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Financial Inclusion: an agenda for future research

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Introduction

Financial inclusion has sparked much policy interest in recent times. A non-partisan Financial Inclusion Commission was set up to lobby UK political parties to put financial inclusion at the heart of government policy. This Financial Inclusion Commission (2015) was funded by Mastercard and published a report just before the UK 2015 general election in the hope of influencing the manifestos of the political parties. Arguably, one effect of the Financial Inclusion Commission's report was that the House of Lords set up an ad hoc Select Committee investigation into financial exclusion and this committee published its final report in March 2017. Both of these reports recommended that there should be a Minister responsible for financial exclusion. In June 2017, the UK government announced that there would be a post of Parliamentary Under-Secretary of State for Pensions and Financial Inclusion.

This policy interest is matched by increasing scholarly attention. CHASM, at The University of Birmingham, has been publishing a set of annual financial inclusion monitoring reports, filling in a gap in the research following the end of a UK Government Financial Inclusion Taskforce in 2011 (Rowlingson and McKay 2013; 2014; 2015; 2016, 2017). These reports provide a review of the state of financial inclusion policies in the UK. They have just recently announced that further funding has been secured for this work to continue for a further five years – clearly a welcome announcement. There is also a literature that is very critical of the whole financial inclusion agenda. This literature claims that financial inclusion contributes directly to 'financialisation', that is the spread of financial markets throughout economic and social life (Marron 2013; Berry 2015).

Critics of financialisation say that efforts to expand and deepen the relations that individuals have within financial markets ultimately involves shifting people from the collective security provided by the welfare and exposes them instead to the risks and volatilities associated with financial markets. For example, people are increasingly expected to save into private defined contribution pensions to provide an adequate income in retirement. The performance of these defined contribution pension pots depend on the individual contributions into the pot as well as the performance of the pension funds within financial markets.

The policy literature is generally supportive of financial inclusion but the academic literature is often very critical of this agenda. This briefing paper suggests that this has resulted in two literatures that are developing in isolation of each other and they talk past one another. For

a fuller version of these arguments see my paper ‘Financial Inclusion: A Tale of Two literatures’ published by *Social Policy & Society* (2018, online first).

This briefing paper claims that this gap between the academic and policy literatures hampers research into financial inclusion. Policy-makers would benefit from addressing worries that financial inclusion may simply be exposing people to the risks of financial markets. Conversely, scholars would benefit from engaging with the detail of actual financial inclusion policies as the analysis of financial inclusion policies can often be blunt.

What does financial inclusion mean?

Defining what is meant by financial inclusion is a starting point for any shared agenda between policy-makers and academics over financial inclusion. The term financial inclusion emerged in the UK during the 1990s and its meaning has shifted over time. The Labour government that was elected in 1997 was interested in tackling social exclusion and saw the exclusion from financial markets as a key part of financial exclusion. Academic geographers began to study the concept of financial exclusion and this was understood broadly to refer to the lack of access that people have to mainstream financial services. These financial services cover things such as banking, insurance, savings and borrowing. Academics studied how banks were often not located in convenient places for people who lived in low-income neighbourhoods and so increased the costs (e.g. in time or bus fares) that people incur to have access to a physical bank (Leyshon and Thrift 1995).

This stress on the access that people have to mainstream financial services led to a 'supply and demand' concept of financial inclusion. Lack of access to financial services may occur because of poor supply, for example banks or building societies placing barriers to engagement. Alternatively, disconnection from the financial system might not be because of poor supply but because people might lack the knowledge, skills or confidence to make financial decisions. Recently, scholars have developed the concept of financial inclusion still further to refer to the different resources that people may possess in their dealings with financial services. For example, middle-class consumers might benefit from networks of supportive peers or other resources in their dealings with financial services (Salignac, Muir and Wong 2016).

A shared agenda

An expanded definition of financial inclusion covers the point that financial decisions are part of everyday life, whatever financial system is in place. In a market-based system, people have to buy a range of goods and services within markets. However, even where there is a strong welfare state, people will still have to make a series of decisions to make about financial matters. For example, if people are provided with a generous state pension, then people will still need to make decisions about household budgeting or how to spend their pension. Decisions about financial matters are inevitable in any system that involves money. Debates about financial inclusion are one of degree rather than kind. The issue is not that financial inclusion can be avoided in its entirety but rather the appropriate shape and content of financial inclusion.

A greater intermingling of the policy and academic literatures on financial inclusion is important for examining the different versions and options for financial inclusion. The policy literature could draw usefully on the critical academic analyses of financial inclusion. Some financial inclusion policies may expose people to greater risks and so policy-makers should use the critical scholarly literature to sift through the merits of different financial inclusion polices. Conversely, critical academics should engage with a greater range of financial inclusion polices. Although some policies may expose people to greater risks, other polices may reduce the costs that people face who are excluded from financial services. For instance, those people without a bank account cannot take advantage of cheaper fuel bills available to those that can pay by direct debit. A more inclusive approach between the academic and policy literature is needed to advance research into financial inclusion.

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