SOCIAL GOALS VERSUS BUSINESS NECESSITY: THE NATURE AND DETERMINANTS OF INNOVATION IN FINANCIAL INCLUSION

Structured Abstract

Purpose:

This study aims to explore the extent to which social innovation is prioritised among a sample of organisations promoting financial inclusion through the provision of affordable credit, advice and financial education. Additionally, we seek to understand the nature of the adopted innovation process and how this is perceived as influencing social change (if at all).

Methodology:

This exploratory study uses a combination of qualitative, semi-structured, face-to-face interviews with 35 managers in 29 different organisations and three focus groups with 16 practitioners and stakeholders.

Findings:

Innovation processes are in the main, largely *incremental* as opposed to *radical* with organisations focusing on process-led innovations. More notably, most organisations found that they often lacked the required social capital capacity, economic and technological resources and the necessary skills to develop, implement and capitalise on innovations, thus limiting the more *radical* forms of innovations.

Implications:

To enhance the capacity of smaller organisations promoting financial inclusion, there is significant potential to engage in more open, co-creational projects/partnerships to deliver greater social impact to vulnerable populations.

Contribution:

We contribute to the under-researched literature on social innovation by highlighting the extent to which social innovation is given precedence within the sector promoting financial inclusion. Given the contextual and organisational diversity of the sector, highlighting these behavioural practices and circumstances, enable researchers to theoretically advance social innovation theory further and provide more practice-based guidance for organisations to successfully shape social change.

Keywords:

Social innovation; financial inclusion; social value creation; responsible business; qualitative research.

Introduction

The UK financial sector has faced significant criticisms over the last decade for the way it conducts business (i.e. a focus on shareholder profits), with increasing calls for financial service organisations to address issues relating to societal and financial wellbeing (Bolz & de Bruin, 2019; Brüggen et al., 2017). In the context of the global financial crisis, austerity and a declining welfare state (Appleyard & Dibb, 2018), there is a pressing need for social innovation, which involves the development of ideas that addresses social needs and problems left unanswered by existing practices (Gallouj et al., 2018; Howaldt et al., 2014). This is especially evident in the area of financial services where financial exclusion, that is the inability to access affordable and appropriate financial services, is a pressing and persistent issue for vulnerable, low-income households across the UK (Financial Inclusion Commission, 2019; Prabhakar, 2018). Without the ability to access mainstream financial products, many households pay more for goods and services (Davies et al., 2016) and experience difficulties in accessing employment opportunities. Some vulnerable individuals also resort to high cost credit products or unlicensed moneylenders leaving them at risk of over-indebtedness with associated impacts on health and wellbeing (Brűggen et al., 2017). Over-indebtedness is closely associated with financial exclusion. Apart from changing circumstances, the main triggers of over-indebtedness are poor money management skills (i.e. financial capabilities) and predatory lending practices by high cost credit providers (Finney & Hayes, 2015). Debt can also be a direct obstacle to using banking services. For example, 16% of UK households pay fuel bills using prepayment meters rather than direct debit (Competition & Markets Authority, 2016), a significantly more costly method of payment. These meters are often installed in response to difficulties paying fuel bills and are not removed until fuel debts are cleared (Competition & Markets Authority, 2016). Further, financial difficulties can lead to people stop using certain financial products. Evidence from the USA suggests that the loss of employment make households significantly more likely to become unbanked (Rhine & Green, 2013).

UK financial inclusion policy and interventions have had a dual focus. On the one hand, they have sought to promote greater ownership and use of mainstream financial services. This has included building skills and capability through financial education and banks providing access to services through trusted community partners (e.g. social housing providers etc.). On the other, where mainstream services have not been deemed suitable to excluded households or difficult to provide, the emphasis has been on providing alternative services and products reducing or removing the disadvantage of not being able to access mainstream financial products. Examples of this include the basic bank account (a no frills account with no overdraft facility) and affordable credit provided by community finance organisations (e.g. credit unions).

There are various organisations that seek to promote financial inclusion in the UK. This articles focuses on three types. Firstly, there is a group of community-based affordable lenders providing loans, banking accounts, savings, budgeting support and insurance to low-income, financially excluded consumers. This consists of Community Development Finance Institutions (CDFIs) and credit unions. CDFIs are non-depository institutions set up in the UK starting in the 1980s and 90s, inspired by the sector in the USA. These organisations provide loans and ancillary services exclusively to consumers, start-up firms, small businesses and social enterprises unable to access mainstream finance. Credit unions are mutual financial organisations providing loans, savings and other services to its members, who typically share a geographical, associational or occupational common bond. Although the underlying principles date back to the UK cooperative movement in the mid 19th century, the first credit unions in the country were established in the early 1960s. Credit unions have a diverse membership, including middle-class banked households (Martin, 2018), and only a subsection targets low-income, excluded consumers.

Secondly, this paper focuses on the range of not-for-profit providers of free-to-client debt and money advice to UK households. This includes budgeting support, payment plans, income maximisation and insolvency applications. Citizens Advice, among the largest and best-known providers of such advice in the UK, is a network of independent bureaux. Established in 1939, the network grew significantly in the 1970s linked to the nascent consumer movement and due to increased government funding of advice (Kirwan et al, 2016). According to Kirwan et al (2016, p.766), organisations like Citizen Advice Bureaux "occupy a liminal space" providing independent advice and at the same time receiving significant public funding. It has 338 bureaux operating from 3,300 locations across England and Wales and 20,000 volunteers working with paid advisors (Kirwan et al, 2016). In 2018/19, the network helped 380,000 clients with debt issues (Citizens Advice, 2019). They serve households in financial difficulties, many, though not all, are financially excluded or vulnerable. An evaluation of the debt advice funded by Money Advice Service found a substantial overrepresentation of unemployed, lone parents and social housing tenants (Money Advice Service, 2017), which are also groups at greater risk of financial exclusion (see for example, Financial Inclusion Commission, 2019). Several of these organisations also engage in preventative work, such as the provision of financial education.

