



Banking Practices & Economic Inclusion - A Research Discussion with International Finance Corporation (IFC)

Speaker:

John Arzinos
Economic Inclusion Officer, IFC

Host:

Ruth Dueck-Mbeba
Financial Inclusion Advisor, Toronto Centre

Date:

October 12, 2022

Transcript:

Automation:

You're listening to a Toronto Centre podcast. Welcome. The goal of TC Podcasts is to spread the knowledge and accumulated experience of global leaders, experts, and world-renowned specialists in financial supervision and regulation. In each episode, we'll delve into some of today's most pressing issues as it relates to financial supervision and regulation, the financial crisis, climate change, financial inclusion, FinTech, and much more. Enjoy this episode.

Ruth Dueck-Mbeba:

Hello, everyone, and welcome to this Toronto Centre podcast. Today we will be talking about two new publications on inclusive banking practices that advance the economic inclusion of persons with disabilities and LGBTI people. These reports were released earlier this year by the International Finance Corporation, the private sector arm of the World Bank. My name is Ruth Dueck-Mbeba, and I'm a financial inclusion advisor with Toronto Centre. Today we are joined by John Arzinos, economic inclusion officer in IFC's gender and economic inclusion group, who will provide highlights from this recent work. Welcome, John. It's a pleasure to have you on this podcast, and we look forward to hearing more.

John Arzinos:

Hello, Ruth. Thank you for having me on this podcast hosted by the Toronto Centre. The Toronto Centre, of course, whose work on financial inclusion is truly inspiring and is helping us reach so many people.

Now let's start with the big picture and get down to the nitty gritty. IFC. What is IFC? IFC is a member of the World Bank Group, and it is the largest global development institution focused on the private



sector in emerging markets. We work in more than a hundred countries, using our capital, expertise and influence to create markets and opportunities in developing countries. To give you an example, in fiscal year 2021, IFC committed a record 31 and a half billion US dollars to private companies and financial institutions in developing countries. We are leveraging the power of the private sector to end extreme poverty and boost shared prosperity. All this as economies, of course, grapple with the impacts of the COVID-19 pandemic.

Now, within IFC, a small the mighty unit called the Gender and Economic Inclusion Group is hard at work to reduce gender inequality. What do we do? We provide investment advice, we develop global and country-specific partnerships, and we conduct research to highlight the business rationale of closing gender gaps. In the last few years, though, we've moved a little bit beyond the gender binary, if you will. We've expanded our focused to include various other underrepresented groups like persons with disabilities and LGBTI people.

Ruth Dueck-Mbeba:

Thanks John. For the benefit of our audience today, could you please explain a few of the terms and definitions used in the IFC research?

John Arzinos:

While there's no universally accepted definition of disability, according to the United Nations, and I'm quoting, "Persons with disabilities include those who have-long term physical, mental, intellectual, or sensory impairments, which, in interaction with various barriers, may hinder their full and effective participation in society on an equal basis with others."

On the other hand, LGBTI, that means lesbian, gay, bisexual, transgender, and intersex people. Also, we often hear the term sexual orientation and gender identity, which is good to know. SOGI for short. Sexual orientation is each person's enduring capacity for profound romantic, emotional, or physical feelings of attraction to persons of a particular sex or gender. And on the other hand, gender identity is each person's deeply felt internal and individual experience of gender, which may be being a man, a woman, in between, neither, or something else entirely.

And so all this to bring us to our latest twin publications, which are very aptly titled Inclusive Banking: Emerging Practices to Advance the Economic Inclusion of LGBTI People and Inclusive Banking: Emerging Practices to Advance the Economic Inclusion of Persons with Disabilities. These two publications are some of the first by IFC on the topic. They're part of a series that highlight the private sector business case and emerging practices that foster economic inclusion for marginalized communities. They feature firsthand information which were shared by 11 and 12 respectively of IFC's treasury underwriter banks on how they advance economic inclusion for these two groups.

