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Financial inclusion in Australia

Towards transformative policy

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Introduction[1]

> He who looks for large-scale social change must be possessed, with Kierkegaard, by 'the passion for what is possible', rather than rely on what has been certified as probable by factor analysis. (Hirschman 1970, p.343)

Over the past decade, financial inclusion has entered the social policy vocabulary of many developed and developing countries. Still, a more refined observation of the ideas and ideology that lie under the 'financial inclusion' umbrella shows that, as with social inclusion, the language of financial inclusion has been constructed to suit different views of how the encounter of social, political and economic forces shapes exclusionary contexts. Analysis of the discourse of social policies reveals the role of ideology in policy framing and brings to the front classic political economy questions. The debate of how governments allocate economic resources and who in society is privileged by such allocation reminds us that policies carry values and specific views of what a society should look like and, in this regard, have to be assessed not only in terms of their economic efficiency, but also in relation to the social parameters they define.

This paper looks at the rise of the financial inclusion agenda in developed country contexts. The distinction is relevant since financial inclusion, both as a discourse and as policy, has followed a different trajectory in developed and developing countries. In the US and UK, government initiatives to develop the financial capabilities of individuals have gained attention but, at least until the 2008 financial crisis, there was resistance to the idea of a more active role for governments in financial markets. On the other hand, in the international development arena, after almost two decades of experiments with capacity building initiatives which emphasised the community and individual skills, there is now open recognition of the need for reforms which address systemic failures. The UN Capital Development Fund has stressed the need for such reforms to build inclusive financial sectors in various developing countries. In addition, the renowned Institute of Development Studies recently published a series of articles which critically assess the individual capacity building approach: as Oswald and Clarke (2010) noted, 'capacity development is above all a political process and not just a technical one'.

Overseas experiences provide a critical background for the development of a progressive financial inclusion agenda in Australia which will not only focus on inclusion into the mainstream financial systems but will also help to transform the distortions caused by the free market dynamics. To date, the Australian community and corporate sectors have partnered in innovative microfinance programs to assist financially disadvantaged groups, such as the first Australian matched savings program Saver Plus (initiated by the Brotherhood of St Laurence/ANZ), microloans such as Step Up (Good Shepherd Youth and Family Service/NAB) and Progress Loans (Brotherhood of St Laurence/ANZ), and the no-interest loans scheme (NILS), introduced by the Good Shepherd Youth and Family Service. However, financial inclusion per se has not been adopted as a central basis for public policy. The Australian Government's allocation of $33 million for the development of existing microfinance initiatives (Macklin 2009) and for community development

[1] The author would like to thank Dina Bowman, Gerard Brody, Sharon Bond and Victoria Johnson for their review and suggestions.

finance institutions to support sectors not adequately served by the mainstream financial system (Foresters Community Finance 2009), is a great achievement. However Australia still lacks a policy vision of what financial inclusion could mean in our context.

This paper argues that Australia can advance policies on financial inclusion which will have social justice as a core value, but it warns that the realisation of this potential is not guaranteed. Transformative, as opposed to conservative, financial inclusion policies will require actions that, in addition to reducing the impact of exclusion, target the systemic barriers that feed the process of financial exclusion.

The paper is divided into four sections. Section 1 introduces the financial inclusion approach adopted in this work. Section 2 provides a picture of what that would mean in Australia. Section 3 looks at some overseas efforts to address financial inclusion, focusing on asset-building and financial capabilities as instruments frequently used in this field; but it does not extend to other initiatives involving microcredit and community development finance. Section 4 concludes with suggestions for an Australian policy framework for financial inclusion which, rather than fostering individualisation, would be more likely to create the foundations for financial, and ultimately social, inclusion.

1 The conceptualisation of financial exclusion

For political analysis, examining how issues are framed is fundamental. Although the process of moving from policy conceptualisation to design and implementation is not linear, how an issue is initially ‘problematised’, and its causes identified, reveals the government take-up of a specific social perspective and determines what and who will be excluded from the policy debate (Levitas 2005, Marston 2004).