Thirdly, there are several not-for-profit organisations providing financial education and capability training aimed at financially vulnerable and excluded groups to promote financial inclusion and wellbeing. This is a diverse sector, consisting of foundations, social housing providers and community groups, which rarely focus exclusively on delivering such programmes. In this paper, we focus on providers of adult education to improve the understanding, skills and confidence to manage money, including the use of financial products. These programmes are delivered by a trainer and have a fixed curriculum and format.

Although different in many respects, these three sectors support excluded consumers and households at scale and share an explicit commitment to promote financial wellbeing and inclusion among these vulnerable groups. They are also under increasing pressure from funders to become more efficient, delivering more with similar or reduced funding (Davey, 2017). Consequently, as is the case with most business sectors (see Forcadell et al., 2019; Gallouj et al., 2018; Liu et al., 2017), innovation in the financial inclusion sector is needed for it to thrive and grow in a challenging environment. At the same time, they have limited resources and skills to innovate compared with the capital rich commercial financial services sector. Despite the persuasive need for social innovation in this sector to address the scale of unmet needs (see Moore et al., 2012), there has been little to no academic research on this (Appleyard & Dibb, 2018; Brűggen et al., 2017; Gallouj et al., 2018). More generally, there is a gap in the social innovation literature around practice, resulting in several calls to develop our knowledge around social innovation practices further (Cajaiba-Santana, 2014; Mulgan et al., 2007; Nicholls & Murdock, 2011; van der Have & Rubalcaba, 2016).

Therefore, this article, seeks to address this gap by exploring the extent to which social innovation is prioritised among a sample of organisations promoting financial inclusion through the provision of affordable credit, advice and financial education. Additionally, we seek to understand the nature of the adopted innovation process and how this is perceived as influencing social change (if at all). Given the contextual and organisational diversity of the sector, the findings allow us to provide a more nuanced view of the financial inclusion sector specifically and advance our knowledge around how such organisations pursue innovation strategies to help shape social change. The following section presents an overview of the underpinning literature concerning innovation, the process of social innovation and social innovation specifically, within the financial inclusion services sector.

Innovation Theory and Organisational Practice in the Financial Services Sector

Consistent with the Latin root of invention – *invenire*, which means to ''find'' or ''discover", innovation is often defined as a new device, method, or process developed from study and experimentation (Mars, 2014). A key distinction between invention and innovation however, is that while invention creates the initial product/process idea – innovation is an attempt to convert invention into societal practice. This process is realised and often sustained through the entrepreneurial process and is often argued to be important to business success and survival (Forcadell et al., 2019; Gallouj et al., 2018; Liu et al., 2017).

Innovation typically takes one of three forms. First, business model innovation refers to changes to 'how a company creates, sells, and delivers value to its customers' (Davila et al., 2006). Second, process innovation is largely concerned with back-office and management processes and involves making internal improvements to production, service or administrative operations (Oke et al., 2007). Third, the most common form of innovation is product or service innovation, whereby developments are made to new or current products to make them more attractive to customers (Liu et al., 2017; Oke et al., 2007). The innovation process (also known as the innovation funnel) consists of 4 phases – idea generation, experimentation/test market, manufacturing and marketing/sales (Lazzarotti & Manzini, 2009). Consequently, innovation processes can either be *incremental*, focusing on making improvements to current products for the current market, or *radical*, which focuses on new products and expanding into new markets (Crossan & Apaydin, 2010). Innovations may also be *technical* or *administrative* (Damanpour, 1996) and may be implemented to achieve a wide range of social and financial outcomes for the organisation, customers/users and/or stakeholders, such as reduced costs, greater income generation and increased social impact.

Empirical research suggests that the nature of innovation depends on the characteristics of the business. Larger firms are often found to be more capable of radical forms of innovation, as they have the flexibility to devote more resources to R&D and rely on their own capabilities and skills to innovate, or outsource to external bodies (Iturrioz et al., 2015; Oke et al, 2007). As a result, many SMEs often focus on small-scale, incremental innovation initiatives linked to specific products or services (Iturrioz et al., 2015; Liu et al., 2017).

