

## Scenario 2: Niche Financial Exclusion

*Please let us hear your feedback - contact us at [Ewa@mfc.org.pl](mailto:Ewa@mfc.org.pl):*

- *How crucial is this topic in your country?*
- *What messages and actions are most relevant to promote this topic?*
- *Who works on this topic in your country?*

### Background

The majority of countries in the EU zone have achieved a high level of financial inclusion however in each country there are segments of the population who are either reluctant to use financial services or who face outright barriers in using financial services. These segments may include certain categories of population who either because of their certain economic characteristics or social status find it hard to open bank accounts, save money and access credit. For example, such groups may include unemployed or underemployed, recent migrants, ethnic minorities which historically face discrimination such as Roma.

### Key Issues

The key issue is that financial institutions do not offer services in the areas where the neglected and underserved population lives, or limits the services to these groups. Financial institutions may consider such clients unprofitable or undesirable in relation to other customers. They may also be concerned that serving these clients could impact the financial institution's image and perception by other 'desirable' clients. It may also be true that providing financial services in the traditional way may be uneconomical for banks, for example maintain a full service bank branch in the low income neighborhood may not be a sustainable option for the financial institution.

### Advocacy Goal

The main advocacy goal is to convince financial institutions that there are effective ways and strategies to include the underserved and marginalized individuals and groups. This may involve using corporate social responsibility and public-private partnerships in the beginning to pave the way for wider inclusion before the so far neglected customers become profitable.

### Example

The financial inclusion strategy could include launching a pilot program in one or two location to test a new approach to engaging the marginalized clients. For example,

since having savings has been shown to reduce vulnerability, a local branch could test a simple no frills savings account that allow flexibility of withdrawals while offering safety for excess cash. This could be strengthened with a local campaign promoting the benefits of savings and creating emergency funds by families and the cost savings from borrowing at lower interest rates than from shadow financial sector.

### **Strategy**

A key element of strategy is to identify a financial institution that would be willing to test a new financial inclusion approach and which could be a signal for other banks that it is possible to get engaged. The effective advocacy should work toward securing partnership with the financial institution and crafting a feasible program based on a public private partnership.

### **Messages**

In the context of niche exclusion and neglect by financial institutions, advocacy messages should focus on the following points:

- ✓ Financial services have become a public good and financial institutions have responsibility to include neglected individuals and groups as part of corporate citizenship even if the segment may not immediately profitable.
- ✓ Financial inclusion improves the public image of the bank, and raises its social acceptance as an inclusive institution.
- ✓ Financial inclusion is action, not a statement; banks need to be proactive, not reactive.
- ✓ Financial inclusion can be a sound economic proposition with the right strategy, appropriate products and inclusive approach to services.