CHASM | Centre on Household Assets and Savings Management

Briefing Paper

Redefining financial inclusion in the wake of the financial crisis

Post financial crisis, debates surrounding financial exclusion and inclusion have been reignited. Financial exclusion is a multidimensional, evolving process related to the inability to access finance, the different geographies of exclusion, for example branch closure and redlining where banks will not lend, conditions of accessing financial products, affordability of products and services, and self-exclusion (Leyshon, 2009). Financial exclusion was originally largely seen in relation to those on a low income or those unable to access a bank account.

However, the credit crunch in the wake of the financial crisis has meant that even households with above average earnings face challenges to access mortgage finance without a considerable deposit and business enterprises are unable to access affordable debt finance. Mainstream financial institutions' unwillingness to lend to individuals and businesses due to their lack of available capital and risk aversion is creating new and greater geographies of financial exclusion. The banking crisis has now become a financial crisis for consumers and financial exclusion is becoming an increasingly important issue for many households and enterprises.

A link is often made between financial inclusion, and financial capability. Financial capability is thought to play a major role in creating financially responsible and financially independent citizens. Given that, in the UK at least, people are having to become increasingly financially confident about financial decision-making, for example, which pension to invest in, or whether to buy property, financial capability is becoming more and more important. But even if individual financial capability can be increased this seems unlikely to change the level of financial inclusion which is affected at least as much by the actions of financial institutions. These institutions must take responsibility for becoming more socially responsible and providing greater opportunities for financial inclusion.

In the current economic uncertainty it is likely that financial inclusion and financial capability will become increasingly important issues. But rather than debate the financial exclusion and inclusion dichotomy and financial capability as separate issues, it might be more beneficial to discuss these concepts together under the umbrella of 'financial citizenship' in relation to the responsibilities of mainstream financial institutions. The term 'financial citizenship' (Leyshon, 2009: 156) has recently emerged to emphasise the relational nature of finance between financial markets, financial institutions and their clients and the need for a greater financially inclusive landscape. 'Financial citizenship' therefore also calls for greater individual and household 'financial security' through greater financial inclusion and financial education.

At CHASM we are undertaking research that considers household wealth and financial security to understand financial inclusion and financial capability further in order to help secure a financially sustainable future for households.

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Leyshon, A. (2009) 'Financial exclusion'. In R. Kitchin & N. Thrift (Eds) *International Encyclopedia of Human Geography.* Oxford: Elsevier, Volume 4, pp. 153-8.