Strategic collaborations with other firms may enable SMEs to compete with larger companies. Indeed, innovation is often not created in isolation but is instead shaped by other businesses and institutions through the diffusion and sharing of knowledge (see Phillips et al., 2015). By innovating openly, businesses may gain access to complementary assets, expertise and technologies not available internally, which may fuel growth whilst lowering risk and reducing cost (Mortara & Minshall, 2011; Terziovski & Morgan, 2006). However, open innovation is complex and should not be categorised on a simple continuum featuring open versus closed (Dahlander & Gann, 2008). Instead, Lazzarotti and Manzini (2009) advocate four modes of open innovation on two axes – the number/type of partners (i.e. 'partner variety') and the number/type of phases of the innovation process open to collaboration (i.e. 'innovation funnel openness'). The first mode is *closed innovators* (i.e. low partner variety/low innovation funnel openness) and refers to organisations that access limited partners for a specific phase of the innovation funnel only (e.g. test market phase), typically avoiding high transaction costs and risk. Similarly, the *specialised collaborators* (i.e. high partner variety/low innovation funnel openness) also focus their collaborations at a specific phase of the innovation funnel, but instead collaborate with a wider variety of partners. This mode is associated with a more defensive R&D strategy and more aligned to incremental as opposed to radical innovations. Also focused more on incremental innovation is the *integrated collaborators* (i.e. low partner variety/high innovation funnel openness) which due to limited managerial competencies, adopt a completely open innovation funnel but only to collaborators from a limited number of partners to minimise risk. Finally, the *open innovation* (i.e. high partner variety/high innovation funnel openness) mode is open to numerous partners at multiple stages of the innovation funnel. This approach is associated with higher efficiencies but also higher risk and complexity. Lazzarotti and Manzini (2009) advocate that the eventual selected mode will depend upon "*it's coherence with the strategic, organisational and managerial contexts and on an acceptable balance between the benefits and the costs"* (p.632).

However, a key problem with the development of theory and knowledge of practice surrounding the innovation process is that it is largely driven by studies which assimilate innovation in manufacturing to innovation in services (Gallouj et al., 2018; Mulgan et al., 2007). Thus, revealing the need for further insight into forms of social innovation within specific service sectors (van der Have & Rubalcaba, 2016). Where more conventional forms of innovation work towards the growth of the organization through the improvement or creation of products and services (see Forcadell et al., 2019), social innovation focuses on working towards the goal of answering social needs and problems that are left unanswered by existing practices (Howaldt et al., 2014). Moreover, organisations that adopt such approaches typically aim to combat "processes that impoverish people" (Baker, 2011, p.10); achieve positive outcomes and drive social change (Cajaiba-Santana, 2014; Pol & Ville, 2009).

Consequently, although there is a lack of consensus (van der Have & Rubalcaba, 2016; Pol & Ville, 2009), 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 (Phills et al., 2008, p.36). While pointing to this definition as the most cited in the social innovation literature, Bolz and de Bruin (2019) question the rigour of this definition as it does not clarify what is exactly involved with regards to "societal desirability and value accruing to society" (p.743).

Measurement of social innovation is considered an extremely difficult task, especially given the numerous forms of innovation (e.g. product, service, process, regulation etc.), the complexity of combined innovations and the nature of innovation emergence (i.e. planned versus unplanned) for the service provider (Gallouj et al., 2018). Howaldt et al. (2014) aims to simplify organisational approaches to social innovation and proposes three distinct stages. The first is the investigation phase, where the social challenge is defined and the possible solutions to the unmet needs are discussed. This is followed by the innovation phase whereby a workable solution is created. Third is the implementation phase, which involves taking the idea and trying it in practice. If the idea works in practice then it can be grown, replicated, adapted or franchised. However such an approach is considered rudimentary and is criticised for ignoring the collaborative dimensions of social innovation processes.

For example, the success of each of Howaldt et al.'s (2014) stages is dependent upon communication, as social innovators need to capture the attention of its targeted supporters. Here, building on Pol and Ville's (2009) economic conceptualisation of social innovation, Cajaiba-Santana (2014) stresses the importance of the social construction of innovation and recommends examining the inter-relations between individuals and the social systems "involved in the process of innovation creation and diffusion" (p.44). Bearing this in mind as well as helping to avoid barriers to implementation, organisations must focus on strategic alignment; responsible purpose; institutional drivers; stakeholder engagement; and business model management (Goffin & Mitchell, 2016; Herrera, 2016) prior to institutionalising innovation within the organisation. Consequently, Bolz and de Bruin (2019) propose a more integrative framework which embraces Cajaiba-Santana's (2014) emphasis on communication and focuses on processes of reflexivity, collaboration and design. Specifically for the service sector, emphasis on "value co-creation and co-implementation through co-production among multiple empowered actors" is advocated by Gallouj et al. (2018, p.553) in that it is crucial to understand how social innovation works within the whole service system and its institutions. Such an approach will inevitably help to avoid key barriers to social innovation which are identified as perceived efficiency reduction, protection of individual vested interests, personal resistance to change within employees and impact on personal relationships (Mulgan et al., 2007).

As social innovation is a highly relevant concept among organisations seeking to address the issue of financial exclusion, we now present three clear examples of social innovation to address the need to access affordable financial services. First, the pioneers of modern microfinance, especially Grameen bank (i.e. a social business model), developed and introduced peer-lending methodology to be able to lend to low-income largely female microentrepreneurs and petty traders with no assets to access secured loans and on whom they had no means to gather information cost-effectively (Stiglitz, 1990; Yunus et al., 2010). Historically this group have been unable to access bank finance, whilst local money lenders have lent to them but by charging high rates to compensate for the high credit risk caused by information asymmetries. The microentrepreneurs form groups and the microfinance institution lends to individuals of the group in turn. They are collectively responsible for repayment if the individual borrowing fails to make a payment. In other words, the microfinance institutions use the microentrepreneurs' social capital and networks to reduce and manage credit risk. This approach to lending is often used informally by savings groups but was developed as a formal lending methodology by the microfinance institutions. This lending methodology has enabled providers like Grameen to reduce the risk of lending to these communities without having to charge rates perceived to be exorbitant (see discussion in Haldar and Stiglitz, 2016).

