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Overcoming Financial Exclusion – a Critical Look*

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Samual Kirwan:
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Samuel Kirwan's book is published as part of the *"The Economy: Key Ideas"* series, which aims to introduce undergraduate students to new and established, and possibly controversial, basic concepts, theories and models that economists use to understand and explain how the economy works.

The author is a fellow in the Department of Sociology at the University of Warwick. His main area of research is the sociology of everyday indebtedness. One of his flagship projects examines how households live with and manage their various debts, with a particular focus on the growing problem of "priority" debts, namely tax and rent arrears, understanding debt relief orders and other insolvency measures, and analysing how debt shapes family and social relationships. Prior to this, the author worked as a research fellow at the University of Bristol on the "New Sites for Legal Consciousness" project, and researched the work and experiences of advisers at the Citizens Advice Service.

To promote financial inclusion – the subject of this book – and to overcome financial exclusion, governments have been working for decades in both developed and developing countries, and have devised various strategies with the practical aim of making basic financial services available to all, whether individuals or businesses, at affordable prices. According to the *World Bank*, in 2017, around 1.7 billion adults worldwide did not have a bank account, and at least 200 million small businesses in low- and middle-income countries were unable to access credit.[1] This significantly hampers the economic development of poor communities. Financial inclusion has now become the dominant and relatively uncontroversial framework for addressing poverty and development opportunities in both developing and developed countries.

* The papers in this issue contain the views of the authors which are not necessarily the same as the official views of the Magyar Nemzeti Bank.

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[1] World Development Report 2021, p. 103

Drawing on a series of illustrative case studies, *Kirwan* analyses the involvement of the poor in finance, focusing on the different types of policies implemented for this purpose, the reasons for their success and failure in developed and developing countries, and the potential social impact and effectiveness of such economic and financial interventions. The book also explores a much broader range of issues related to financial inclusion: it digs into the causes of poverty by class and gender, and the consequences of income and wealth inequalities. It gives a glimpse into the role of government policy in tackling inequality and notes that in practice it costs more to be poor, for example financial services are more expensive for the poor than for the rich.

The author's aim is to introduce the concept of financial inclusion and at the same time to question it to some extent from a social science perspective. The book is highly critical of the concept of financial inclusion and the areas of intervention. Existing power structures can deepen and exacerbate forms of inequality, despite their well-intentioned action to reduce financial exclusion, rooted in the real needs of individuals and with significant potential to improve lives. The author aims to provide a complete picture of financial inclusion by focusing on more than a single institutional area, a specific concept or an intervention. The guiding questions of the book are less concerned with the successes of financial inclusion, and instead focus on the distinct and common characteristics of the various initiatives and programmes that are grouped under this term.

The chapter entitled *"What is financial inclusion?"* provides an insight into the theoretical issues of financial inclusion. The chapter describes the key definitions of the term financial inclusion, the differences in their application across different geographical and institutional contexts, their relationship with related terms, and the key institutions and other actors constituting the area of financial integration (e.g. *Accion, the Alliance for Financial Inclusion, the Bill and Melinda Gates Foundation, the Grameen Bank, the World Bank*). After setting this institutional and conceptual scene, it presents five different stories of financial inclusion, i.e. different accounts of how financial inclusion has been implemented and approached on each continent. Each story serves as a basis for exploring different manners of financial inclusion and specific manifestations of financial inclusion.

The chapter on *Financial inclusion as a tool of poverty eradication* focuses on microcredit and microfinance and examines how the provision of small loans, particularly to women in rural communities through group lending structures, has become one of the solutions to rural poverty problems in the Global South. It explores the experience of microcredits in Bangladesh and India, detailing how microcredits have transformed existing power structures and how they have been used alongside other forms of debt. In this context, it indicates that the

now widely known financial institution involved in financial inclusion, Grameen Bank in Bangladesh, has been the target of severe criticism since the early 2010s, including the apparent accusation that microcredits are a “death trap” for the poor in Bangladesh.

