The future for financial inclusion research

March 2011

1. **Introduction**

The Financial Inclusion Taskforce was keen to see continued momentum and collaboration behind financial inclusion research after March 2011, when their work drew to a close.

A group of organisations from across the research community were involved in an event held at HM Treasury to discuss the future of financial inclusion research. The minutes of this meeting are presented in Section 2 of this paper.

2. **Future actions**

Possible next steps for the future, identified in discussion, were as follows:

- Transact, the national forum for financial inclusion, plan to build their role by developing and delivering a research hub, and by seeking to facilitate improved coordination between researchers, funders and other stakeholders in the financial inclusion research community.

- A new Hub for financial inclusion research, should clearly identify the difference between financial inclusion and money advice, so as not to replicate or overlap with the Money Advice Trust Information Hub.

- A Hub needs strong leadership and flexibility to allow coordination in the sector.

- Consideration needs to be given to the ‘new language’ going forward. Although issues remained consistent around low income households and financial services, the term financial inclusion may gain or lose profile in the future.

- It would be helpful to have a coordinated approach and some agreement over existing evidence gaps to guide the financial services industry in funding research.

- The expertise and experience of ESRC in bringing evidence together could be helpful to Transact and others in developing their plans. An ESRC seminar series could provide some further momentum to this process.

- A consortium of charitable foundations might be an appropriate source for funding a Financial Inclusion Research and Policy Panel secretariat post proposed by Transact.
- Transact would have further discussions with members of the research community in order to refine thinking for the research hub and coordination function.
- Universities could consider introducing personal finance or financial inclusion modules within their business and economics education programmes.
3. **Minutes: Research Event (4 March 2011)**

**Attendees**

Anna Ellison, Policis  
Carole King, Provident Financial  
Chris Hobson, Transact  
Claire Whyley, Financial Inclusion Taskforce  
Colin Purtill, Department for Work and Pensions  
David Hutchison, Social Finance  
Fiona Armstrong, Economic & Social Research Council  
Helen Aynsley, Toynbee Hall  
Karen Rowlingson, University of Birmingham  
Lisa Suchet, Nationwide Foundation  
Louisa Parker, Money Advice Trust  
Noel Smith, Centre for Research in Social Policy  
Oliver Morgans, Consumer Focus  
Omar Khan, Runnymede Trust  
Paola Signoretta, Centre for Research in Social Policy  
Simon Begley, Consumer & Financial Education Body  
Simon Sarkar, Financial Services Authority  
Tony Dolphin, Institute for Public Policy Research  
Tracy Anderson, National Centre for Social Research  
Matt Harris, HM Treasury (CHAIR)  
Lizzie Becker, HM Treasury

**Apologies**

Amrita Sood, GfK NOP  
Chris Goulden, Joseph Rowntree Foundation  
Debbie Pippard, Barrow Cadbury Trust  
Damon Gibbons, Centre for Responsible Credit  
Danielle Walker-Palmour, Friends Provident Foundation  
Dawn Joseph, Young Foundation  
Elaine Kempson, Financial Inclusion Taskforce  
Elaine McCarthy, Consumer & Financial Education Body  
Lee Savage, Resolution Foundation  
Louisa Darian, Resolution Foundation  
Louise Savell, Social Finance  
Marie Burton, Consumer Focus  
Martin Coppack, Consumer & Financial Education Body  
Nicola Pollock, Esmee Fairbairn  
Paul Jones, Liverpool John Moores University  
Phil Mawhinney, Runnymede Trust  
Reema Shah, Barclays  
Sharon Collard, Personal Finance Research Centre
Introductions