Second, UK banks (i.e. public limited companies) introduced the basic bank account – a no frills, non-credit scored bank account – in 2003 on the back of pressure from the Government to expand bank account ownership among low-income households. The lack of a bank account can exacerbate poverty for households because it makes it more difficult to access employment and paying for services is often more expensive in cash. At the time, significant strides had been made in expanding the proportion of UK adults with a bank account, but a significant minority – around 6% or 1.8 million households – did not have a bank account. Existing accounts came with overdraft facilities, which in turn required credit scoring. As part of joint effort by banks to halve the number of unbanked households agreed with Government, banks developed an account without an overdraft facility, hence lowering the requirements to open the bank account. Partly due to this innovation, the incidence of unbanked households fell from 7% in 2002-03 to 3% in 2008-09. At present, this figure currently stands at approximately 1.5 million people without a bank account in the UK (Financial Inclusion Commission, 2019).

Third, in the late 1990s, a group of academics and partners (Dayson et al, 1999) developed a model of community-based financial institutions, Community Reinvestment Trust (CRT) (most commonly referred to as Community Development Finance Institutions (CDFIs)), to provide personal loans and ancillary services to low-income households. These households were unable to access mainstream banks or credit union loans because of thin or poor credit files and a lack of a savings track record. Instead, they were paying a significant premium to access loans for necessary purchases, which in turn made them more likely to fall behind on payments and at risk of eviction (Dayson et al, 1999). The CRT model was set up to attract funding for on-lending in poorer communities; attract resources professional expertise from mainstream financial institutions and housing providers; cooperate with local specialist agencies for ancillary services; be accountable to local stakeholders and residents; meet credit needs not address by existing financial service providers. Around a dozen organisations were set up as mutual organisations (one member one vote by investor members) across the UK taking various legal forms and by 2009, these had made over 15,000 loans of a value of £11.8m to financially excluded households and entrepreneurs.

The next section outlines the adopted methodology to help explore the extent and nature of innovation practices more generally, as well as forms of social innovation among a selection of organisations promoting financial inclusion by providing loans, advice and education.

Research Methodology

Given the ontological assumption that reality is socially constructed (Bryman & Bell, 2015), an interpretivist approach was taken to explore and understand how research participants made meaning of their experiences (Burrell & Morgan, 2017) around social innovation within the sectors promoting financial inclusion through education, affordable credit and advice. Due to the complex and iterative process of social innovation, Cajaiba-Santana (2014) also advocates that a focus on the individual is required – "*more specifically, to what they think, to what they value, to how they behave, and to how inter-relations between actors and social systems take place"* (p.48). Therefore, to understand the nature and extent of innovation in the financial inclusion sector, their innovation processes, and barriers and drivers of innovation, two qualitative methods were adopted to gain such insight, namely semi-structured qualitative interviews and focus groups with senior managers from affordable credit providers, financial capability and debt/money advice organisations.

Semi-structured, face-to-face interviews with 35 managers in 29 different organisations were carried out, lasting between 45 to 90 minutes. The interviews focused on the challenges of the sector, examples of product, process and business model innovation, how organisations innovate, greatest need for innovation, and barriers and drivers.

Recruitment drew on the extensive contact network of one of the authors in the sector. We sought to recruit organisations that were engaged in product or process innovation to study the nature and process for innovation and had an established track record in the delivery of the service for innovation to have taken place. We also sought to generate a sample representing a range of different delivery channels, location, sizes and levels of maturity in the sector to compare innovation in different settings. To ensure complete anonymity of the sample, only the split and number between organisational types of providers targeted are shown in Table 1. The stakeholders were investors, funders and networks seen to be influential and significant in terms of size of investment or membership. The affordable credit providers consisted of eight CDFIs (five personal and three business/start-up loans) and one credit union serving excluded consumers London, North West, Midlands, Wales and Scotland. The financial education and advice providers operated in Scotland, the Northwest, London and the South East.

Insert Table 1 near here

We recruited focus group participants based on the interviews to represent a range of sectors and innovations (e.g. business model, delivery, technology etc.). We held three focus groups with 16 practitioners and stakeholders (see Table 2 for a further breakdown of organisational type). Each participant gave a formal presentation of their day to day activities and their associated innovation processes and outcomes which helped to stimulate discussion between participants. These lasted for around two hours and were facilitated by two of the authors. Subsequently, we used these presentations to facilitate discussion between participants on differences and similarities across the organisations. Prior to and during the research process, several ethical considerations were taken into account concerning anonymity and confidentiality.

Insert Table 2 near here

A combination of extensive notes and transcriptions were used to make detailed renditions of the interviews and focus group discussions. Subsequently, several 'passes' were made through the data, revealing key themes and patterns (Miles & Huberman, 1994). It should be noted that it has not been possible to verify the impact and therefore the real magnitude of the innovations as many organisations do not seem to collect data on and analyse the effectiveness of their innovations in a systematic way. Through the interviews and focus groups, we also mapped the most salient innovations that those organisations had engaged in or were aware of in the sector. It is not an exhaustive map of all innovation but rather an overview of some of the most significant innovations. We classified each of the innovations using Crossan and Apaydin's (2010) four dimensions. First, *Referent* denotes if the innovation is new to the organisation, or the sector or market in which it operates.

