
Pursuing Careers that Combine Finance with Social Good

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Harry Xu, a high school student from Dulwich College in Shanghai, China, who has participated in the Wharton Global Youth Program investment competition and Comment and Win contest, recently filled us in on his life plans. Harry is headed to New York University's Stern School of Business this fall, looking to concentrate in finance and management and minor in social entrepreneurship.

Harry's career plans follow a trend that our team has been watching – we like to call it “finance for good.” We've been hearing from many high school students who are involved in our campus summer programs, our annual investment competition, and other activities that they want to study finance not just to make a lot of money, but to also make a difference in the world.

“Like most other business students, I'll definitely be studying finance as it is useful and at the very core of every business,” notes Harry, who has been talking lately to the founder of an impact venture capital firm who invests in projects working to improve the climate crisis. “However, impact investing requires people passionate about social issues and solving them. Since I have a background in community service and social impact from my high school ventures, impact investing allows me to continue this passion by supporting great projects that are beneficial to society.”

Profits and Purpose

Harry is exploring his interests in the field of impact investing, which is a high-profile profession these days that combines finance and social impact. It basically means that individual investors and others are putting their money toward supporting companies and funds that address social and/or environmental issues, everything from the climate crisis and pollution, to impact investing with a gender lens that helps improve the lives of women.

David Musto, a Wharton finance professor and faculty director of the Stevens Center for Innovation in Finance at Wharton, says the term impact investing has only been around since about 2007. “Impact investing is investing with profits in mind and also some social purpose in mind, too,” says Musto, who has recently been researching impact investing with several of his Wharton colleagues. “You have two very specific bottom lines in mind: making money and something well-defined that you're also pursuing as a social benefit — and you're doing both at once.” Impact investing is also sometimes referred to as ESG investing, meaning investing with an environmental, social and governance lens.

“Much of the fintech revolution is driven by thinking about social welfare, rather than just personal profit.” — Itay Goldstein, Wharton Finance Professor

Musto, who has been a part of the finance world for decades, says, “My sense is that we've always had people in finance with ambitions for social impact. It's just become more organized recently.” This includes a popular Impact Investing course for Wharton undergrads and student-led groups like Wharton Impact Venture Associates. The Wharton Social Impact Initiative has in recent years been building programs that give students hands-on experience in impact investing, noting that “we recognize the vital role that traditional capital markets and private sector actors can play in tackling the world's most pressing social and environmental challenges.”

Musto urges the next generation of impact investors to understand the full scope of this field. “Venture capital can be a form of impact investing. In this type of venture capital fund, you're trying to foster startups and new companies with new products, new goals and new ways of thinking. You're investing and trying to start up a company that's going to

do a certain thing that you value as a social impact. It's going to bring clean water to a struggling part of the world. And it's going to make money. So, it's going to succeed and persist as a company, and it's also going to produce an impact that you value. Something very different is socially responsible investing. You're not fostering a new company from the ground up, but you're investing out in public securities. You're going to the capital markets and buying a listed stock, bond or other financial instrument, and you're screening your investments according to some principle or value."

While impact investing gets a lot of the attention, students interested in "finance for good" also have other potential career options. One growing sector is financial technology or fintech, which includes start-up companies run by people who often also care about the environment, social justice, wage gaps and more. More generally, fintech is an industry that combines technology and financial services to assist managing your money. Fintech companies with a social spin are working on making finance more inclusive for people who are not part of the traditional banking systems, and even microfinance platforms that give entrepreneurs access to money to grow their small ventures. Knowledge@Wharton High School profiled one example, [CNote](#), a company in Silicon Valley, California, that allows people to invest with impact.

"Much of the fintech revolution is driven by thinking about social welfare rather than just personal profit," notes Itay Goldstein, a Wharton finance and economics professor. "Many of the goals are stated that this is going to make the world better, not just that we are going to get richer. So many people out there are excluded from the financial system. You have this problem in the U.S. where a fairly high portion of the population doesn't have a bank account. Even more so, in developing countries and underdeveloped countries. The whole idea behind some of these fintech ventures is to include everyone and to make finance much more accessible."

Impact investing and fintech — the financial and social aspects of these industries are well-documented. But the intersection of finance and social impact doesn't end there. For example, the Wharton Global Youth team recently [interviewed](#) pro soccer player Stephanie McCaffrey, who is studying for her MBA at Wharton with plans to go into private equity and banking. Her social mission is to help other women get into finance and gain positions of influence. "I think financial equality plays a huge role in gender equality," says McCaffrey. "If men continue to control the capital, they will continue to control the narrative. Women need to be more shameless in saying, yeah, my goal is to go make a lot of money not because I want to buy a beach house or a Ferrari, but because I want to do X, Y and Z. For me, I want to pull women over the fence when I get there."

Finance for Good or Evil?

As students think about pursuing careers that combine their love of finance and their passion for a better world, Musto suggests that they should first build a strong financial foundation. "A lot of the financial professionals you admire for what they've done with their careers probably started out at a regular financial institution, learned the ropes, applied the tools they learned in high school and college, and developed proficiency within the finance profession. Then they reached a point where they could go out on their own and try to put their values to work and focus their professional activity on their values. The first thing they did was learn the profession. This includes discounting cash flows, the basics of how securities are priced relative to each other, what is the central bank doing and why? Learn those basics and if one of these topics appeals to you, pursue it." Goldstein adds that you also need to know basic money concepts, such as the time value of money, compound interest and what it means to save.

And when it comes to making a social impact through finance, Goldstein says to open your eyes and look at the world around you. How can you improve it and make it better? "If you think about the basic functions of finance, it does a lot of good," notes Goldstein, who believes that 'finance for good' has been coming on strong since the Great Recession of 2008-2009, when bad aspects of finance were on display. "People tend to focus on the greed and thinking about finance as evil, but at the end of the day the whole idea about finance is to manage to transfer resources from where they are not needed as much, to places where they are needed. This is the thing that helps to build economies and societies."



Harry Xu,

pictured here on the screen delivering his team's final strategy presentation during the Wharton Global Investment Competition in China, plans to study finance and social responsibility.