Financial inclusion, as one dimension of the pair inclusion/exclusion, requires conceptual clarification. The term ‘financial exclusion’ was initially applied in the early 1990s to capture the actual physical limitations of access to bank branches (European Commission 2008), in the wake of the move towards liberalisation of the financial sector. Throughout the 1990s, the term was expanded to cover the notion of barriers of access to mainstream financial services and products, both at the users’ end (‘demand side’) and on the side of providers of financial services and products (‘supply side’) (Rahim et al. 2009).

In developed countries, the fact that some people still operate their finances without access to a bank account is an obvious sign of exclusion. But even when almost everyone has a basic bank account for daily transactions, the opportunity to access appropriate credit, insurance, savings, and other financial services and products, has also become essential to reduce an individual’s financial vulnerability and insecurity.

In the UK, where financial inclusion has been part of the policy agenda for about a decade (Kempson & Whyley 1999), some 1.75 million adults still lacked access to a transaction account (Financial Inclusion Taskforce 2010). Increasing access to the mainstream system through a bank account was one of the primary tasks of the financial inclusion strategy initiated in 2004 which targeted access to banking services, affordable credit and face-to-face financial advice (HM Treasury 2004). These initiatives were complemented by policies to stimulate asset building.

But if we focus on the political power of language, the UK provides an interesting source for analysis of the connections between ideology and policy content. The UK Treasury recognised that many low-income individuals have difficulty accessing mainstream financial products, and that this situation imposed costs on individuals, families, and communities. It called for the support of financial service providers and community sector to address financial exclusion, as ‘working together we can empower individuals to take control of their own finances, access basic financial services and break free of unmanageable debt’ (HM Treasury 2004, foreword). The emphasis on empowering individuals is translated through prioritisation of actions such as building financial capabilities in areas such as money management, planning, and ability to deal with financial distress. In the Financial Services Authority’s National Strategy for Financial Capability, financial capability ultimately was about altering individuals’ financial behaviour and attitudes (Atkinson 2008).

In continental Europe, the historically stronger emphasis on social cohesion and valorisation of the notion of a social contract has led to a more socially embedded approach. The European Commission (2008, p.4) defines financial exclusion as:

> a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.

Although the term ‘normal social life’ creates vagueness about how far financial inclusion policies should go, the EC’s definition, and the fact that financial exclusion has been explicitly incorporated in its poverty and social exclusion agenda, represents a step ahead of the more restricted focus on individual ‘accession’ to the mainstream financial system.

In Australia, definitions of financial exclusion have emerged outside the government sphere. Although there is a scarcity of scholarship on the issue, the available studies reflect the country’s political culture, with fair and appropriate access often highlighted as conceptual elements (Connolly & Hajaj 2001; Chant Link & Associates 2004). Burkett and Sheehan (2009, p.3), who provide the most recent analysis of the national challenges faced in microfinance, define financial exclusion as:

> a process whereby a person, group or organisation lacks of or is denied access to affordable, appropriate and fair financial products and services, with the result that their ability to participate fully in social and economic activities is reduced, financial hardship is increased, and poverty (measured by income, debt, and assets) is exacerbated.

If we relate this perspective to the government’s discourse of giving all Australians a ‘fair go’, there is potential for an innovative financial inclusion agenda that will combine support to individual skills with government-led structural reforms.

2 Diagnosing financial exclusion in Australia

Financial inclusion can be conceived as a process of extending to all members of society adequate access to financial support mechanisms, so that people can ‘get ahead’ rather than simply ‘get by’.

Before providing a picture of the financially excluded in Australia, it is important to highlight two limitations. The first limitation is that if we agree that financial exclusion is not static but can occur at particular periods of the life course and in different areas of finance, statistical data will always fall short of capturing the complete picture. The second limitation refers to the lack of disaggregated and updated statistics that would allow a detailed analysis and monitoring of financial exclusion across time.