Second, *Magnitude* suggests that innovations may be radical, disrupting sectors and markets, or incremental linked to continuous improvement within the organisation. Third, innovation may take different *Forms*, including a new/improved product/service, process or business model. Finally, the *Type* of the innovation can be technical (i.e. technology-related) or administrative. The core themes emerging from the data are now discussed in the next section and include: (1) *Creating social innovation within sectors promoting financial inclusion*; (2) *Recognising the need for social innovation*; (3) *Social structures and actions underpinning barriers innovation*; and (4) *Social and economic outcomes of innovation*.

Findings and Discussion

Creating Social Innovation within the Sectors Promoting Financial Inclusion

Despite citing a lack of resources and funding, all participants acknowledged the importance of innovation and its role in establishing the organisation as a competitive player in the sector promoting financial inclusion as well as enabling them to deliver their targeted social outcomes. Consequently, there were many similarities in the nature and extent of innovation across both organisational types (see Tables 3 and 4) in that they followed a simplified organisational approach (see Howaldt et al., 2014). Overall, strategic collaborations with other partners were largely limited to modes of *closed innovators* and *integrated innovators* (see Lazzorotti and Manzini, 2009), thus, limiting risk as well as costs. Additionally, Innovation processes tended to be *incremental* (see Crossan & Apaydin, 2010), and largely beneficial for the organisation rather than to the sector or market in which it operated. To the extent that the innovations were *technical* (see Damanpour, 1996), they were almost exclusively about adopting and adapting existing technology rather than developing their own solutions. Again, with many citing limited resources and skills in advanced digital technologies as a justification for the limited *technical* innovations.

Insert Tables 3 and 4 near here

This is not surprising given that service providers in the sector promoting financial inclusion are relatively small and lack the resources to engage in developing new technologies. As seen from the following quotes, smaller organisations tended to concentrate upon *administrative* outcomes (see Damanpour, 1996), aiming to improve the efficiency of the processing of applications and cases, largely through paperless and electronic exchange of documentation and information and often using simple and existing software and technologies, such as WhatsApp, email and cloud-based platforms:

- *"We use more and more standardised things to help the efficiency of the administrative side ... paperless files, so electronic, very much go for electronic, which saves time; sustainability as well. So whereas in the past we'd have lots of paper…we've very much gone to electronic and, yes, I think that helps a lot efficiency-wise and in terms of also where clients have got emails as well, being able to send them information sheets and stuff there" (*Manager, debt advice agency*);*
- *"We have tried to make the process as paperless as possible. We now operate with e-sign on the loan agreement. We have a paperless loan agreement. We can also electronically download 90 days' worth of bank statements if the customer uses online banking… We accept photographs of ID on smartphone to take away need to bring identification. The idea with all of this is that it can enable us to deal with them at a distance" (*Manager, personal lending CDFI*).*

As illustrated in the quotes above, an important area of experimentation and innovation was around channel shifting from face-to-face advice and loan interview sessions to telephone, video conferencing and online delivery. Here, very few aimed to deliver all advice or loans remotely but instead combined it with face-to-face delivery and used remote channels to make face-to-face interaction more efficient. There were powerful drivers behind this. For debt/money advice providers it was about coping with rising targets and falling levels of funding. As highlighted by one CDFI Manager, remote delivery was seen as the only sustainable way of scaling up for many affordable credit providers - *"I think it's just a* *pragmatic realisation that a multiple shopfront-based type model at volumes and what we wanted to charge, which is never, ever going to be in any way a sustainable option moving forward" (*Manager, personal lending CDFI*).* The transition to a digital and/or online marketplace brought with it particular challenges, especially for affordable credit providers. Providers often could only afford to make small and incremental changes to their operating models but customers would expect the whole process to be seamless and digital, for example:

- *"The first thing we found was when we did digital marketing on Facebook, all the customers…expected an online application...Very quickly we had a really high drop-off rate of applications because we couldn't do…an online application because that requires a digital assessment of the customer, and digital exchange of everything that you would need, and generally we'll say here's a credit score" (*Manager, personal lending CDFI*).*

For debt advice providers, the transition to remote or digital service delivery was, in part, that many creditors are local, making it difficult to address people's debts remotely. Further, a number of respondents were concerned that it would not be possible to reach the most vulnerable customers using remote underwriting and delivery. Many, especially in advice, questioned if it was possible to replicate the same service and outcomes given the importance of building trust and relationships:

- *"We've always thought how can we enhance technology to compliment what we do, but…not replace that one-to-one relationship which…makes the debt advice process so unique…being able to build the trust between an advisor and a client means that you can actually work with them to do the behavioural changes that would mean that they are not in this position six months down the line" (*Manager, debt advice agency*).*

Following innovation guidelines (see Belz & de Bruin, 2019; Cajaiba-Santana, 2014; Goffin & Mitchell, 2016; Herrera, 2016; Mortara & Minshall, 2011; Terziovski & Morgan, 2006), there were some interesting examples of partnership-led innovation across providers, enabling them to deliver co-created services to generate positive user outcomes. Although few of these innovations produced a financial gain for the providers, one example of such an innovation was a CDFI enabling seamless access to a savings product through partnership with a mainstream bank. According to one CDFI stakeholder, the provision of seamless access was vital to ensure the success and customer take-up of the savings product:

- *"'Do you want a saving product with that?' The customer says, 'Yes, all right' and you go under the desk to get out the so-called paperwork, you can just imagine the customer goes, 'No, I think I've changed my mind.' Making it easy is about - innovation makes it easy in my view" (*CDFI stakeholder*).*

