SPRINGER NATURE Link

Log in

Supporting Social Enterprises to Support Vulnerable Consumers: The Example of Community Development Finance Institutions and Financial Exclusion

Original Paper Published: 24 November 2011

Volume 35, pages 197–213 (2012) Cite this article



Journal of Consumer Policy

Therese Ann Wilson [1]

5865 Accesses 48 Citations Explore all metrics

Abstract

This article examines the role of social enterprises in providing fair services to vulnerable consumers, focusing on the vulnerability of low-income consumers to high-cost exploitative credit as a result of a lack of access to mainstream financial services. It will be argued that both the state and the corporate sector have a role to play in providing the means with which vulnerable consumers can overcome financial exclusion, through access to fair services. However, this cannot and should not be achieved through increased welfare provision or through reliance on corporate social responsibility initiatives alone. In rejecting solutions focused on increased welfare or voluntary corporate social responsibility initiatives, this article suggests that regulatory support for the development and growth of social enterprises, such as community development finance institutions, will most effectively give rise to a social framework in which vulnerability and unequal opportunity with respect to financial services is addressed.

This is a preview of subscription content, log in via an institution to check access.

Access this article

Log in via an institution →

Subscribe and save

Springer+ from €37.37 /Month

- Receive 10 units per month
- Download 1 article/chapter for 1 unit
- Get selected eBooks for 7 units
- Cancel anytime

View plans →

Buy Now

Buy article PDF 39,95 €

Price includes VAT (Poland)

Instant access to the full article PDF.

Institutional subscriptions →

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

Social Work and Community Development | Non-Profit Organizations and Public Enterprises | Corporate Social Responsibility | Social Economy | Social Care | Social Policy | Youth Policy and Economic Development in Regional Contexts

Notes

1. Interest rates of between 114% and 3,380% per annum have been found to apply to fringe credit products in an Australian study. See Howell et al. (2008), p. 39.

2. Anecdotal evidence arising out of low interest and no interest loans programs in Australia supports the view that low income consumers can indeed repay loans and are not inherently "risky" by virtue only of their income levels. See Scutella and Sheehan (2006) and Ayres-Wearne and Palafox (2005). Note also that the average loan default rate in the ANZ's and Brotherhood of St Laurence's Progress Loan was 1.2%, far lower than the average "mainstream" personal loan default rate of approximately 5% (Vawser and Associates 2009).

3. As Ramsay (2000, p. 5) has noted: "Banks, notwithstanding their public relations efforts, are not strongly committed to cultivating lower income clients or branches which serve lower income areas which do not generate sufficient profits in this age of shareholder-driven capitalism."

References

Arashiro, Z. (2011). *Money matters in times of change: financial vulnerability through the life course*. Melbourne: Brotherhood of St Laurence.

Ayres-Wearne, V., & Palafox, J. (2005). *NILSo. Small loans-big changes*. Melbourne: Good Shepherd Youth and Family Service.

Bakan, J. (2004). *The corporation: the pathological pursuit of profit and power*. London: Constable and Robinson.

Barr, M. (2005a). Microfinance and financial development. *Michigan Journal of*

International Law, 26, 271–296.

Barr, M. (2005b). Credit where it counts: the community reinvestment act and its critics. *New York University Law Review, 75*, 101–233.

Burkett, I., & Drew, B. (2008). *Financial inclusion, market failures and new markets: possibilities for community development finance institutions in Australia*. Brisbane: Foresters Community Finance Limited

Chant Link and Associates. (2004). *A report on financial exclusion in Australia*. Melbourne: ANZ.

Cohen, R. (2010). *Understanding Shorebank: a community development bank passes*. http://3blmedia.com/theCSRfeed/Understanding-Shorebank. Accessed 11 Oct 2010.

Collins, H. (2004). Regulating contract law. In C. Parker, C. Scott, N. Lacey, & John Braithwaite (Eds.), *Regulating law* (pp. 13–32). Oxford: Oxford University Press.

Community Development Finance Association. (2008). *Annual review: building Community Development Finance*. London: Community Development Finance Association.