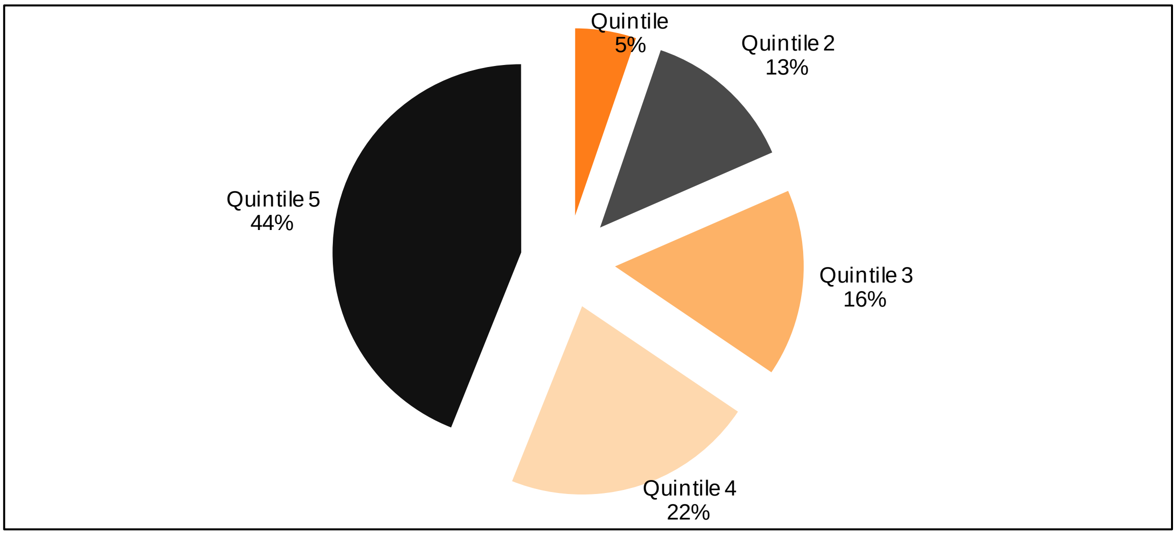
Like social exclusion, financial exclusion needs to be grounded in social and economic contexts in order to gain policy relevance. Studies on wellbeing and happiness have found that these subjective measures are influenced by our relationship with the context in which we live and socialise (Bruni & Porta 2005).

In Australia, data from the 2008 ANZ financial literacy survey (ANZ and the Social Research Centre 2008) revealed that 97 per cent of respondents had ‘an ordinary everyday banking account’. However, the indicators proposed by Scutella et al. (2009) for the measurement of poverty and social exclusion in Australia provide a more thorough picture of financial exclusion. They include, under the ‘material resources’ domain, household income, household net worth, household consumption expenditure, homelessness; and under the ‘community’ domain, financial hardship and access to financial services. It is important to note, however, that the main statistical source used by Scutella et al.—the Household, Income and Labour Dynamics in Australia (HILDA) survey—does not provide specific information on access to financial services.

With regard to household net worth, given the relevance of home ownership, other assets, savings, and debt level to the assessment of degrees of financial vulnerability, I suggest that these components should be disaggregated, as in the Bristol Social Exclusion Matrix (Levitas et al. 2007). Finally, the framework of Scutella et al. could be complemented with the Bristol Social Exclusion Matrix’s indicator of vulnerability to stigma as impacting on health and wellbeing, which is an important aspect low-income clients identify. The experience of discrimination in the mainstream financial system often leads to a sense that ‘these services are not for us’. Indeed, customers accessing the fringe lending market sometimes mention the friendly approach by service providers as an advantage (Marston & Shevellar 2010; Wilson 2002), despite the extremely high interest rates they often have to pay to access credit via that market.

Inequality in income distribution in Australia is below the OECD average (OECD 2008). However, within the country, income inequality in 2007–08 was greater than in 1994–95 (ABS 2009). Moreover, inequality in wealth distribution is high and reinforced by the regressive effect of government tax concessions. From some $74.4 billion that the government distributes (in 2008–09) through housing-related tax concessions and benefits, and superannuation, the vast majority goes to the wealthier Australians (Brody & McNess 2009). The distribution of housing tax concessions between income groups is shown in Figure 1.

