

Cross Party Group on Monetary Reform

Sharing Prosperity: Inclusive Financial Services for Sustainable Development and Growth in Wales

Conference Room 24, Ty Hywel, National Assembly for Wales

4th November 2015 Starting at 12:00 Noon

Annual General Meeting

As Wales is preparing for the sustainable development goals through its 'Well Being of Future Generations Act 2015', the Welsh Government will require a proportionately ambitious and aspiring financing plan to implement them.

A traditional approach to financing is insufficient and a paradigm shift in development finance is indispensable. Islamic Finance has the potential to play a transformative role in supporting the implementation of the Welsh Government post 2015 agenda.

Akmal Hanuk, Founder and CEO of Islamic Banking and Finance Centre and Dr Ahmad Jamal, Senior Lecturer, Cardiff Business School present an innova

tive and integrated financial services model to achieve the sustainable development and growth objectives through financial inclusion, poverty eradication, addressing inequality and encouraging enterprise in Wales.

Attendees:

Darren Millar AM (Chair)	Darren.Millar@wales.gov.uk
Justin Lilley (Secretary)	jplilley@outlook.com
Mohammed Askar AM	Mohammad.Asghar@wales.gov.uk
Russell George AM	Russell.George@wales.gov.uk
Mia Rees	Mia.Rees@assembly.wales
Michelle Davies	michelle@cardiffpound.com
Freya Michaud	michaud@cardiff.ac.uk
Bill Hudson	bill.hudson@acecus.org

Joseph Allen	joseph.allen@abcul.org
Alun Jones	ajones@wcva.org.uk
Robert Alexander	r.alexander@eesafe.com
Sarah Freeman	sarah.freeman@taicalon.org
Richard Essex	richard.essex@ntlworld.com
Dave Brown	cardiffcu@live.co.uk
Dennis Grenall	manager@lasacreditunion.org.uk
John Chown	john@william-ross..co.uk
Gruffydd Meredith	sovereignwales@hotmail.com
Lauara Nunez	Unknown
Razwan Nazir	razwannazir@hotmail.com
Chris Kay	v3cjk@hotmail.co.uk
Pa-Modou Sowe	pmsowe27@yahoo.co.uk
Christopher Coughlan	christophercog@sky.com
Ross Balmer	ross@clo.uk.com
Indyren Yagambrun	neilturner@ntlworld.com
Neil Turner	neilturner@ntlworld.com
Mark Hooper	marc mark.hooper@inspirato.co.uk
Re. Chris Lewis	revchrislewis@icloud.com
Graham Coleshill	gcoleshill@clarkslegal.com
David Wyn Williams	david.wyn@dailingual.cymru

DM: This group is set up to explore adapting the Welsh Financial System to improve access and counter flaws and problems. It is great to see so many people. How many people are attending for the first time?(many hands are raised) That is fantastic! Welcome to you all. Today we are going to hear about the traditional banking utilised in the Islamic World.

AH: Today is about the sharing of research and ideas to all attending and beyond. Now enshrined in legislation is the Wellbeing of Future Generations Act 2015. The insights support an emphasis on 'Wellbeing' within the framework of 'Sustainable Growth'. The Millennium Development Goals have

now been adapted to the UN's Sustainable Development agenda. The topic today is **Sharing Prosperity: Inclusive Financial Services for Sustainable Development and Growth in Wales**.

With an undertaking of this kind, 'Measurement' of results is key. These can be Qualitative or Quantitative analysis and will be able to show significant areas of improvement and decline.

7 Objectives of Wellbeing

1. A Prosperous Wales
2. A Resilient Wales
3. A Healthier Wales
4. A more equal Wales
5. A Wales of cohesive communities
6. A Wales of vibrant culture and thriving Welsh language
7. A Globally responsible Wales

The Backdrop.... Not very encouraging

- Financial Crisis
- Bailouts
- Scandals (e.g. PPI, LIBOR, Swaps, etc.)
- Rising Un(der)employment
- Inequality e.g. *85 richest people in the world have as much wealth as the bottom 50%*.
~ Christine Lagard IMF

Issues in the distribution of wealth are causing problems for local councils, public services as budget cuts create challenges, old and new.

AJ: Financial Crisis

Communities struggling to access finance was the starting point. Islamic Finance has proven successful around the globe and it is still growing. This is true in the UK as elsewhere as more financial products are being made compliant with Islamic Financial Principles.

The 'Gap' that was identified was in Consumer Finance so the research sought to understand communities and their financial needs. Introducing the broader principles of Islam focus groups were conducted with communities and SMEs. Two fulltime PhD students looked at the questions *Islamic Finance and Consumption: Why Bank with the Mainstream?* with the second issue of *Charity: Muslim Communities and Donations* being raised as important.

