

FINANCIAL INCLUSION SEEKS TO ENSURE THAT INDIVIDUALS AND BUSINESSES HAVE ACCESS TO RELEVANT AND AFFORDABLE FINANCIAL PRODUCTS AND SERVICES THAT MEET THEIR NEEDS AND ARE DELIVERED IN A RESPONSIBLE AND SUSTAINABLE MANNER.

According to the World Bank around 2 billion people do not use formal financial services and more than 50% of adults in the world’s poorest households are unbanked. A number of factors significantly affect financial inclusion and through working with policymakers, regulators and development agencies across the globe over several years we at the Islamic Finance Council UK (UKIFC) are acutely aware of these and summarise them in our “6-A” model illustrated below.

Successfully addressing this 6-A model requires a multi-pronged approach bringing together various solution providers and facilitators. A specific issue we have identified is the Availability and Acceptance of values-based financial products that comply with underlying faith principles. This challenge applies to many developing and developed countries alike.

Through specialising in this area, the UKIFC has devised a proprietary methodology to develop, support and optimise enabling frameworks in non-interest / participatory finance that gives people from relevant faith traditions an alternative to interest based products.

Financial inclusion typically relates to transactions, payments, savings, credit and insurance products and services that facilitate day-to-day living, helping families and businesses plan for everything from long-term goals to unexpected emergencies. As account holders, people are more likely to use other financial services, such as credit and insurance, to start and expand businesses, invest in education or health, manage risk, and weather financial shocks, which can improve the overall quality of their lives.

A global priority for policymakers, regulators and development agencies:

- Identified as an enabler for 7 of the 17 UN Sustainable Development Goals
- G20 commitment to implementing High-Level Principles for Digital Financial Inclusion
- The World Bank Group global goal to reach Universal Financial Access (UFA) by 2020



UKIFC 6-A Model

Our 6-A model below highlights the stages to achieving financial inclusion. The products must be **available** with consumers made **aware** of their existence. They must be structured to comply with values / faith principles (i.e. be **acceptable**) and be **accessible** through branch, agent or digital distribution channels. Fintech and the global usage of mobile phones have facilitated expanding access to financial services to hard-to-reach populations and small businesses at low cost and risk. Finally products must be **affordable** for consumers to ensure **adoption** and usage.

Acceptance – Faith-Based Inclusion and why ethical parameters matter?

The three Abrahamic faiths - Judaism, Christianity and Islam - take a very firm stance against usury (the lending of money at high interest rates). All three share a considerable aversion or complete ban in their scriptures. In Jewish tradition charging interest was forbidden within the community but was permitted to outsiders. The Christian tradition, which historically prohibited lending at interest for several centuries, reinterpreted “usury” in the 16th century when lending money at low interest rates came to be deemed permissible. Islam, on the other hand, does not differentiate between charging interest and usury, and takes a very firm stance against charging even the lowest of interest rates.

Those of the Abrahamic faiths, along with other faiths and those of no faith, generally share common values on the ethical principles of justice, fairness, transparency and equity which should underlie economic behaviour. Many people across all societies are looking for a fairer form of banking and often the less economically empowered / financially excluded tend to be the most keen to ensure their money is not invested in sectors deemed harmful to their communities but rather to enhance and empower.

Non-interest, participatory or Islamic finance form part of the ethical finance portfolio and provide a solution to consumers of different or no faiths with an aversion to interest and interest-based products. As such it can play a key role in diversity and deepening financial inclusion.