Figure 1 Distribution of housing tax concessions by income level

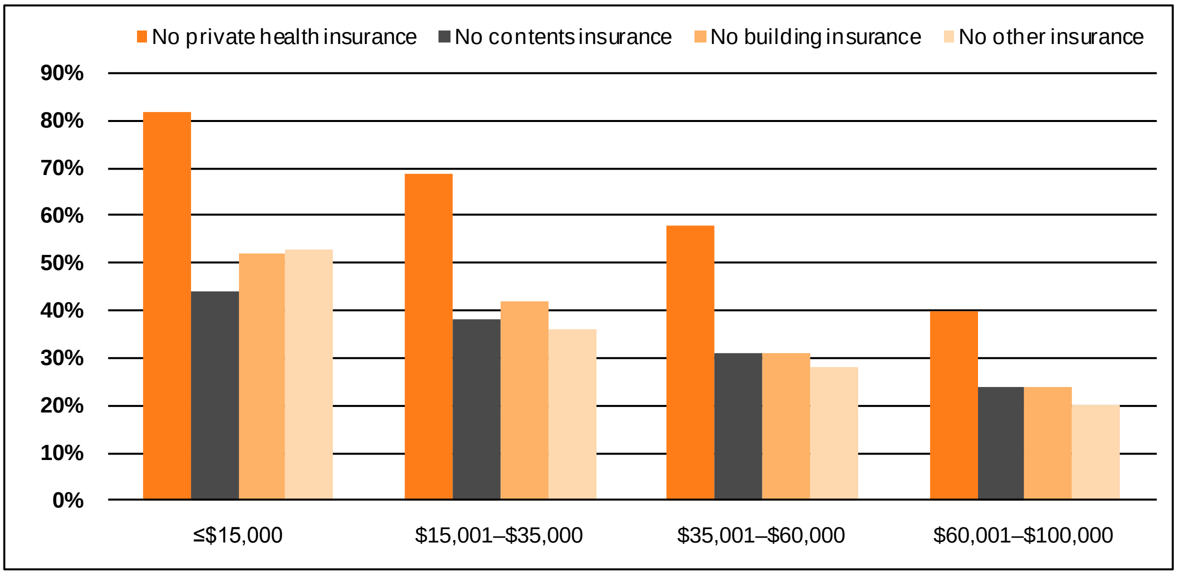


Source: Yates 2009 (reproduced in Brody & McNess 2009, p.2).
Note: Quintile 1 is the lowest 20 per cent of income earners, while quintile 5 is the top 20 per cent.

A Reserve Bank of Australia report (2009) also suggests that unequal wealth distribution deserves attention. Using data from the HILDA survey conducted in 2006, the researchers identified that the majority of people who registered *no change or reduction* in their non-financial assets—that is, primarily real estate properties, vehicles, and business assets—did not own a house. As in the UK (Hills, Sefton & Stewart 2009), wealth inequality in Australia may be expected to increase if the rising prices of major assets such as housing continue to create unequal opportunities to accumulate assets. Since lack of assets as a buffer in a financial shock is a major cause of financial vulnerability and insecurity, the implications of wealth distribution for financial inclusion cannot be ignored.

Another area in which adequate financial protection is essential to reduce vulnerability is insurance (Kempson et al. 2000; Sheehan & Renouf 2006). Despite the growing complexity in risk assessment and higher exposure to natural risks (as the tragic experience with the bushfires in Victoria has shown), there is a very low take-up of insurance, particularly by low income groups (see Figure 2). Interestingly their reasons for not buying insurance include but go beyond affordability and complexity of contractual terms, to cover beliefs such as that these products are not for ‘people like them’ (Mitton 2008, p.60).

Figure 2 Lack of insurance, by income level



Source: Based on data from Chant Link & Associates (2004, v.2).
Note: Excludes compulsory vehicle third party insurance.

But if exclusion is a problem, who is excluded? While for practitioners, this is a simple question, for policy purposes, it is necessary to make it explicit to avoid the risk that groups that face temporary financial stress but are more resilient—such as those with a financial buffer and social networks to recover quickly—capture policy attention while those facing long-term disadvantage are overlooked.

In 2007–08, approximately 12.5 per cent of Australians were living in households with high financial stress (Department of the Prime Minister and Cabinet 2009). An earlier study of those living under financial stress in Australia (Worthington 2006) also identified socio-demographic characteristics, such as having children, number of household dependants, income, age of the household head, and being a recent migrant from North Africa and the Middle East, as main variables associated with higher stress. Single parents were estimated to be two to three times more likely to face financial stress than couples. It is worth noting that single parents and immigrants of non–English speaking background also rank amongst the most affected in measures of social exclusion (Scutella et al. 2009).

