

Diapo 1

FINANCIAL EXCLUSION

I am speaking as President of the Granada Saving Bank and also, as President of the International Association of Social and Pledging Credit Establishments, which includes 54 Credit Institutions from Africa, America and Europe.

Diapo 2

To the question as to whether financial exclusion exists in the majority of western societies at the start of the new century, the answer should be clear and convincing: yes.

Financial exclusion not only exists, it is a growing phenomenon, as the Rowntree report on financial exclusion, published in 1999 in the United Kingdom, showed.

Diapo 3

This fact collides head-on with a modern concept that a person should meet three criteria to be considered a citizen:

- political citizenship (to elect and be elected),

- civil citizenship (freedom of speech and a right to rapid justice, for instance) and
- social citizenship.

This third point should include, perforce, a series of social and economic ingredients that would ensure minimal quality of life, a certain degree of security and economic stability.

If we consider that, in pro of maximum cost effectiveness and increased profits, the European banking system has been characterised in recent years by a rapid merger of banks which has led to closed branches, particularly in rural areas, small towns and economically depressed areas, we are faced with a growing number of people who are remote from the above mentioned economic and social point.

Diapo 4

Moreover, the exponential increase in immigration in our societies is forcing the financial system to face a new situation to which it must act quickly and intelligently: we need to support the integration of immigrants by facilitating their financial inclusion without losing profits and effectiveness.

To these factors that foster financial exclusion, we must add others such as a lack of appropriate financial products for a broad segment of the population and the high price of some basic products.

This means a growing gap between one segment of a State's citizenship and its banking-financial system. This, in turn, involves a troubling symptom consisting of the "informal" or "underground" economy.

Diapo 5

What can we do to combat the phenomena that cause and promote both financial exclusion and the underground economy in which thousands of people are immersed?

First, we need to make financial institutions accessible to all the people, eliminating the physical and psychological barriers that prevent customers' effective access to the services and products offered by the institutions.

To achieve this, we need employees to be on the level of the customers, to be able to speak in a way that they will understand, and to guide them towards the services that customers will find practical and useful.

We should make customers feel welcome and respected not only as customers, but as people.

Diapo 6

Then, it is fundamental to offer them useful and appropriate financial instruments. Basically, these instruments are three:

1. collateral loans,
2. micro-loans, and
3. a current account or a savings account.

Diapo 7

1.- Collateral or pledge loans have existed in Europe since the 17th century, and they originated to combat usury.

Collateral loans were channelled through the “pawn bank”, the first recognised and institutionalized form of loan, and it was exported to various countries in America, Africa and Asia, where it became firmly established and well developed. Currently, pawn banks' activities absorb extremely high quantities of resources and reach high volumes of business.

The CajaGranada's Monte de Piedad, Pawn Bank, for example, has increased its business by five and a half per cent (5'5%) during the first eight months of this year. It has given almost five million euros in collateral loans and the new clients are mostly immigrants who find help from the Pawn Bank very useful.

Diapo 8

2.- A second tool for fighting exclusion and the underground economy is micro-loans, a method of lending in which the beneficiary of the loan is the warrant himself.

Decisive support is given to a micro-business project with prospects of success and continuity, presented and defended by the person who will start the business up and manage it in the future.

Micro-loans do not require backers or real warranties. They are based on confidence in the person. The idea first occurred to an economist from Bangladesh, Muhammad Yunus, who created the Grameen Bank.

At the beginning, there were doubts as to the project's feasibility and continuity. However, a micro-loan repayment rate of 99 percent was convincing proof that having confidence in people can also be very profitable.

CajaGranada Foundation has given in the last two years one hundred and fifty (150) micro-loans. More than one million euros (1.000.000) have been given to different people to begin their small businesses.

CajaGranada has more than ninety five per cent (95%) repayment of the micro-loans. Sixty seven per cent (67%) of the people who receive micro-loans are immigrants and seventy per cent (70%) of them are women.

So, as I said a moment ago, micro-loans are profitable. I am so sure about this that recently I have signed the constitution of the Grameen Latin Foundation, branch of the Grameen Bank Trust, with Muhammad Yunus. We are going to export his model of micro-loans all over the Latin world.

Diapo 9

3.- The third front in the fight against exclusion is known as the "right to an account". As opposed to other European countries, Spain has no legislation that specifically obliges a bank to open anyone an account who applies for one, with the obvious scope for exclusion that this implies.

Perhaps the time has come to advocate European legislation to promote a model of account, mandatory and at very low cost or even free, for anyone below a certain income level who wishes to open one.

The proposal is for a Basic Account, a Social Account or an Inclusion Account, that would be opened with all requirements, legal and otherwise, as a link between financial institutions and thousands of citizens who are at risk of financial exclusion.

An account of this nature would be very useful in order to receive social or unemployment benefits, or

even for arranging for the automatic debit of basic utility services such as electricity, water, and gas.

Moreover, the mere fact of holding an account could mean that "underground" economies would become formal economies, with the social benefits that would bring.

Diapo 10

To summarize.

We need a network of geographically diversified banking offices, accessible to any person, a duly legislated right to an account to make payments and receive financing through collateral loans and micro-loans.

Such a network would offer an optimistic outlook on effective citizenship and socio-economic integration for thousands of people who are at severe risk of financial exclusion or immersion in the underground economy.

Thank you.