“Countries that have achieved the most progress toward financial inclusion have put in place an enabling regulatory and policy environment, and have encouraged competition allowing banks and non-banks to innovate and expand access to financial services.” The World Bank

How Non-Interest Finance Works and How it Supports Financial Inclusion

Attractive to anyone with an aversion to interest (asset-backed finance)	Ethical approach with negative screening (i.e. cannot invest in sectors deemed harmful to society) and prohibition on speculation
Non-interest finance is regulated and offers the same consumer protection as conventional finance	New market entrants with enhanced product offering
Deposits are not interest-based but based on profit and loss sharing or as interest-free loans	New competition in the banking industry
Non-interest finance is NOT free. Financiers make returns by buying and selling assets or renting out assets or through direct equity financing with risk being sharing	Enhanced oversight and regulation
No extra money is charged as penalty for payment default	Enhanced investment in the critical sectors of the economy through the use of Sukuk, a new financing instrument.
Insurance products where members contribute money into a pooling system in order to guarantee each other against loss or damage	It is open to all people to use - not just Muslims

How do engage in Non-interest finance? /How Can We Help You?

The UKIFC specialises in advising regulators, NGOs and governments to create suitable policy, enabling regulatory frameworks and building capacity for successfully engaging in non-interest / Islamic finance. Our team includes experts in financial inclusion and Islamic finance with experience in advising across a wide range of international jurisdictions.

In addition we have recently partnered with the world's 6th largest law firm CMS. Through our partnership with CMS / CMS Bureau Francis Lefebvre we offer a single, cohesive legal and advisory service tailored to supporting government agencies, regulatory bodies and financial institutions to develop capacity and create enabling frameworks for non-interest finance.

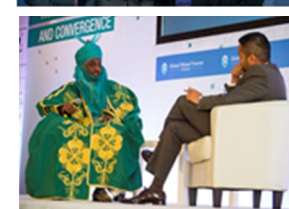
Our policy development offering is focused on understanding the current financial inclusion challenges, benchmarking against best practice approaches and recommending strategies to fit local economic development plan. We can develop, implement or improve regulatory frameworks through advising on legal matters, drafting guidelines and, where required, developing the Shariah governance model. Our commercially focused capacity building programmes are tailored for regulators, finance professionals, scholars and consumers in any jurisdiction.

For assignments covering multiple service lines we recommend the establishment of a project management office, which, we believe, provides the most efficient and cost-effective solution. Whilst our model adopts an incremental approach, we can offer and deliver each service either on a standalone or combined basis.



Our Commitment to Ethical Finance

- Worked across multiple regulatory agencies in Nigeria for 5 years through Enhancing Financial Innovation & Access, a development organisation that promotes financial inclusion. Work included: Islamic capacity building sessions for professional bankers, working groups, microfinance programs, developing scholars, identifying regulatory gaps, undertaking operating framework analysis for Shariah compliance, reviewing capital markets master plans and assisting in developing takaful regulatory guidelines.
- In 2013 brought together religious scholars and financial practitioners at the first ever Interfaith Ethical Finance Round Table, held at the House of Lords with Archbishop Justin Welby.
- Launched the first global partnership between Islamic finance and the Church of Scotland in 2016 with the aim of creating a new financial model available to everyone regardless of religious or ethnic background.
- Launched Europe's first dedicated Ethical Finance Hub in 2016 which brings together practitioners and other participants in ethical finance in collaboration with the Scottish Government and Heriot-Watt University.
- Worked in partnership with a global event's organiser to host around 250 leading industry experts from across the globe at the inaugural Global Ethical Finance Forum, held in Scotland in 2015.



The UKIFC is a specialist advisory and development body focused on promoting and enhancing the global Islamic and ethical finance industry. As a dynamic and forward-thinking not-for-profit organisation our Advisory Board Members, who provide pro bono support, have defined and evolved the role we play in making a tangible impact in the global Islamic finance sector. Our principle service areas are: Advisory, Ethical Finance, Training and Awareness and Thought Leadership. The UKIFC is currently Secretariat for the All-Party Parliamentary Group on Islamic Finance.



Modupe Ladipo
modupe@ukifc.com
 +44 (0)207 193 6329



Graham Burnside
graham@ukifc.com
 +44(0)7968 360684



Omar Shaikh
omar@ukifc.com
 +44(0)7921 128037