3 Financial inclusion initiatives

Although it is not possible to analyse here the details of country-specific welfare reforms, what can be said is that the pressure for individualisation of responsibilities and risk has been a central topic of critical debate of the welfare reforms in the developed world. In the US and in the UK, the push towards an economic rationalisation of welfare was facilitated by social contexts in which a liberal view of state and society relations prevailed. Social expectations are especially relevant in democratic regimes, as they may define how far a government can advance reforms inspired by a particular ideology (Taylor 2007) without overstepping what is acceptable in a given society. And while social expectations can change, they do not seem to be as malleable as many governments would desire. A recent analysis of popular perceptions in Germany and the UK showed that Germans were still more inclined than the British to attribute a key role to the government in the equalisation of opportunities, rather than seeing it as the individual's ability to take on opportunities (Taylor-Gooby & Martin 2010). It is within this contested social environment that governments have had to balance their efforts to reduce the state's responsibilities towards social welfare with the delivery of alternative mechanisms that create a less disruptive transition.

Asset-building policies

The erosion of traditional welfare states, coupled with economic liberalisation, created a context in which the pressure for individualisation of responsibilities and risk coincided with the prevalence of free market rules. These structural transformations resulted in the rise of individual financial vulnerability, without the traditional social safety nets that in the past were assumed as a state responsibility under the terms of the social contract. Asset-building policies became popular instruments to help reduce individual vulnerability. Broadly conceived, government-supported stimulus for asset building is not new. Governments have often used tax incentives and concessions as a means to stimulate asset accumulation. But what gives the current policies the taste of innovation is their conceptualisation as a pillar of welfare reforms (McKay & Rowlingson 2008; OECD 2003).

UK

In the UK, innovations in the financial capital side of the New Labour's social inclusion agenda included two asset-building programs:

- The *Child Trust Fund*: Through this fund, all children born after 1 September 2002 are entitled to £250 through an account that can only be accessed after they turn 18. An additional £250 is deposited by the government once the children reach 7 years old. Those on very low income receive double this amount. Although the fund is described as a lifelong savings program, this is not a retirement-oriented grant but a capital grant which aims to stimulate a savings habit and to provide an initial financial basis for young people. In May 2010, the Conservative government announced the program would be terminated as of January 2011, as a part of their plan to reduce 'wasteful spending' (BBC News, 24 May 2010).
- The *Saving Gateway Pilot*: The Saving Gateway matched saving account was introduced as a pilot in 2002, as a saving opportunity for individuals entitled to a range of income support payments. Through the scheme, the government provided 50 pence for every pound saved, up to a maximum saving of £25/month, or £600 over a two-year period. Account holders were allowed to withdraw money before the maturity date, but that meant reducing the total savings on which the government calculated the amount to be matched. The national roll-out of the program was to begin in July 2010, with the potential to benefit around 8 million people (HM Revenues and Customs 2010). However, the new Conservative government also decided to cancel the Saving Gateway program as part of its emergency strategy to reduce the budget deficit (BBC News, 22 June 2010).

Unfortunately these initiatives did not last long enough for conclusive answers regarding their capacity to foster long-term saving habits (McKay & Rowlingson 2008; Lister 2006). Previous studies have identified that the combination of matched savings with a financial education component, saving goals and a pre-defined time frame, are promising features of schemes designed to stimulate savings (De Meza, Irlenbusch & Reyniers 2008; Dolphin 2009; Russell, Wall & Doan 2009). On the other hand, if these programs are conceived as substitutes for rather than complements to other forms of welfare assistance, there is reason to be cautious. Gamble and Prabhakar's research (2006) reveals that British young people's perceptions regarding the capacity of capital grants such as the Child Trust Fund to influence their savings habits varied and were affected by the grant amount. Moreover, they seemed to expect that the grant would *complement* rather than substitute traditional payments. In the case of Saving Gateway, a longitudinal evaluation of the pilots showed that although there were positive results in terms of attitudinal change towards saving, performance in terms of behaviour change was less straightforward (Ipsos MORI 2009).