Community Development Finance Association. (2010). *Inside out 2010: the state of community development finance*. http://www.cdfa.org.uk/wp-content/uploads/2010/12/Inside-Out-20101.pdf. Accessed 28 Sept 2011.

Community Development Financial Institutions Fund. (2011). *New markets tax credit program*. http://www.cdfifund.gov/what_we_do/programs_id.asp?programid=5. Accessed 28 Sept 2011.

Connolly, C., Georgouras, M., Hems, L., & Wolfson, L. (2011). *Measuring financial exclusion in Australia*. Sydney: Centre for Social Impact, University of NSW, Sydney.

Cornelius, N., Todres, M., Janjuha-Jivraj, S., Woods, A., & Wallace, J. (2008). Corporate social responsibility and the social. *Enterprise Journal of Business Ethics, 81*, 355–370.

Corporations and Markets Advisory Committee. (2006). *The social responsibility of corporations*. Sydney: Corporations and Markets Advisory Committee, Australian Government.

Department of FAHCSIA. (2011). *Community Development Finance Institutions (CDFI) pilot project*. http://www.fahcsia.gov.au/sa/communities/progserv/financial_management_program/Pages/cdfi.aspx. Accessed 18 Feb 2011.

Dreier, P. (2003). Protest, progress, and the politics of reinvestment. In G. Squires (Ed.), *Organising access to capital. Advocacy and the democratisation of financial institutions* (pp. 188–220). Philadelphia: Temple University Press.

Dunsire, A. (1996). Tipping the balance: autopoiesis and governance. *Administration and Society, 29*(3), 299–334.

Engel, K., & McCoy, P. (2002). The CRA implications of predatory lending. *Fordham Urban Law Journal, 29*, 1571–1600.

European Commission. (2008). *Financial services provision and prevention of financial exclusion*. Brussels: European Commission, Directorate-General for Employment, Social Affairs and equal Opportunities.

Fineman, M. (2010). *The vulnerable subject and the responsive state*. Emory University School of Law, Research Paper No 10–130, http://ssrn.com/abstract=1694740. Accessed 6 June 2011.

Hightower, J., & DeMarco, S. (2008). *Swim against the current: even a dead fish can go with the flow*. New Jersey: Wiley.

House of Commons Treasury Committee. (2005–6). *Financial inclusion: credit, savings, advice and insurance, twelfth report*. London: House of Commons Treasury Committee.

Howell, N., Wilson, T., & Davidson, J. (2008). *Interest rate caps: protection or paternalism?* Brisbane: Centre for Credit and Consumer Law.

Jacobs, L. (2004). *Pursuing equal opportunities*. Cambridge: Cambridge University Press.

Johnston, A. (2011). Facing up to the social cost: the real meaning of corporate social responsibility. *Griffith Law Review, 20*(1), 221–244.

Kempson, E., Whyley, C., Collard, S., & Caskey, J. (2000). *In or out? Financial exclusion: a literature and research review*. London: Financial Services Authority.

Kerlin, J. (2006). Social enterprise in the United States and Europe: understanding and learning from the differences. *Voluntas, 17*, 247–263.

Leyshon, A., & Thrift, N. (1995). Geographies of financial exclusion: financial abandonment in Britain and the United States. *Transactions of the Institute of British Geographers, 20*(3), 312–341.

Luhmann, N. (1982). *The differentiation of society*. New York: Columbia University Press.

Luhmann, N. (1986). The self-reproduction of law and its limits. In G. Teubner (Ed.), *Dilemmas of law in the welfare state* (pp. 111–127). Berlin: Walter de Gruyter.

Marsico, R. (2006). The 2004–2005 amendments to the community reinvestment act regulations: for communities one step forward and three steps back. *Clearinghouse Review, 39*, 534–545.

McInerney, T. (2004). *Putting regulation before responsibility: the limits of voluntary corporate social responsibility.* Washington: public law and legal theory working paper no 123, The George Washington University Law School.

NAB. (2010). *Do you really want to hurt me?: Exploring the costs of fringe lending—a report on the NAB small loans pilot*. Melbourne: National Australia Bank.

Parliamentary Joint Committee on Corporations and Financial Services. (2006). *Corporate responsibility: managing risk and creating value*. Canberra: Commonwealth of Australia.

