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## **CENTRE FOR SOCIAL IMPACT SUBMISSION TO THE FINANCIAL SYSTEM INQUIRY – DRAFT TERMS OF REFERENCE**

### **WHO ARE WE**

The Centre for Social Impact (CSI) is a collaboration of four universities: the University of New South Wales, Swinburne University of Technology, The University of Western Australia and The University of Melbourne. Our aim is to create positive, meaningful and sustainable systems change for the benefit of our community, and particularly for those at disadvantage as a result of complex, long term systemic issues.

One of these systemic issues is financial exclusion, which we define as a “Lack [of] access to appropriate and affordable financial services and products – the key services and products are a transaction account, general insurance and a moderate amount of credit” (Connolly et al., 2011).

### **SCOPE OF OUR RESPONSE**

In this submission CSI is only commenting on financial inclusion and exclusion within the Draft Terms of Reference.

### **ISSUE & BACKGROUND**

The draft Terms include many key issues and concepts including 'fairness', 'integrity' and 'safety', but they do not include any discussion of financial inclusion or financial exclusion.

Over the last decade, financial exclusion has become a key issue both in Australia and abroad. Stakeholders across the financial services sector have come to realise the importance of improving access to appropriate and affordable financial products and in Australia financial inclusion has been advocated as a means to address the consequences of financial hardship (The Australian Government - the Treasury, 2012).

Financial exclusion can decrease individuals' social and economic participation in society with excluded individuals being more likely to go without basic meals or necessities, sell possessions or pursue short term credit, or require access to emergency relief support (Burket and Sheenan, 2009, Dobbie and Gillespie, 2010).

CSI conducts annual research on the prevalence, causes and impacts of financial exclusion. In 2012 the most recent data indicated that 17.7% of the Australian adult population are either fully excluded or severely excluded from access to financial services – that is more than 3.1 million individuals. The results also show that the proportion of severely excluded Australians has risen from 14.8% to 16.6% since 2010 (Connolly C, 2013).

Australian communities have also recently suffered serious losses from natural disasters, including bushfires, floods and cyclones. However, rates of access to insurance are poor, with 19.5% of the population having no access to general insurance (Connolly, 2013).

Numerous Government, business and community initiatives have been launched to promote financial inclusion. This emerging sector has introduced some of the most innovative financial products in Australia, including micro-enterprise finance, matched savings programs, and social investment bonds. CSI's research evaluation of the StepUP loan product in Australia suggest that fair and affordable products can allay the symptoms of financial hardship and provide recipients with a pathway to financial inclusion (the Centre for Social Impact, 2013).

### **RECOMMENDATION**

**THE TERMS OF REFERENCE SHOULD INCLUDE AN EXAMINATION OF FINANCIAL EXCLUSION IN AUSTRALIA OR A SPECIFIC OBJECTIVE TO PROMOTE AN INCLUSIVE FINANCIAL SYSTEM.**

An effective Financial System Inquiry should not exclude the lessons and challenges that can be observed in this important area. The Terms of Reference should specifically include a reference to the examination of financial exclusion in Australia and / or a specific objective to promote an *inclusive* financial system.

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