Scholars have observed how, in the UK, these asset-building policies have fitted into an approach which primarily values social policies as a productive investment (Lister 2003; Finer 2004; Jarasuriya 2006). Following New Labour's ideological emphasis on individuals as stakeholders capable of taking risks (Denney 2008), the policies aimed at incentivising individuals' savings and financial planning, so that ultimately people could invest on and for themselves. Together with the financial capabilities initiatives outlined further below, assets-based welfare in the UK seem to have had a rationale which fundamentally sees social policies as instruments subordinated to economic goals. In this regard, the UK experience shows how even policies which may be useful in reducing financial exclusion can be applied in ways that reproduce what Jarasuriya (2006) refers to as forms of market citizenship.[2]

US and Canada

Following Sherraden's publication of *Assets and the poor: a new American welfare policy* (1991), discussions about the importance of looking at assets and wealth, rather than simply focusing on income, gained momentum in the US welfare debates. In 1997, with private funding support, Individual Development Accounts (IDAs) were introduced in 13 localities. They were later embraced and extended by the federal government under the *Assets for Independence Act*. Currently IDAs can have different characteristics depending on the locality and partners involved, but overall, IDAs provide a 2:1 match for savings accumulated over two or three years. Resources can be used for education, home buying and start-up of a business.

In February 2010, a new bill was introduced in the House of Representatives to establish a 'Lifetime Savings Account' scheme for every child born after 31 December 2010. Through the ASPIRE (American Saving for Personal Investment, Retirement, and Education Act) Fund, the federal government would contribute US$500, with up to $500 extra for children in households earning below the national median income. The scheme includes incentives for savings through tax concessions, matched savings for eligible

[2] According to Jarasuriya (2006, p.28), market citizenship is 'characterized by the valorisation of social integration through policies that enhance participation and stakeholding in the economic sphere and the individual liability for reciprocal obligation in return for social claims on the state'.

families depending on income level, and financial education. Account holders can access the money once they are 18 years old, but between 18 and 25, they can only spend it on post-secondary education. After that, expenditures may include home buying and retirement security.

Canada has also adopted the IDA model, which allows low-income individuals and families to have part of their savings matched for spending on education, small business, disability support or home buying and renovation. Additionally, it has introduced special incentives for education-related savings. The Registered Education Savings Plan (RESP) offers a tax-sheltered account for individuals and families to save for a child's post-secondary education. Moreover, the Canada Education Savings Program provides both a savings grant of up to C$7200, and a savings bond. While the grant is offered to any child up to 17 years of age who is resident in Canada and has a RESP account opened in her name, eligibility for the savings bond is restricted to low income groups (Human Resources and Skills Development Canada 2010).

Financial capability initiatives

In addition to the material dimension, governments have taken up the area of financial capabilities as central to the promotion of financial inclusion. Financial education, as a means of promoting knowledge, skills and information, can be regarded as valuable in itself, to the extent that it assists individuals to understand the growing complexity of financial life and exercise their legal and consumer rights. However, if financial education is reduced to an instrument to change people's behaviour, then the expectations may be frustrated. Although there is a proliferation of initiatives in this area, various studies have pointed out that there is no simple, automatic causal relationship between targeted financial literacy programs and changes in people's financial behaviour (Policy Research Initiative 2005; Blake & de Jong 2008; Willis 2009; Atkinson 2008; de Meza, Irlenbusch & Reyniers 2008).

Changes in habits do need to be considered, but it is more useful to look at the society's cultural expectations around money, rather than imagining that only the lower income groups behave in a particularly detrimental way. The recent AMP/NATSEM study (Kelly & Gong 2010) on savings and spending patterns in Australia reinforces this advice. The authors report that, while the 2008 financial crisis and the closeness to retirement of the baby boom generation seem to be influencing saving behaviour, in the past Australians generally have followed a pattern of accumulating more debt than they could afford on their income. This behaviour helped explain why Australia is among the top OECD countries in terms of debt to income ratio (158 per cent), second only to the UK. On average, Australians save a very low amount of $300 per year. Moreover, the study highlights that saving behaviour has no association with level of income (see Table 1).

Table 1 Annual savings by income level, $A

Income group	Mean disposable income	Annual savings		
		P25	Median	P75
Lowest 20%	14,100	-2,460	0	2,420
Next lowest 20%	24,400	-8,590	10	6,620
Middle 20%	36,900	-11,560	670	10,700
Second top 20%	50,200	-15,510	1,490	16,520
Top 20%	86,800	-25,710	8,060	39,120
Overall	**42,500**	**-9,780**	**300**	**12,310**

Source: Estimates based on HILDA survey data (Kelly & Gong 2010, p.16).
Note: Value in the P25 column refers to the level of saving by a person at the 25th percentile, and the P75 column indicates the level of saving by a person at the 75th percentile.