Pierson, C. (2006). *Beyond the welfare state: the new political economy of welfare*. Cambridge: Polity Press.

Porter, M., & Kramer, M. (2011). Creating shared value: how to reinvent capitalism-and unleash a wave of innovation and growth. *Harvard Business Review, January–February*, http://hbr.org/2011/01/the-big-idea-creating-shared-value/ar/1. Accessed 16 March 2011.

Ramsay, I. (1995). Consumer credit law, distributive justice and the welfare state. *Oxford Journal of Legal Studies, 15*, 177–197.

Ramsay, I. (2000). *Access to credit in the alternative consumer credit market*. British Columbia: Office of Consumer Affairs, Industry Canada and Ministry of the Attorney General.

Raz, J. (2008). *On the value of distributional equality*. Oxford: research paper no 41/2008, Oxford Legal Studies.

Rubin, J. (2008). Adaptation or extinction? Community development loan funds at a crossroads. *Journal of Urban Affairs, 30*(2), 191–220.

Scutella, R., & Sheehan, G. (2006). *To their credit: learning about personal loans for people on low incomes*. Brotherhood Comment, August, 10–11.

Seidman, E. (2008a). *The new markets tax credit: a valuable tool for economic development*. New York: living cities: The National Community Development Initiative.

Seidman, E. (2008b). *No Larry, CRA didn't cause the sub-prime mess*. http://www.newamerica.net/blog/asset-building/2008/no-larry-cra-didn-t-cause-sub-prime-mess-3210. Accessed on 29 July 2008.

Shamir, R. (2004). The de-radicalization of corporate social responsibility. *Critical Sociology, 30*(3), 669–689.

Shorebank. (2007). *Shorebank 2007 annual report*. Chicago: Shorebank.

Social Investment Task Force. (2005). *Enterprising communities: wealth beyond welfare. A 2005 update on the Social Investment Task Force*. London: Social Investment Task Force.

Solomon, J. (2010). New governance, pre-emptive self-regulation, and the blurring of boundaries in regulatory theory and practice. *Wisconsin Law Review,* 591–625.

Taylor, J., & Silver, J. (2003). The essential role of activism in community reinvestment. In G. Squires (Ed.), *Organising access to capital, advocacy and democratisation of financial institutions* (pp. 169–187). Philadelphia: Temple University Press.

Teubner, G. (1983). Substantive and reflexive elements in modern law. *Law and Society Review, 17*(2), 239–285.

Teubner, G. (1986). *Dilemmas of law in the welfare state*. Berlin: Walter de Gruyter.

Thompson, J., & Doherty, B. (2006). The diverse world of social enterprise. *International Journal of Social Economics, 33*(5/6), 361–375.

Vawser and Associates. (2009). *Progress loans: towards affordable credit for low income australians*. Melbourne: ANZ, Brotherhood of St Laurence.

World Bank. (2008). *Finance for all? Policies and pitfalls in expanding access*. Washington: The World Bank.

Zeilinski, B. (2010). *Politically connected shorebank of chicago fails and reincarnated at taxpayer expense*. http://problembanklist.com/politically-

connected-shorebank-of-chicago-fails-and-reincarnated-at-taxpayer-expense-0172. Accessed 11 Oct 2010.

Author information

Authors and Affiliations

Griffith University, Brisbane, QLD, Australia

Therese Ann Wilson

Corresponding author

Correspondence to Therese Ann Wilson.

Rights and permissions

Reprints and permissions

About this article

Cite this article

Wilson, T.A. Supporting Social Enterprises to Support Vulnerable Consumers: The Example of Community Development Finance Institutions and Financial Exclusion. *J Consum Policy* **35**, 197–213 (2012). https://doi.org/10.1007/s10603-011-9182-5

Received	Accepted	Published
05 July 2011	02 November 2011	24 November 2011

Issue date

June 2012

DOI

https://doi.org/10.1007/s10603-011-9182-5

Keywords

Social enterprise | Community development finance institutions | Financial exclusion | Equality of opportunity | Reflexive regulation

Search

Search by keyword or author

Navigation

Find a journal

Publish with us

Track your research