Ruth Dueck-Mbeba:

Thanks for that helpful context. Our audience today may well be aware of IMF research on the relationship between financial inclusion and financial stability. It shows largely a positive although nuanced connection. There's also emerging research and practice that examines the relationships between financial inclusion, stability, integrity, consumer protection, and economic opportunity. So, John, in what ways does IFC see these two publications so important for financial and economic inclusion?



John Arzinos:

You see, Ruth, many people consider these two groups to be very different, but in truth, they share a core common characteristic. They're both severely underserved and hold tremendous potential. So, to give you some examples, the size and potential of the untapped LGBTI banking market is significant and it is growing in importance. Estimates suggest that the LGBTI population has a collective annual spending power of 3.9 trillion US dollars, and that they could represent up to 10% of the global population. And yet LGBTI people are currently underserved by the financial sector.

On the other hand, on disabilities, 1 billion people worldwide live with some form of disability, which is around 15% of the global population. Estimates suggest that persons with disabilities constitute an emerging market of almost 2 trillion US dollars in annual disposable income. This grows to a potential market of more than 3.4 billion people when we loop in family members and caregivers.

Ruth Dueck-Mbeba:

Thank you. Can you tell us more? What is the relevance for the private sector, IFC's primary audience?

John Arzinos:

Absolutely. So, diversity, equity, and inclusion for all groups, including LGBTI individuals and individuals with disabilities, is a clear and present business performance issue. Globally, shares of LGBTI-inclusive companies tend to perform better than the broader market. An analysis by Credit Suisse found that a basket of 350 LGBTI-inclusive companies outperformed the general equity market in seven years out of an 11-year study period. Also, a review carried out by Open for Business, which is a coalition of global companies that support LGBTI inclusion, found no evidence that public support for LGBTI inclusion by high-potential companies in emerging markets had any negative impact on their revenue growth or their EBIT, which is earnings before interest and tax, as our audience knows.

On the disability front, research conducted by Accenture suggest that US companies that are leaders on disability inclusion enjoy 28% higher revenue and 30% higher profit margins than their peers. Also, persons with disabilities represent a large yet often underserved market for financial services specifically. This means that banks that enhance the accessibility of their products and services can expect, of course, an expanded customer base.

For the financial sector, the cost of inclusion gaps may be especially high. Banks that lag behind their competitors in respect to diversity, equity, and inclusion practices will find it more difficult to attract and retain top talent and customers, break into new markets, innovate, and build a good reputation among prospective and existing employees, customers, business partners, and stakeholders. But of course, that's not all. LGBTI and disability inclusion are also important for attracting investment. International investors, including IFC, are putting a lot of focus on the social performance of prospective and existing investees, including, of course, performance on LGBTI and disability inclusion.

Ruth Dueck-Mbeba:

Thank you. We've seen that the publications profile some of these emerging practices that banks are taking to better serve persons with disabilities and the LGBTI community. Can you tell us a little bit more about what is actually happening?



John Arzinos:

Indeed. That's correct. First of all, let me say a big thank you to IFC's underwriter banks who agreed to be surveyed on the issue. These banks are Australia and New Zealand Banking Group, ANZ, Bank of America, Barclays Bank, City, Crédit Agricole, Deutsche Bank, HSBC Holdings, JPMorgan Chase, Société Générale, Standard Chartered, TD Bank Group, and Wells Fargo.

Now, the business case for the inclusion of LGBTI people and persons with disabilities is honestly quite similar. It hinges around four pillars. First, recruiting, retraining, and developing the best talent at all levels. Second, expanding markets through new products and services. Third, strengthening compliance and risk mitigation. And last, attracting and enhancing the performance of investments.

Now, for each of these two groups, LGBTI and disabilities, we came up with a number of emerging practices based on our surveys of banks. And those are, first, creating inclusive workspaces and paths to leadership for both groups, offering products and services that respond to the needs of LGBTI people and persons with disabilities, next, demonstrating public allyship and accountability, and driving the inclusion agenda in banking, implementing commitments to the LGBTI and disability inclusion in investment and procurement practices, and, lastly, developing LGBTI- and disability-focused partnerships and community outreach. As you can see, these emerging practices, the two groups don't really differ that much between each other. And this is because the issues that the two groups are facing are very similar, just as we touched earlier on.