Although in the year immediately following the 2008 financial crisis there was some improvement in the level of indebtedness related to available income, NATSEM's data raises the issue of whether the prevailing culture in Australia is one of undue trust in financial stability and economic growth.

When discussing the development of financial capabilities for the most vulnerable and disadvantaged groups, it is important to keep the considerations above in mind. Contrary to popular perception, various studies show that poor families tend to keep track of their expenditures and that there is nothing systematically 'wrong' in the way they manage their finance, when compared with wealthier families (Kempson & Finney 2009; Bennett 2008; Collins et al. 2009). The main difference is that for the low-income and disadvantaged groups, the consequences of a mistake in planning or a lack of knowledge can be devastating. Their weak access to financial safety nets, and the fact they are more likely to be financially excluded, mean that they can face long-lasting negative effects in a financial crisis. Orton's analysis (2009) of agency in relation to personal debt shows that agency is constrained by structural inequality, and that those with lower income may be limited in their options or face harsher consequences than wealthier individuals, in the case of opting for a default. It is this higher vulnerability that, from a social justice perspective, should be the driver behind the initiatives for financial education of the most financially disadvantaged, rather than preconceptions about their attitude towards money management.

Moreover, economic liberalisation, including the push for deregulation of financial markets, has deeply changed the institutional framework within which we are expected to manage our finances. These macro transformations have added pressure on individuals to continuously up-skill their financial knowledge and money management. Financial risk has become widespread in society, moving beyond the circle of savvy investors to reach even conservative spenders after retirement.

In the UK, a baseline survey identified very low overall levels of financial skills and knowledge, which could indicate systemic rather than individual problems. The Financial Services Authority has led a National Strategy for Financial Capability, which combines guidelines for service providers to act with fairness towards customers with measures which stimulate adjustment to the new market conditions. A discourse analysis of the FSA documents, however, reveals that, at least until the 2008 financial crisis, the tendency was to emphasise individual abilities more than systemic reforms. Ultimately, the FSA (2006, p.4) hoped that ‘because a capable customer is a less vulnerable customer, the FSA will, over time, have less need to intervene with detailed rules in the retail markets’.

Even if we refrain for a moment from challenging this view of reality, it is necessary to question whether the expectation of a continuous up-skilling of financial capabilities is reasonable, especially when we consider the financial market as an environment in which information is asymmetrical, incomplete and constantly changing. Behavioural psychology demonstrates that when human beings are faced with an overwhelming flow of information and ‘choices’, we find it hard to differentiate paths and choose. Applied specifically to the area of finance, this means that policies informed by the ideal that people make decisions on the basis of clear, up-to-date knowledge of products and services are doomed to fail. Stiglitz, Sen and Fitoussi (2009, p.22) observe that:

> For market prices to be reflective of consumer’s appreciation of goods and services, it is [...] necessary that consumers are free to choose and that they dispose of the relevant information. It takes little imagination to argue that this is not always the case. Complex financial products are an example where consumer ignorance prevents market prices from playing their role as carriers of correct economic signals.

Another insight from behavioural psychology is that people tend to overestimate how much they know about finance. An OECD study revealed that 67 per cent of the surveyed Australians said they understood the concept of compound interest but when given a related exercise, only 28 per cent could find the right answer (OECD 2006). As the OECD (2006) acknowledges, financial literacy initiatives can help but do not replace sound policies for consumer protection and regulation of financial institutions.

Various surveys confirm that the overall level of financial knowledge and understanding across the population is low (ANZ 2008; FSA 2006). But while there is a recognised need for clear, accessible financial information and guidance, identifying adequate methods for financial advice and education and corresponding funding remain one of the main challenges for financial capacity building. Tailored, and sometimes personalised, services, are recommended, but they are costly; and community organisations, which are key providers of free support, need more resources for the task (Blake & de Jong 2008). Government websites and online tools can help specific groups but they are unlikely to reach the most vulnerable if not accompanied by personal assistance.

