropy into the state's

[7] The parent of one child cited religious reasons in opting out of an account (Beverly et al. 2015).

Figure 4. Financial Inclusion in the SEED OK Experiment



SEED OK = SEED for Oklahoma Kids; CDA = Child Development Account.

529 plan. With bipartisan support, Pennsylvania became the first state in the nation to create a universal and automatic CDA policy through state legislation. Pennsylvania's Keystone Scholars program, as it is called, automatically deposits $100 into the state 529 plan for each of the approximately 140,000 resident newborns each year. Children born in 2019 were the first beneficiaries of the policy (Clancy, Sherraden, and Beverly 2019). Estimates from 2017 birth statistics suggest that more than 500,000 children will be added into statewide CDA policies by 2021 (Huang et al., in press). Other states are also taking steps to enact universal, automatic, statewide CDA legislation (e.g., Missouri; Leiker et al. 2020).

As an example, CDA policy offers specific insights into policy practice on creating an effective and efficient policy model for financial inclusion, a model that follows the principles of universality, development, progressivity, and efficiency. For example, findings from SEED OK suggest that a policy will not provide coverage for a full population if it identifies all as eligible but relies on active participation by each individual. Low take-up rates are a common challenge across different social welfare programs (Currie 2004). The SEED OK experiment and subsequent statewide CDA policies reach true universality by applying an automatic enrollment mechanism that includes all children on a centralized account structure. A centralized account structure promotes a single policy system for all children, thereby achieving efficiency in policy operation. Practically, universality also requires a specific time point for individuals to access policies and services. The SEED OK experiment and subsequent statewide CDA policies adopt children's birth or school entrance as that starting point. These life events in early childhood create natural, convenient, and fixed time points for accessing financial services that contribute to financial development over life course.

Conclusion

In a financialized and digitalized society, conventional social policy strategies (e.g., a residual model focusing on current consumption and maintenance) may be insufficient to address the challenges of extreme economic inequality or to enable the whole population to reach its potential.

During the industrial era, a separation of finance and social policy might have been benign, perhaps even necessary. But in the information era, this is no longer the case. Pursuit of the financial well-being of individuals and families can no longer be bifurcated into social welfare assistance and the financial market. Moreover, as we have shown, public policies cannot be neatly divided into social and economic domains; they are deeply interconnected.

Therefore, we propose the integration of social development and economic growth, an integration designed to advance individual well-being. This is not a new suggestion. There have been long discussions on development-oriented social policy paradigms, such as asset building, social investment, and predistribution (Sherraden 1991, 2018; Midgley 1999, 2013; Thomas 2016). This paper's discussion of relationships between social policy and financial inclusion (see figure 1) extends that thinking and provides an example for future development of social policies, suggesting that financial inclusion should be examined in a social policy context.

Financial inclusion aims to enable all persons, especially those with disadvantaged backgrounds, to access appropriate financial services for their financial well-being (Global Partnership for Financial Inclusion 2011; United Nations Capital Development Fund 2018; World Bank 2018; International Monetary Fund 2019; National Financial Educators Council n.d.). This is consistent with the goal of promoting individual financial well-being in social policy. Increasing financialization of social policies is also a trend toward state-sponsored financialization. In this process, social policies have become, quite literally, instruments for financial inclusion.

As our empirical analyses suggest, policy-related financial services are defined by the structure, purposes, and design of social welfare systems, which in some cases generate barriers to the financial inclusion of disadvantaged families. But because of shared goals and tools, social policies also are capable of shaping the scope and strategies of financial inclusion.

A key aspect of seeing social policies in the context of financial inclusion is acknowledging how much of the current welfare state—especially fiscal policies operating through tax benefits—benefits upper income groups. Through that acknowledgment, one shines a light on social policy's contributions to economic inequality and on whether this is good governance—and, of course, it is not.

In sum, the goal of financial inclusion cannot be achieved with a limited focus on private financial services in the marketplace, and such a focus misses the current reality in social policy. We propose a broader conceptualization of financial inclusion that includes social policy, a conceptualization potentially capable of enabling all persons to improve their financial well-being. For social policy thinkers, researchers, and advocates, this broader understanding offers a productive pathway to the realization of financial inclusion as a public good.

Indeed, this seems very likely to occur in the twenty-first century. With the reach and efficiency of information technology, there is no reason why finance, including asset building, cannot be

efficiently delivered to every household in the way that every child today has access to public education, families can use the public roads and parks, and clean water is delivered to every home.

The long march of "civilization" can be understood as the movement of more and more functions from the realm of individual struggle to one in which goods and services are automatically available on a fair—ideally progressive—basis to everyone. By and large, we can be thankful for each of these transitions from individual struggle to comprehensive, universal provision. Finance is now moving in this direction.

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Suggested Citation

Huang, J., Sherraden, M. S., & Sherraden, M. (2021). *Toward finance as a public good* (CSD Working Paper No. 21-03). Washington University, Center for Social Development. https://doi.org/10.7936/p8dd-p256

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