The chapter *Financial inclusion as the production of new markets: the case of reverse redlining* describes how, in the United States, certain ethnic groups were – in the past – discriminated against when selling or renting housing in certain areas of the country. The previous exclusion of vulnerable consumers has been coupled with continued socio-economic marginalisation. The author highlights how processes of financial inclusion, by eradicating some forms of historical discrimination, can perpetuate this discrimination through adverse financial conditions for the excluded groups. Through the concept of financial feminisation, it explores how women’s financial inclusion is often a double-edged sword bringing not only new opportunities, but also new responsibilities and risks. Kirwan highlights the potentially harmful effects of financial inclusion strategies such as the proliferation of subprime mortgages in the US.

The chapter *Financial inclusion as financial subjectivity: the case of financial capability in the UK* deals with the fact that the problem of financial exclusion and inclusion in the UK has intertwined with the issues of financial capabilities and their development as well as financial education programmes. It finds that in the Global North, financial inclusion has focused on changing individual habits and knowledge. It outlines the changing contours of this idealised financial subjectivity, highlighting the tensions between asset-based wealth and a system of financial capability focused on debt avoidance and saving. Policy debates should focus more on the unequal risk-sharing and gender inequalities created by financial services, and consider alternative approaches and potential interventions beyond existing infrastructures. It suggests that marginalised communities should be better equipped not just to adapt to financial life, but to play a critical and active role in shaping the foundations of the financial system.

The chapter entitled *Financial inclusion as policy project: the case of conditional cash transfers* examines conditional cash transfer schemes in Latin America, which provide welfare payments to low-income families. To receive financial support, the family must meet certain conditions. These schemes aim to reach the poorest people directly, promote human capital accumulation, reduce poverty and income inequality and eliminate the intergenerational transmission of poverty. The author explores how financial inclusion can be a political project to transform the behaviour and habits of the given population over time. It addresses a key question that is rarely asked in discussions on financial inclusion, namely the meaning of money.

If money is presented as the answer to the people's problems, how does this fit in with current financial practices?

In the chapter *Financial inclusion as transformations in financial practice: the case of mobile money*, the author describes the practice of the development and use of mobile money in Kenya and in sub-Saharan Africa, where mobile money and the "airtime" transactions it generates have become a form of social interaction following the etiquette of mobile phone use. Mobile money has become a way of smoothing the distribution of money between networks, mitigating the worst effects of disasters and saving money on education. In contrast to the other chapters, the direction of the financial inclusion process in this setting was not driven by government or financial institutions (although these also played a significant role), but rather by the creative need for which consumers used new technology to meet a specific financial need. The chapter looks at how financial inclusion is used to measure the changes created by mobile money, but in a way that does not grasp the fundamental shifts in financial practices and relationships that it enables. In Kenya and sub-Saharan Africa, the success of mobile money as a tool for financial inclusion is measured primarily by the extraordinary increase in the use of formal banking mechanisms it has enabled, rather than the broader changes made possible by society.

The concluding chapter of the book summarises the various critical themes explored in these stories of financial inclusion. It stresses that financial inclusion is an undeniably powerful and influential term, bringing together diverse groups of actors and shaping policy and practice on a wide scale. While its dominance is most noticeable in the reflections on development, its roots lie partly in the social policies of the Global North, where issues of financial inclusion and exclusion have been explored over a longer period of social change. According to *Kirwan*, the objectives of poverty alleviation and social progress can best be achieved by giving people the tools to adapt to difficult financial situations. Rather than simply treating the poor as passive subjects who need more money, this approach recognises the complexity of their financial practices. This uses the ability to be creative and flexible, allowing them to improve their own lives. It raises the main challenges of the concept of financial inclusion and a series of questions that need to be asked when financial inclusion is seen as a solution to social problems. The chapter concludes by setting out an agenda for critical financial inclusion. It acknowledges and supports valuable work in the field of financial inclusion, while moving the assessment of success away from the false binaries of exclusion/inclusion and formal/informal financial services, and give marginalised groups a meaningful role in defining the role of finance in their lives, raising awareness of the importance of involving them in shaping the process of financial change.

Although this book was originally intended for university students, it is also a valuable resource for researchers who wish to understand the socio-economic dimensions of the subject in more depth. This book serves as an introduction to the concept of financial inclusion for readers interested in social science. I also recommend it to all socially sensitive readers for its practical examples.