4 A transformative approach?

In his seminal article, Chambers (1989) differentiated vulnerability from poverty, arguing that rather than ‘lack or want’, vulnerability meant ‘defencelessness, insecurity, and exposure to risk, shocks and stress’. He explicitly raised the issue of assets for contingencies and the fact that interventions usually take place when the damage to the assets and livelihood of the poor has already occurred.

This conceptualisation of vulnerability, initially drawn from Chambers’ work in international development, has been well received in the discussions on poverty and social exclusion in developed contexts (Room 2001; Lister 2006). It has also highlighted the fact that financial exclusion, more than being a fixed status, consists of a process (Kempson

&Whyley 1999) which is manifested both through persistent financial hardship and through the insecurity and stress created by constant income fluctuations and uncertainty.

In international development, the link between lack of assets, financial vulnerability and social exclusion has been given more emphasis. The UN report *Rethinking poverty* (2010, p. 65) suggests that 'endowment and ownership of and access to assets' should be included amongst the indicators for social exclusion, and argues that:

> exclusion from those forms the basis of other forms of exclusion. Not enough attention has been paid, however, **to the structural inequalities and exclusions embedded in the initial conditions from which processes originate** and which also set the relational parameters. This oversight might be attributed partially to the fact that, under the conventional paradigm, asset ownership structures are ignored when considering policy options. This reluctance has to be overcome if meaningful alternatives are to developed, not just ex post facto Band-Aid interventions (author's emphasis).

The UN emphasis on inequalities brings back to the agenda a topic that was downplayed during the years of neoliberal ideological predominance, but is returning to policy and academic circles (Stiglitz, Sen & Fitoussi 2009). This perspective also sheds a new light on the exclusion debate, allowing us to question, as Sen (2000) proposed, whether certain conditions characterise a straightforward kind of exclusion or an unfavourable kind of inclusion, under exploitative terms (Table 2).

Table 2. Exclusion and unfavourable inclusion

	Assumption	**Policy emphasis**
Exclusion	Mainstream, as it stands, is desirable	Inclusion is a matter of bringing those 'out' into the mainstream
'Unfavourable inclusion'	Inclusion under 'exploitative conditions / deeply unequal terms of social participation'	Inclusion requires systemic transformations in the mainstream, changes in the rules of the game

Note: Based on Sen (2000)

Over the past two decades, some in policy communities have attempted to re-imagine public policies as the domain of technocratic work. However, ideology, as a set of beliefs about how state and society should relate and co-exist in this world, continues to matter. Social inclusion—and within it, financial inclusion—has become a powerful political agenda which is redefining the terms of state–society relations and the balance between economic considerations and social justice. This should be a sufficient reason to keep us engaged in the debate on what financial exclusion means, its causes and the role for governments and civil society in addressing exclusion.

5 Conclusion

This paper has focused on assets-based welfare and the development of financial capabilities as components of the broad financial inclusion policy agenda. These are undoubtedly positive steps to address financial exclusion, but they are not sufficient. As policy instruments, if they are used to individualise the problem of financial exclusion, they will at best provide some relief. A transformative approach to financial inclusion in

Australia, one that is able to deal with individual and systemic causes for exclusion, will combine:

- correction of the distorted distribution of tax benefits, which maintains the disparity in opportunities for assets accumulation and privileges wealthier citizens
- sustained work to achieve effective and fair access to financial products and services for the financially disadvantaged
- financial education and free advice services, supporting people to maximise their income, optimise their financial decisions and exercise their legal rights
- both private and public savings and asset-building initiatives
- partnerships among the public, corporate and community sectors to reach scale and sustainability in existing financial inclusion programs.

Precisely because the financial inclusion agenda is a politically constructed project, its outcomes are not predetermined. It is possible for Australia to pave the way to link financial inclusion with fairness. In order to avoid viewing social and economic systems as static blocks in which individuals have a fixed place, financial inclusion needs to be seen as a process which explicitly recognises the human dignity of those who have been excluded, through a dynamic interaction in which the mainstream itself is transformed.

Promoting dignifying conditions for financial participation for all members of society will not solve all the challenges of the social policy agenda, but it is certainly a requirement if we are committed to social justice.

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