O M A R K H A N

1. Introduction

-Madame Chair, Madame International Expert, Distinguished Guests and Participants

-Thank for the opportunity to attend this important forum and to offer this presentation

-My name is Omar Khan and I work at the Runnymede Trust, a thinktank in London focusing on race equality.

-We are also one of over 700 member organsations of the European Network Against Racism (ENAR), and wrote their response to the European Commission's Consultation on access to banking

-My presentation is therefore focused mainly on Europe and financial inclusion among ethnic minorities in the Global North, but I will indicate where I think my presentation applies to minorities in the Glboal South, for whom financial inclusion is equally important.

2. Definition

Financial Inclusion is typically defined as access to and take up of appropriate financial products and services. These include

Banking
Savings
Credit
Insurance
Advice

3. Expanded conception: social inclusion and social justice

-However, financial inclusion more than simply having financial products or a bank card. Rather, it is important for social inclusion and participation in social and economic life more generally

-Without access to banking, we cannot take advantage of more secure means of managing money, and may keep cash in our homes, under the bed or in a safe

-Without access to saving, we cannot plan for our future or our children's future, or buffer again shocks

-Without access to credit, we cannot build up our businesses, or even out the ups and downs in our incomes

-Ethnic minority women may even rely on their husbands on access to the above products and services, meaning that they are less capable of being economically independent

-In sum, financial inclusion is a crucial means of wider social inclusion and participation. Those who are fully included often feel more confident and respected, as evidence in the UK has shown for former prisoners.

4. Why this expanded conception?

-Financial institutions work on the basis that those who are more disadvantaged are more risky customers, and more likely to default. They are thereby denied access to certain products, or pay more for those products, as is the case for subprime lending.

-Of we have too narrow a conception of financial inclusion, or limit our discussion to financial institutions, we cannot effectively respond to this market reality, a point that has already been raised by previous speakers. That is, we must be cautious about the claim that access to financial products and services is solely a financial or market consideration.

-So while we must work with markets and accept that sometimes disadvantaged groups may have higher costs for some institutions, we should not always accept that established practice actually represents effective and competitive markets. Nor indeed we should accept that policy cannot respond only by focusing on existing financial institutions and their regulation

5. <u>Policies: discuss 2 or 3</u>

-Banking: In Europe, bank accounts is a necessary product for economic participation. Those without a bank account are limited to the cash economy, where jobs are uncertain, promotion is unlikely, and pay is low. Throughout Europe, ethnic minorities are more likely to work in the less secure and profitable cash economy.

-Perhaps, then, banking may be viewed as a utility, like electricity or water. This has policy implications: we might promote a 'right' to a bank account or work with financial providers to design better products for low income people.

-Savings: In thinking about savings policy, we move into macroeconomic and taxation policy. This is an area that we must engage with better. Currently in Europe, there are many savings products that have significant tax incentives, including pensions, and most of the benefits of these tax incentives go to the better off. We should think about how policy could better distribute the lost tax income that Finance Ministries receive in savings tax incentives, in particular how they might be better distributed in the bottom quintile of earners, where ethnic minorities are more likely to be.

-Disclosure: This idea, based on the 1970s US Community Reinvestment Act, is that financial institutions should be required to disclose (or reveal) who they lend to, broken down by socio-economic and demographic groups, including gender and race. In some countries this is not possible, where data is not collected, but this is perhaps another reason to support data collection.

-Policies for the Global South: property rights and microcredit. For time reasons, I cannot explain, but there are obviously crucial ways of improving financial and social inclusion

6. <u>Adapting Existing Institutions or Supporting New Ones</u>

-However, one point I would like to make is that these latter policies raise an important Question in thinking about actually DELIVERING financial inclusion: Should we try to adapt or reform the institutions we've got, or should we try to support the creation of new institutions. In many ways, existing financial institutions are not interested in low-income customers, as explained by my colleague from the US in thinking about loans to minority farmers. This partly explains the growth of microcredit institutions. In all countries, bank offices are typically located in better-off areas, and their products are designed for better-off people. We therefore need to think whether efficient markets – but also social and economic justice – is better served by regulating existing institutions to provide more appropriate and fairer products to all, or whether we should support the development of alternative institutions that, while economically stable, are not solely motivated by profit-seeking

7. [ONLY IF TIME] Universal vs/ Targeted policies.

-So far I have explained how and why financial inclusion is crucial for securing economic independence and wellbeing for ethnic minorities\

-I would like to conclude on a topic that many distinguished speakers have already raised, and that relates to the topic of this session (affirmative action) and another key recommendation, namely data collection.

-This is the question of targeted vs. universal policies to respond to disadvantage. As elsewhere, it is sometimes argued in the UK that the reason why ethnic minorities are disadvantaged is the same as why white British people are disadvantaged, namely on account of their poverty or poorer educational attainment or employment prospects. Many therefore recommend universal policies to benefit ethnic minorities and all low income people.

-2 responses: first, is that just because lower educational attainment or regional location correlates with economic and social exclusion, we HAVENT said that discrimination isn't a prior cause for that lower educational attainment or regional location in the first place.

-Second: while in many EU countries data collection is constitutional unlawful, in the UK we have collected official data on ethnicity since 1991. This has allowed social scientists to 'control' for such considerations as qualifications and other circumstances. Researchers have found that only half of the existing ethnic disadvantage in the UK can be explained by these socio-economic factors.

-This suggests two conclusions: first, that data collection is indeed important for understanding the nuances of socio-economic disadvantage for minority groups. Second, that targeted policies may be the only way of responding to continuing evidence of ethnic disadvantage, especially where that disadvantage cannot be fully explained by non-ethnic socio-economic factors.

Thank you.