Many organisations also differed in terms of innovation creation. For affordable credit providers, for whom the users pay for the service, innovation centred on creating models for scaling up provision in a sustainable and responsible manner. Apart from moving to remote processing, administration and underwriting, affordable credit providers developed new products to do this. In addition, they introduced more flexible or specialised products aimed at existing or new client groups. These activities were accompanied also by introducing higher ticket, lower cost loans to attract lower risk clients to generate more balanced portfolios, as seen in the following quote:

- *"Some of our standard personal loans have not been as good as some of the competition, the new rates…we're introducing will mean…there will be a better price…one of the rates we're bringing down, we did have a very high rate… the £1,000, £2,000 mark… Obviously below a thousand it's pretty tough to make any money on at all" (*Manager, credit union*).*

In contrast, financial capability and advice sector organisations aimed to generate income by delivering cost-effective services to achieve charitable, policy and operational objectives and outcomes for charitable and public sector funders. Hence, their engagement with innovation was more focused on changing the business model through demonstrating and highlighting the value of the user outcomes for potential and actual funders. Here, a number of organisations were also experimenting with social prescribing models to tap into health budgets through the link between financial difficulties and health issues.

Apart from managers keeping abreast of emerging trends and developments, most organisations did not have any systematic collection or management of intelligence and data on the external environment (e.g. policy, economic trends, competition etc.). Larger organisations or those that are part of a larger network of organisations (i.e. Citizen Advice) had more developed mechanisms for collecting and analysing data on the external environment. As shown in the following quotes and echoing the critique around Howaldt et al's. simplified model of innovation, (2014), most organisations demonstrated a 'process innovation' approach (see Oke et al., 2007) and expressed a preference for concentrating on continuous (albeit, *closed*) *incremental* improvement:

- *"[We've] invested in a quality manager…we wanted to be focussed on quality and continuous improvement…We've always had that continuous improvement thing…the learning within the organisation must at least keep change with or keep pace with or exceed the change in the world that we're living in" (*Manager, personal lending CDFI*).*
- *"We operate with an evolving service model. We conduct client satisfaction surveys to identity elements not necessary and elements that could be done better. We review client journeys and cases on a weekly basis to see how we can resolve issues and try to introduce changes quickly. We then pilot the change" (*Manager, debt advice agency*).*

Additionally, none of the providers interviewed had dedicated discrete staff time resource or time to innovate, especially specific time to do creative thinking and generate ideas. Instead, innovation was largely driven by the CEO. The selection of innovation projects was also driven by the need to identify external funding, as organisations generally did not have the capacity to fund projects out of their own resources. However, a small minority of the organisations interviewed had systematic processes to select projects for which to fundraise:

- *"We have working groups to come up with concepts to solve problems. We then put the fundraising team to create capacity to do the project. After the working group but before we put the idea to the fundraising team, we use a logic model to see the costs, benefits... Whenever we propose a new project we have to go through this process" (*Manager, financial inclusion charity*).*

In addition to external funding, some practitioners also reported that they depended on external technology partners given the high costs and technical expertise required. For example, one manager from a debt advice agency described this activity as being *"[Obviously, this was] funded via our foundation partner, and [Fintech firm] have the infrastructure in place… we're not the people to build that kind of app, just because of the expertise that's required, but also the costs involved" (*Manager, debt advice agency*).*

Reflecting upon the lack of resources among providers more generally, innovation efforts were implemented in a piecemeal and gradual manner, with some managers explaining that *"It is about being patient, making incremental changes and tweaks, waiting and then making some further amendments"* (Manager, personal lending CDFI).

Recognising the Need for Social Innovation

Amongst all the financial inclusion practitioners and stakeholders, there was a sense that innovation was more of an add-on rather than a core business activity. For example, one CDFI felt that "…*the sector does not hire anyone to do innovation and R&D. There is a lack of capacity. Innovation takes a long time. This needs to be resourced…This means that we spend a disproportionate amount of resources before implementing changes"* (Manager, personal lending CDFI). Similarly, one CDFI investor commented that affordable credit providers "*...are doing a lot with little resources. They can't afford to hire very many highly qualified executives as they can't pay such salaries. They can't afford to invest a great deal in systems"* (CDFI investor). Therefore, for the majority of providers, a key driver of innovation was to enhance the economic performance of the organisation in the face of changing funding provision and increased competitive pressures. However, as the following quotes show, some were also keen to point out that an economic focus should not be at the expense of social impact:

- *"A big driver for innovation in the money advice sector is efficiency…I think that innovation should always be centred on client impact... The innovations need to be efficient and good for clients not just efficient."* (Manager, debt advice agency);
- "*Competitive pressures from other CDFIs, requirements of funders, capital/resources and governance structures are among the key drivers of innovation…There is pressure to be more efficient and cost-effective as CDFIs"* (Manager, business lending CDFI).