Ruth Dueck-Mbeba:

So could we explore some of the more practical and managerial human elements a bit further? What are some of the examples that you saw in the research?

John Arzinos:

Of course. We found plenty of examples for both LGBTI inclusion and disability inclusion in emerging markets, and I'm happy to share some highlights. For example, Argentinian state-owned Banco de la Nacion announced a 1% target for transgender people in the workforce as part of an agreement with the banking industry's labor union, Asociacion Bancaria. The Kenya Bankers Association, or KBA, adopted financial inclusion for persons with disabilities as a strategic goal in 2019, and since then, the KBA has worked with several banks operating in Kenya as well as the independent trust called Financial Sector Deepening Kenya and local nonprofit called Enable to develop a roadmap for the industry to tackle accessibility challenges. TD Bank's supplier diversity program helps promote a level playing field and encourage inclusion of persons with disabilities in banks' procurement selection process, and they do this by prioritizing suppliers that are at least 51% owned and operated by individuals with disabilities. One more example. Santander in Argentina has developed an app called Hablalo!, Talk About It! And what it does is encourages communication with people who face difficulties when using banking services. And there are a lot more example that our readers can read about in the reports.

Now you see, Ruth, banks have taken action in such a diverse array of categories, but also most of these changes benefit the average consumer as well, like more user friendly webpages. We can talk about a number of examples here, like the creation of audiobooks or emails or more user-friendly packaging or advertising, most of which were created for persons with disabilities, and so they end up benefit the wider customer base. Now, of course there's no single one way to promote inclusion, and we see a myriad of different and innovative approaches that the financial institutions can take even in difficult environments.



Ruth Dueck-Mbeba:

Thank you. That helps paint a really informative picture, to see those illustrations and hear about them. So for our audience today, what might financial regulators be aware of, and what should financial supervisors be mindful of?

John Arzinos:

Of course. Financial regulators and supervisors play a key role in the expansion of inclusive practices by banks, especially since in a lot of cases they set the tone for how banks act. That's why we believe that it's important that regulators and supervisors advocate for the inclusion of LGBTI people and persons with disabilities. And so to that end, both of our reports end with a call to action, if you will. So number one, improve data collection and track progress to strengthen the business case for LGBTI and disability inclusion. Number two, providing safe, respectful, and welcoming working environments for LGBTI people and persons with disabilities, including paths to leadership. Next, create more products that address the needs of LGBTI people in person with disabilities. And last, increase the focus on LGBTI people and person disabilities in investment strategy.

See, Ruth, it's not just the right thing to do. It's important, the economically smart thing to do. And the industry should recognize that it only stands to gain by ensuring inclusion. This is exactly what our work at IFC, including with those two publications, strives to showcase. We will continue, of course, to advocate for inclusion and to produce the research and data to support the case for inclusion, but without regulators and supervisors, we can only get so far when it comes to the banking sector.

Ruth Dueck-Mbeba:

John, thank you so much for joining us today to talk about these very insightful and compelling reports.

John Arzinos:

Thank you for having me, Ruth.

Ruth Dueck-Mbeba:

We are mindful that much work remains in promoting the financial and economic inclusion of all people, and it's instructive to see how commercial practices are rising to the business opportunities in local markets that meet the needs of all. So thank you again for this conversation. You can read more about IFC's work in economic inclusion and the reports themselves by visiting the links shared in the podcast notes. And to conclude our Toronto Centre podcast today, we are reminded that the work of financial regulators and supervisors continues to evolve in our rapidly changing world. Our current context and challenges are not insignificant. However, addressing financial inclusion gaps, financial stability challenges, and economic inclusion are not mutually exclusive issues. Let's carry on with the work. Thank you for joining us today.