



Education, jobs, small business can help spread Asia's wealth. Haruhiko Kuroda, Bank of Japan governor

Haruhiko Kuroda is the Governor of the Central Bank of Japan. Mr. Kuroda spoke ahead of the 50th annual meeting of the Asian Development Bank.

He explained that despite remarkable growth in per capita GDP over the past 50 years, poverty remains widespread in Asia. More must be done to promote growth that benefits everyone, regardless of socioeconomic status or gender.

Mr. Kuroda also told the Global Think Tank Summit in Yokohama that inclusive growth is the key objective for policy makers, including the Group of 20 economically developed nations. The summit was held earlier this May with 140 stakeholders and was organized by the Asian Development Bank Institute and the Think Tanks and Civil Societies Program of the University of Pennsylvania.

"Inclusive growth" has become a key objective for global policy makers including the G20. "Inclusive growth" is typically defined as economic growth in which growth opportunities and benefits will be delivered to all people, regardless of their various socio-economic and gender attributes.

Mr. Kuroda said the standing of Asia in the global economy has been improved. Life expectancy is also improved in the East Asia and Pacific region. In 1964 the average life expectancy was 49 years and is now at 74 years. South Asia is much improved too; up from 45 years to 68 years.

The economic growth in Asia has led to a narrowing income gap between developing countries around the world.

Mr. Kuroda is a former president of the Asian Development Bank and believes the bank has made a significant contribution to economic growth and the extended life span in Asia. Not just through contributions in financial capital, loans and grants, but also with

intellectual capital through the Asian Development Bank Institute to finance development projects.

In contrast to the relative economic progress made in the international sphere, domestic income inequalities have increased in some Asian countries. Among the 30 countries with comparable Gini coefficients, income inequality has increased in recent decades in twelve countries, accounting for about 80 percent of their total population. In most of these countries, the top income group has increased its income share. A recent survey concludes that when a deterioration of income equality occurs by benefiting mainly the rich, it undermines the poverty-reducing effects of economic growth. Unfortunately, poverty remains in Asia.

The World Bank's definition of poverty is living on less than \$1.90 a day.

In South East Asia and the People's Republic of China, Mr. Kuroda said the extremely poor decreased from 68% of the population in the 1980s to 8% from 2010 to 2014. In South Asia, where the extremely poor made up 50% of the population, they now make up 19%. Still, people continue to fall into extreme poverty. 60% of the world's 1.5 billion poor live in Asia.

The governor of the Central Bank of Japan called for greater efforts to provide the poor with education and jobs to break the vicious cycle of poverty. Doing so will lead to a more valuable and skilled workforce with a stronger potential for economic growth in the long run.

Parents must learn that improving their children's education is significantly better than wasting their labor on housework and part-time jobs for immediate profit.

There are other ways to make improvements too. Many positive strategies come down to helping small businesses flourish. Teaching the poor how to save and how to borrow money through financial institutions rather than money-lenders has great benefits. To accomplish this, financial institutions need to improve financial literacy among the poor, and be more open to lending against uncertain risk.

In East Asia and the Pacific, only 48% of adults have bank accounts, and 44% in South Asia. There are many obstacles to improving access: regulatory barriers, low financial literacy, high charges, distant bank outlets, weak legal rights, and political instability.

Mr. Kuroda supported the proliferation of microfinance. As the name implies, microfinance provides small loans to individuals to set up a small but profitable business. It might be to purchase a sewing machine for work in textiles, or a mobile phone to become a call center.

Microfinance provides people with more flexibility to choose a job and helps them become more self-reliant.

Mr. Kuroda also noted the opportunities of crowdfunding and the wider use of digital technology. Digital solutions can side-step not having a bank account. Information and communication technology, or ICT, might allow producers to sell their goods and get access to regulated credit without having to go through the banking process.

Financial inclusion has implications for the institutional foundations of banking and finance. To introduce new financial services, or to permit new entities to provide traditional services, the relevant financial business laws would need to be updated appropriately. The emergence of new service providers, including ICT companies, may call for improvements in monitoring and regulations. At the same time, financial policy measures would need to strike the right balance between dealing with possible issues regarding financial stability and consumer protection, and facilitating the innovation of service-providers.

The Bank of Japan governor said much of the burden falls on policy makers to find and eliminate obstacles to greater inclusion of the poor. Creating positive incentives is important, but improving financial literacy is essential, as is making financial and intellectual capital more readily available.

It is 50 years since the establishment of the ADB. In spite of the region's remarkable economic development, poverty does remain in developing Asia. We need to enhance the inclusiveness of Asia's economic growth, and financial inclusion can play an important role in tackling the stubborn poverty problem. Policy makers need to find and eliminate obstacles to such inclusion and create positive incentives, taking into consideration each country's specific circumstances. Enhancing financial literacy is also essential.

That was the governor of the Central Bank of Japan, and former head of the Asian Development Bank, Haruhiko Kuroda.