Also linked to funding and making reference to the declining opportunities to tender for government contracts, was recognition of the constant need for organisations to adapt to a changing market infrastructure:

- *"Necessity is the biggest driver of innovation. We innovate when we satisfy ourselves that we can't make a living, pay staff etc. It is always necessity" (*Manager, personal lending CDFI*);*
- *"…because the last few years have been a constant rolling…we've had to constantly adapt, particularly since…we effectively in [UK northern city] lost a £3,000,000 contract" (*Manager, debt advice agency*).*

Social Structures and Actions Underpinning Innovation

Social structures appeared to more often restrict social innovation processes rather than facilitate it (see Cajaiba-Santana, 2014). At the intra social group level, employee structures were regularly highlighted as a social barrier to adopting innovative processes. A common thread of discussion here from participants was the need to manage resistance to change amongst staff members (see also Mulgan et al., 2007) and the need for greater expertise and training for providers:

- "*The biggest hurdle was getting staff to change attitudes towards delivery because if you had 20 or 30 staff…used to giving face-to-face advice to every single client there was quite a lot of resistance to that two or three years ago when we embarked on this process…. Getting over those hurdles in terms of that change process with staff you're looking at some of the systems and processes to make telephone advice more efficient and seamless" (*Manager, debt advice agency*);*
- "*We don't have the expertise to launch new products...We need…sufficient staff to release senior management team to do innovative thinking" (*Manager, business lending CDFI*).*

Despite realising the benefits of building inter-relations between staff and inter-group social systems (see Cajaiba-Santana, 2014; Gallouj et al., 2018), there was also an acceptance that "*there is not enough cross-dissemination and learning across the sector"* (financial capability stakeholder).

As shown by the following quotes, many practitioners and stakeholders expressed a desire to move towards more open collaborations with *specialised collaborators* across the whole sector, but struggled in various ways to facilitate this action.

- "*Partnership working will enable innovation and change…The hope is that by embedding partnership working, we will be better able to cope with funding cuts and shortages"* (Manager, debt advice agency).
- "*It's hard to innovate on your own. There is very little to guide yourself. It can feel quite lonely"* (Manager, financial capability charity);
- "*There's no learning across our sector…People are there looking for the occasional snippet, but they're not sharing. There's a lot needs to be done, I think, as a sector and just in terms of learning together" (*Manager, personal lending CDFI).
- "*One barrier to greater innovation in partnerships with creditors is that there is not good relationships between debt advice and creditors. There should be more instant online interaction. At the moment we are going back and forward with post. It could take two months to get a payment plan in place"* (Manager, debt advice agency).

Consequently, *closed innovator* collaborations were sought to aid technological support when discussing potential innovation partners. For example, one financial education provider felt that "*there is a lack of digital tools…When we built the app, it really pushed our organisation to the limit in terms of technology…There needs to be a driver of digital education projects running alongside financial education tools*" (Manager financial inclusion charity). Similarly, another practitioner talked about the problems of utilising too much technology and confessed to there being "*a worry that clients won't take up remote tools and sense that we're fobbing them off"* (Manager, debt advice agency).

Limitations around innovation within financial inclusion appeared to impact on social value creation. For example, one organisation felt that "*The most vulnerable and financially excluded are being left behind because services don't fit their need. We need to rethink what we do…"* (Manager, debt advice agency). As a result, a few practitioners criticised the sector for their lack of "*entrepreneurialism"* and that there was a real need for "*some new, innovative entrepreneurial blood"* (Manager, personal lending CDFI). In response to this, one stakeholder pointed to a *"lack of academic research of what could be innovative things allowing us to break free of current constraints"* and asked whether *"universities can work with CDFIs to help with innovation"* (CDFI stakeholder).

Social and Economic Outcomes of Innovation.

Despite all organisations displaying a clear desire to respond to social needs and problems, many organisations did not appear to engage in any systematic analysis of the effectiveness and impact of the new systems and/or products. Of the few exceptions, particularly from some financial capability and advice sector organisations, they did discuss how they were developing new methods and models for measuring social impact, for example:

- *"It contains several questions about financial behaviour...pre and post-intervention. The…software weights…questions differently and produces a score of financial wellbeing in 5-6 different areas…we realised was that there was no standard measure for successful impact in running financial inclusion interventions…There was a need for a standardised tool for the sector so that we could see what interventions have the greatest impact" (*Manager, financial inclusion charity*).*

For those organisations who did not engage in any impact measurement, a key reason offered for this was due to the lack of clarification around which measurement methods were the most suitable and/or accurate. Indeed, one organisation viewed impact measurement as their biggest challenge to delivering social outcomes: "*I would say that one of our major challenges is measuring impact, especially moving away from self-reporting"*

(Manager, debt advice agency). For other organisations, as with barriers to innovation, a common rationale to reporting social impact outcomes was a lack of funding and resources: "*We fund our work through income generated through our programs. We would certainly like to have a greater societal impact, but it's always going to be restrained by funding"* (Manager, financial education provider). Echoing Lazzarotti and Manzini's (2009) view that the eventual approach adopted will depend upon balancing costs and benefits, our findings clearly reveal across all business types that more economically-oriented approaches (i.e. outcome based – see Pol & Ville, 2009) rather than sociological-driven processes are adopted when developing social innovations among organisations promoting financial inclusion.

Conclusions

This study responds to a gap in the social innovation literature around practice (Cajaiba-Santana, 2014; Mulgan et al., 2007; Nicholls & Murdock, 2011; van der Have & Rubalcaba, 2016) which we address by exploring the extent to which social innovation is prioritised among a sample of organisations promoting financial inclusion through the provision of affordable credit, advice and financial education. Given the contextual and organisational diversity of the sector, the findings allow us to provide a narrative around organisational patterns of behaviour, events and circumstances (see Cajaiba-Santana, 2014) when it comes to innovation strategies.