1. Matt Harris (MH) invited introductions from all those at the meeting.
2. MH outlined the policy context for financial inclusion. The Financial Inclusion Taskforce is coming to an end in March 2011.
3. The Government would value future advocacy and research from independent organisations to support policy. The Taskforce and HM Treasury therefore wanted to discuss whether it would be helpful for independent research to be joined up or coordinated in future. If so, what kind of independent coordination function would be most valuable.
4. Lizzie Becker (LB) gave a brief summary of the research Taskforce has invested in over the past six years. This research has provided new evidence on the behaviours of financially excluded groups; has mapped the availability of financial services across the UK; has tested out new financial products; and has evaluated projects funded by the Financial Inclusion Fund. Taskforce research has helped to fill the gaps in the financial inclusion evidence base, and has moved forward thinking on policy making in financial inclusion.
5. Referring to the paper circulated ahead of the meeting, LB noted that all of the Taskforce research is available on the HM Treasury web-pages.
6. There were also some ongoing projects, due for publication in March 2011.
   1) The Centre for Research in Social Policy is completing the Evaluation of the Financial Inclusion Champions initiative. This evaluation is exploring the effectiveness of the initiative looking at both the impact of and learning from of Champions’ activity.
   2) Social Finance is completing a seven month research study into the commercial viability of a new financial product – the Jam Jar Account - which would help those on a low-income to manage their money so they are better able to smooth expenditure and cope with financial shocks. The research will inform potential providers of a Jam Jar Account, about the range of costs and potential gains from such an account, in the absence of public subsidy.
   3) Taskforce is due to publish findings from a mystery shopping review which investigated whether basic bank account providers offer the most appropriate product to those who are financially excluded.
7. Going forward, Taskforce is keen to ensure that research will continue to inform financial inclusion policy. LB described some of the work that was happening to ensure this 1) The Financial Inclusion team at Treasury was working to archive and find a home for all of the mapping data, currently used by the DWP Financial Inclusion Champions to target their work. This data was produced by Experian on
behalf of the Affordable Credit Working Group of the Taskforce. There are several different elements to this data, including maps/data of the demand and supply of affordable credit. The archived data will be helpful to both service deliverers as well as researchers. 2) The HM Treasury team would encourage research contractors to release survey data commissioned by the Taskforce to the UK Data Archive to enable secondary analysis. 3) The HM Treasury team were working to ensure future monitoring of the unbanked. Since 2006, the Taskforce had been using the Family Resources Survey to track the number of people who live in a household where no-one has a bank account and, as part of this tracking, information had been provided about the types of people who are most likely to be unbanked. This monitoring had added to pressure on banks to provide Basic Bank Accounts. In future, it was hoped that Toynbee Hall would continue this monitoring.

8. Without oversight of the Taskforce, it might be helpful if in the sector there was a financial inclusion research hub, which could host the research of the Taskforce among other pieces of work. Alongside this, it could be helpful to have some level of coordination of financial inclusion research which takes place outside of Government.

**Transact plans**

9. MH introduced Chris Hobson (CH) of Transact.

10. CH explained that Transact saw itself as a facilitator for financial inclusion research in future. Transact recently undertook a review of its operations to ensure that it was still responding to the needs of its 2000 members. As a result of the review, Transact was working to maximize its ability to act as a hub for financial inclusion communication and information, and to provide a space in which to facilitate stakeholders in the financial inclusion sector.

11. Transact had received funding to improve its website. Transact planned to build a research hub, similar to the Money Advice Trust Information Hub. This could be a central place for a library of financial inclusion research. Functionality could also go further. Transact would like a hub to 1) encourage engagement of stakeholders in discussion on existing body of research; 2) bridge the gap between policy and research, by enabling communication for evidence based policy making; 3) facilitate consensus on research needs, encouraging better directed work; 4) assist the development of new funding steams.

12. To achieve this, Transact would like to create a new, independent Financial Inclusion Research and Policy Panel. Where appropriate, Transact would assist the Panel in working with other groups, including: the new Transact member-based steering
group; a new finance industry panel set up by Transact and the British Banker’s Association; and other relevant bodies.

13. Transact had secured funding to build a library function. Transact was looking for commitment from stakeholders to support the Panel, and for funding to provide the secretariat function. For the latter, there were several models and the role did not necessarily need to sit within Transact.

Discussion

14. MH invited the group to feedback their thoughts on what had been presented. The following discussion focused on four main areas: future research and policy; funding for research; research hub and coordination in the sector; steps going forward.

Future research and policy

15. In terms of evidence gaps, Tony Dolphin (TD) thought that questions on saving among low-income groups had not been completely resolved. Claire Whyley (CW) agreed that savings is a policy priority. However, it was noted that current saving policy was to a large degree focussed on behaviour change at a general population level and there is existing evidence to support this agenda.

16. MH felt that it would be important for a financial inclusion hub not to replicate what was already available on the Money Advice Trust Information Hub, and to consider where to draw the line between financial inclusion and money advice. Simon Begley (SB) said that the research work of the Consumer and Financial Education Body would be less focussed on financial inclusion, and more focussed on behaviour change at a general population level. Oliver Morgan (OM) said the work of Consumer Focus would be focused on regulation and understanding what products were appropriate for people who were indebted.

