Road map to Financial Inclusion

Incomplete without People with disabilities

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There is considerable buzz across the globe to make financial inclusion a reality by 2020. From the World Bank, to The United Nations, to large and small private organizations, to policy makers and, non-profits all are talking about financial inclusion.

The term financial inclusion means more than "banking the unbanked". It requires ensuring that a range of services are provided to a diverse set of consumers in a safe and accessible manner by a variety of providers. It also requires building financial capability amongst customers so that they have the knowledge, skills, and capacity to make sound financial decisions. The concept of financial inclusion is deeply rooted in empowerment and it targets all working age adults and vulnerable populations. The reason why financial inclusion is important is simple: it is a tool to fight poverty. If an individual or a household can have access to financial services they can save and plan for emergencies, then they can plan to buy a house, start a business, or invest in further education. They can then build assets and financial security and learn the skills to "get ahead" instead of just "getting by".

However, what is perplexing in this conversation of financial inclusion in our own country, is the marginalization of people with disabilities. Globally, United States is a powerful player in many, if not all the above mentioned organizations which are engaged in building financial capabilities. A look at poverty, employment, homeownership, access to transportation statistics, and reach and accessibility of financial services to this population demonstrates the work that is required to empower people with disabilities.

A look in our own backyard

A key indicator of the economic health of a population is its participation in the mainstream financial services. The 2013 FDIC national survey of unbanked & underbanked households in United States revealed that 7.7% households were unbanked or had no bank account and 20% were underbanked (used alternative financial services even though they had an account with a federally insured financial institution). For the first time, the survey addressed households headed by individuals with disabilities and it revealed that these households were more likely to be unbanked and more likely to use high-cost alternative financial services than the general population. One in six, over 18% households headed by a working aged individual are likely to be unbanked and more than one in four, over 28% are underbanked. Nearly 46% or half of the households headed by a person with a disability rely for some or all their financial needs outside the banking system. {1}

Economic independence and self-sufficiency for Americans is directly linked to employment. A significant gap persists when comparing employment outcomes for people with disabilities and without. Only 12-17% of working-age people with disabilities are employed on an average as compared to over two-thirds, which is 64-70% of people without disabilities. It is also well documented that this group has lower median monthly income than their peers without disabilities, have lower education levels, and lower homeownership. There is a growing body of research that indicates that people with disabilities have lower financial capability than people without disabilities – the ability to make informed financial decisions that lead to economic security.{2} They have greater difficulty covering monthly expenses, making mortgage payments, making timely credit card payments, have lower savings and less likely to have any emergency funds to withstand financial shocks. In fact a sobering finding from the 2015 Report on Economic Well-Being of US Households showed that people with disabilities not only have a lower capacity to have emergency/ rainy day funds to cover expenses for 3 months, but also that they have a significantly lower financial capability to cover an unexpected expense that costs just $400. A relatively small financial bump for many people without disabilities.

As we celebrate the 25 years of ADA, we cannot ignore an important promise of this legislation – the promise of building economic self–sufficiency. While many policy, programmatic and psychological barriers prevent people from working, earning and saving, positive winds of change are creating pathways to economic stability & financial security. Employment First initiatives are bridging the employment gap between people with & without disabilities. The new rule of Section 503 of the Rehabilitation Act of 1973 is encouraging federal contractors to hire, train & retain employees with disabilities. ABLE (Achieving A Better Life Experience) Act is a definite step forward in removing policy barriers that preclude savings and asset building. Workforce Innovation and Opportunity Act (WIOA) is paving the way for including individuals with disabilities (along with others) to access employment opportunities.

These efforts need to be complimented with building financial capability of people with disabilities so that they can be part of the financial mainstream.

- A dialogue needs to be initiated with public and private financial organizations & community based organizations to improve the access to financial services for individuals with disabilities. More importantly, include individuals with disabilities in these conversations to better understand their needs & requirements. Cross functional workgroup needs to be created to ensure development and implementation of financial inclusion strategies at both policy & operational level. Increasing access to mainstream financial products & services, providing financial literacy, and building disability inclusive products & strategies are few important issues that need to be addressed.

- Increase access to technology. Internet banking and mobile banking services are gaining importance in reaching out to unbanked & underbanked populations that have difficulty accessing a bank/ financial institution. Mobile banking services can provide anytime, anywhere services quickly, conveniently at an affordable rate. {4} FDIC National survey findings reveal that households headed by individuals with disabilities have significantly less access to smartphone, mobile phones and internet.{1} Further, even if individuals have access to internet, work needs to be done to make these technologies accessible to people with disabilities.

- Apart from this, psychological barriers of stigma, discrimination, and individual's (& family's) misconceptions about their own abilities to work and save need to be addressed. Improving educational accessibility and outcomes; raising the bar & building dreams of better outcomes for families & individuals with disabilities are critical foundation to establishing the fact that all individuals, across the spectrum of disability, are productive contributors to our economy.

There are 57 Million Americans that face social, economic and cultural challenges in gaining access to the building blocks of economic independence. This calls for collaborative efforts between financial organizations, banks, businesses, government and families to ensure that all adults and youth with disabilities are part of the financial inclusion vision of our nation.

References:

{1} Banking Status and Financial Behaviors of Adults with Disabilities.Findings from the FDIC National Survey of Unbanked & underbanked Households

{2} Financial Capability of Adults with Disabilities Findings from the FINRA Investor Education Foundation 2012 National Financial capability Study

{3}Financial Circumstances of Individuals with Disabilities: Evidence from Survey of Household Economics & Decision Making

{4} White Paper Assessing the Economic Inclusion Potential of Mobile Financial Services- FDIC