Overall, innovation activities appear to be predominantly *'integrated'* or *'closed'* and focused on 'process innovation' and therefore, implemented *incrementally* (see Crossan & Apaydin, 2010) to respond to the challenges that the sector promoting financial inclusion through advice, loans and education is facing, including funding (see also Iturrioz et al., 2009), demand management and scaling up provision (Iturrioz et al., 2015). Moreover, the organisations in this study largely engage in conventional and simplified (see Howaldt et al.,

2014) forms of innovation rather than social innovation *per se*. This innovation is not directly aimed at addressing social needs or driving social change but is instead about business necessity. In other words, operational and strategic efforts focus on efficiency, business sustainability and survival rather than adhering to a social business orientation.

Most organisations within the sector explained that they often lacked the required capacity, resources and skills to develop, implement and capitalise on innovations. This tension between grappling with external pressures for greater efficiencies and strong social/mission-related pressures suggest that enabling providers to shift to digital and remote delivery whilst reaching and producing positive impacts for the most vulnerable could be a key area whereby innovation personnel could play a more useful strategic role.

Although funding and the accessibility of technology are recognised widely by the sector as key drivers of innovation, a salient observation revealed through this exploratory study is the existence of a lack of ownership and control over the innovation process. Instead, a focus on recruitment and staff development could be more appropriate to driving a more successful innovation process. In addition to development of innovation-related skillsets, there is also scope for enhanced partnerships with larger organisations who may wish to deliver socially responsible benefits to vulnerable populations served by the sector. While this article responds to calls to develop our knowledge of social innovation further, we contribute to the literature by highlighting social innovation as practice. More specifically, our main contribution is that it sheds light on the extent and nature of innovation within the sector promoting financial inclusion, an empirical gap highlighted by many (albeit for the financial services sector as a whole, see for example, Appleyard & Dibb, 2018; Brüggen et al., 2017; Gallouj et al., 2018).

However, we accept some caveats to the above conclusions based on our empirical data. Firstly, the literature on social innovation creation, drivers and barriers may be sector specific and these results focus on one sector only. Additionally, there is scope to increase the sample size and scope out a larger quantitative study to ensure generalisation to the wider business population. As a key mantra from business and management academics is that “firms must innovate or die” (Aksoy et al., 2019), two research areas emerge on the back of the observation that social innovation is more limited than one might expect among organisations primarily focused on addressing social problems. First, further studies are needed to investigate the extent and nature of social innovation among other organisations and sectors focused on meeting unmet needs. What is the incidence of social innovation across other sectors? What are the determinants and barriers to social innovation? Second, there is a need for research to analyse the relationship between social outcomes and social innovation. Does social innovation contribute more towards social outcomes than more conventional forms aimed at increasing scale and efficiency? As the Social Value Act 2012 gains mainstream adoption across the public sector, these suggestions for future research may help to deliver the opportunity to move away from the individualistic, dimensions of innovation noted above towards more collaborative, social systems of innovation to benefit society as a whole.

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Table 1 Research Participants – In-Depth Interviews

Category	Number	Business Sector	Business Type
Practitioners	10	Financial capability & advice	Charity / Industrial Provident Society
	9	Affordable credit	Industrial Provident Society / limited company
Stakeholders	1	Affordable credit	Financial institution / social investor
	4	Financial capability & advice; Affordable credit	Charity / social investor
	2	Financial capability & advice; Affordable credit	Local authority
	2	Financial capability & advice; Affordable credit	Limited company / charity/ trade body
	2	Affordable credit	Limited company
	5	Financial capability & advice	Charity
Total	**35**		

Table 2 Research Participants – Focus Group Discussions

Category	Number	Business Sector	Business Type
Practitioners	6	Affordable credit	Industrial Provident Society / limited company / credit union
	4	Financial capability & advice	Charity / local authority
Stakeholders	3	Affordable credit	Charity / local authority / limited company
	3	Financial capability & advice	Charity / local authority / limited company
Total	**16**		

Table 3 The Innovation Process within Affordable Credit Providers

Innovation	Referent	Magnitude	Form	Type
Paperless application and processing	*Organisation*	*Incremental*	*Process*	*Technical*
Remote pre-screening	*Organisation*	*Incremental*	*Process*	*Administrative*
Remote application	*Organisation*	*Incremental*	*Process*	*Technical*
Automated decision-making	*Organisation*	*Radical*	*Business model*	*Technical*
Partnership delivery of services	*Sector*	*Radical*	*Product*	*Administrative*
New products	*Organisation/ sector*	*Incremental/ radical*	*Product*	*Administrative/ technical*
Shared platform	*Sector*	*Radical*	*Business model*	*Technical*

Table 4 The Innovation Process within Financial Capability & Advice Providers

Innovation	Referent	Magnitude	Form	Type
Screening access to F2F support and advice	*Organisation*	*Incremental*	*Process*	*Administrative*
Volunteer/peer advisors and mentors	*Organisation*	*Incremental*	*Process/ business model*	*Administrative*
Paperless process and administration	*Organisation*	*Incremental*	*Process*	*Technical*
Remote delivery	*Organisation*	*Radical*	*Process*	*Administrative*
Online/remote self-help tools/accounts	*Organisation*	*Incremental*	*Process*	*Administrative/ technical*
Social prescription models	*Organisation*	*Incremental*	*Business model*	*Administrative*
Tools to track client outcomes	*Sector*	*Incremental*	*Business model*	*Administrative/ technical*