17. Omar Khan (OK) questioned whether ‘Financial Inclusion’ as a term would be the best term to use going forward. MH said he did not think the concept of financial inclusion had been forgotten by the Government. CW said it would be helpful to do stakeholder researcher to explore this new language and rebranding going forward. CW noted the language of equality of social justice coming through with the Coalition Government. Colin Purtill (CP) agreed and noted that the Secretary of State at DWP, Ian Duncan Smith, was very keen to deliver social justice and incorporate financial inclusion concerns within the work.

18. To raise the profile of financial inclusion policy and research, OK encouraged academics to think about the possibility of including finance modules in undergraduate and postgraduate business and economics courses. Karen
Rowlingson (KR) reported that Birmingham University had a module on personal finance on one of their courses and the Open University had an interest in this area.

**Funding**

19. OK said he would be interested in the views of the Economic and Social Research Council (ESRC) on how academics will be encouraged to continue work in this area, if there was limited funding from Government for financial inclusion research.

20. Fiona Armstrong (FA) of the ESRC emphasised that ESRC funding for research is independent of Government policy and policy makers’ needs. The ESRC was able to provide assistance for capacity building of particular research sectors in academia, both in the short and long term.

21. KR was on the ESRC Research Committee, which had oversight of the ESRC responsive mode grant assessment scheme. This scheme was open to research in range of fields, particularly where there is no funding provided by Government. KR highlighted the financial services industry as an avenue for research funding.

22. Noel Smith (NS) asked whether Government had any levers on the financial services industry to provide funding for research. CW reported that Taskforce engagement with the financial services sector, had had mixed success. The banking industry was under pressure from various sources to show corporate responsibility. CW believed there needed to be a coordinated approach in getting the financial services industry to fund research from their Corporate Responsibility spending, as some banks would rather fund a broader strategy rather than individual pieces of work.

23. MH invited views from research funders. Carole King (CK) of Provident Financial said it was important for researchers to think of what might incentivise the financial services sector to provide funding. Lisa Suchet (LS) explained the role of the Nationwide Foundation in funding research. Nationwide Foundation had previously worked with a consortium of other funders to support a research post. LS referred to a similar group of funders with an interest in financial inclusion, chaired by Danielle Walker-Palmour of Friends Provident Foundation. LS suggested that this group may be willing to consider funding the secretariat proposed by Transact.

**Research Hub and Coordination within the sector**

24. OK felt that while it might be helpful to have some level of coordination in the research community, it could be difficult to achieve this, given their need to compete for research funding.

25. NS asked how Transact intended to select individuals to sit on the Research and Policy Panel. It would not be possible to include all interested parties. CW said that
the Panel would need to be small and cohesive in order for it to be successful. Having said this, there were also a number of ways to include views from outside the panel. Anna Ellison said it was important for the panel to represent the diversity of the financial inclusion research community.

26. Helen Aynsley said the Hub could also serve as a place for funders to advertise resource and for researchers to request funding for ideas they have.

27. Simon Sarkar said it would very helpful to concentrate evidence in one place. From the FSA’s point of view, a hub would provide a place to coordinate clear messages on consumer protection issues.

28. David Hutchison (DH) strongly supported the idea of a hub, but felt it would need strong leadership. DH said that not everyone in the sector would be able coordinate in same way, and so the hub would need to be flexible. A hub could encourage research work to be efficient and strategic, and could encourage real policy engagement with the evidence. DH thought that all members of the research community should be keen to support a hub and coordination, which could strengthen the sector.

29. CW encouraged the group to make a decision on whether they would support Transact in developing their plans. There was consensus to support Transact on building a hub for research and to provide a coordination facility for the sector. The meeting agreed there was a will across the sector to continue building the financial inclusion evidence base and links with policy.

**Going Forward**

30. In bringing evidence together, FA said the ESRC have held evidence briefing seminars, and have summarised evidence in response for pertinent policy questions. In doing this, the ESRC have worked with government on this to ensure the right type of language was used. The expertise and experience of the ESRC could be helpful to Transact in the development of their plans.

31. Transact would like to have individual discussions with members of the research community in order to refine thinking and develop the research hub and the Research and Policy Panel.