Sample groups looked at diverse cultural backgrounds, gender, psychology, motivation and demotivation as well as religiosity, faith and views on employment, enterprise and SME finance.

The challenge of what to do now? is preceded by another question, whose problem would this be? or Who would be responsible for fixing it?

"We cannot solve our problems with the same thinking we used when creating them" ~ Einstein

AH: Consumer Financial Needs Hierarchy - Pathway to full Financial Inclusion

- Fundamental or essential needs such as access to secure, functional bank accounts.
- Everyday electronic, mobile payments and transfers or remittances.
- Long term savings and investments including pensions, annuities and more.
- Insurance for the protection and compensation of valuables.

Ethical Framework

Trust	Practitioners
Integrity	System
Accountability	Transparency
Benevolence	Empathy

Common Good

Governance Continuum

<u>Conformance</u>	<u>Performance</u>
Structural Operations	Value Creation
Financial Reporting	Social Responsibility
<u>Value</u>	<u>Application</u>
Trust	Islamic Financial Principle (without interest)
Transparency	Compliance and Regulation
Accountability	Ethics and Financial Reporting
Benevolence	Community/Economic Development

Assaddaqaat is a new innovative and inclusive Community Development Finance Initiative. It means voluntary charity involving distribution of donations to worthy causes. The model includes savings and loans utilising a Credit Union Model. SMEs can be accommodated using microfinance to support business without ever expanding debt that harms productivity. For individuals looking for equity investments there are many options available including but not limited to social enterprise, co-operatives and mutuals. Education and training can be provided because knowledge is key for a successful business.

Value Creation - Making the difference

Measurables:-

- i) Basic Human needs
- ii) Foundations of Welbeing
- iii) Opportunities

Socio-economic Impact:-

- 1) Financial Inclusion
- 2) Poverty Eradication
- 3) Encourage Enterprise
- 4) Addressing Inequality
- 5) Support Enterprise - Commercial and Social

Conclusion.... Next Steps

Recognize financial inclusion to sustainable growth and shared prosperity.

Welsh Assembly Government is a key player and must play a role.

Public-Private partnerships

Affordable Financial Services

Final Thoughts...

Opportunity lies with those who aspire to serve the underprivileged.

"There is no significant example in history before our time of a society successfully retaining moral life without the aid of religion" ~ Will Durant (Lessons of History 1968)

Q&A

GCH: Who has access to these services? Are they exclusive to the Muslim community?

AH: This has moved past a faith-based agenda. It is a mainstream product and access is not limited to any group. The underlying principles are based on Islamic Law but the service is there to support everyone.

The privileged can join the initiative as givers and/or investors as well as consumers. For example one aim is to develop local projects using community donations.

DG: In Swansea Credit Union (LASA) there has been an Islamic compliant product for the last three years. The main issue from our experiences is *understanding* of the Islamic Financial Principles and offering this product for everybody.

DM: What can we do to get the general population to look at more ethical banking? For example the Co-op Bank failures do not always show the best example but may teach us lessons.

AH: Legislators and public representatives can disseminate information, look at alternatives, value propositions, case studies and other ways to look at the problem from a new angle. With support of Local Government the net can be spread wider and create a closer relationship including ethical principles for a fair and just financial alternative. This may include education and training, financial support and making partnerships with other organizations.

CL: Individualism has led people away from thinking about the 'Common Good'. The extent of predatory lending means we need a better financial system.

DM: The Credit Union system suffers from a lack of confidence to deliver a range of services. What can be done to dispel these myths?

DB: Features of service of Credit Union products enabling delivery to wider communities.

AH: We need to elevate Credit Unions to help them to match High Street Banks.

RB: Fair Finance, working with Archbishop and Credit Champions Network have been educating communities about options and developing products such as peer to peer and guarantor lending.

DW: With austerity cuts hitting Local Councils hard is there anything that can be done to help retain services such as leisure centres for example?

AH: Yes, these are exactly the sort of projects that community partnerships could work towards to access finance for the Common Good.

DM: Who decides where the pool of donations are distributed?

AH: Investment managers expertise used to analyze risk post austerity cuts harming councils and services. The needs of the community should be examined and funds allocated where they can do the most good. Decisions can be made by consensus and based on merits. All will be FCA compliant. Green Energy initiatives, as well as helping schools and housing associations would seem like good uses.

MA: This is a good imitative as Muslims have a tradition of donations to causes as part of Assaddaqaat.

RG: (Expression of interest in rural banking and financial services and how Islamic Finance can help in this area).

Action Points

- Write to the Minister for Poverty and Financial Inclusion
- Contact Welsh Credit Unions
- Speak to friends, family and colleagues and build community

Any Other Business - Annual General Meeting

Darren Millar AM nominated to continue as Chair. Unanimously supported.

Justin Lilley nominated as Secretary. Unanimously supported.