



## Small business needs financial education; post offices can go where traditional banks can't. Naoyuki Yoshino, ADB Institute dean

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It is difficult for a developing economy to grow when much of its productive energy comes from small and medium-sized enterprises, little powerhouses employing handfuls of people who work in diverse fields. But because they are small, most cannot get access to financial markets for loans to expand, or are unaware such funds are at their disposal.

The State Bank of Vietnam, with the Asian Development Bank Institute, held a workshop recently in Ha Noi to discuss how to boost growth in Asia through financial education and better protection for consumers.

Experts from South, East, and Southeast Asia talked about financial inclusion, access to finance in emerging Asian countries, how to improve financial literacy and financial behavior, and the challenges and risks that lie ahead.

In particular, they looked at what Viet Nam can do to improve access to financial services by households running often vulnerable small and medium-sized enterprises, or SMEs, and make them aware of services already available.

The dean of the Asian Development Bank Institute, Naoyuki Yoshino, told Viet Nam television's VTC-10 that while the urban populace, such as in Ha Noi, had ready access to banks, the same could not be said for rural populations with only limited access to agricultural banks or post office savings accounts.

For the development of Viet Nam, not only deposits but also other financial assets are required. For example, insurance or pension funds. Viet Nam is investing a lot for their future growth and companies have to borrow money from the market. Then domestic savings are very important. Otherwise, Viet Nam has to borrow money from abroad. Then overseas money comes and goes easily; it is very fragile. So domestic saving is very important for Viet Nam's stable, sustainable growth.

More than 1 billion people in Asia-Pacific do not have access to a financial service. Dean Yoshino said in Indonesia, many islands have no access to financial services, and the same could be said of rural Viet Nam and other developing countries. The upshot is that even though they have money and want to save, there is nowhere they can safely put their money. He said changing technology may hold the solution, and post offices could serve better the needs of remote populations.

Postal saving in Viet Nam is popular, but some countries' post offices don't collect savings. The post office can open savings accounts and, furthermore, financial technology can be used on a mobile phone. With a mobile phone we can access finance. So at the post office we can open an account. Once we open an account, we can use a fingerprint or voice or face as identification. Then we can use mobile phones for internet banking. So I think financial technology will drastically change financial access to many areas in Asia.

Dean Yoshino said large companies have good accounting methods, making it easy to tell whether they are doing well, but most SMEs do not, a problem when they try to borrow money to expand their businesses.

SMEs usually do not have an account, so how can bankers assess whether they are good or not? That is why it is difficult for SMEs to borrow money from banks. However, big data analysis can allow SMEs to disclose their own data. Then SMEs have to keep their books everyday, how much sales they have, what kind of products they purchased. That is very good financial education for SMEs. And then banks can look at their accounts. In the past, SMEs did not have any accounts. So, financial education for SMEs is very important in Viet Nam. That will create a good database and SMEs will think about their daily business much more accurately than before.

In Viet Nam, people with small and medium-sized enterprises have fairly easy access to banks for financing, but it is a complicated route because they do not have assets to put up as collateral for loans. Few have proper accounting skills to prove the worth of their businesses. And much depends on government-sponsored initiatives. The only alternative to is to go to money-lenders, who charge very high interest.

Dean Yoshino wants encouragement and assistance for SMEs in bookkeeping, so they can show how well their business is doing in sales, orders, and expenses. Which in turn would help create a database to analyze the performance of SMEs in terms of risk, leading ultimately to a system of credit ratings for SME sectors.

A major stumbling block is the lack of financial education in schools, which would help households manage their incomes and lay the groundwork for SMEs to make full use of financial institutions for credit as they grow. But much of that depends on the government and the State Bank of Vietnam, which need to reach students at primary, secondary, and tertiary levels. Such a project would inevitably involve the Ministry of Education and other financial ministries, financial regulators, and financial institutions. In Japan, a group meets each quarter to create and review curriculums and teaching methods.

I think in Viet Nam, the State Bank of Vietnam is key. Then they have to invite all other related ministries, including the Ministry of Education and then financial institutions.

But a number of obstacles have to be overcome, primarily giving teachers the tools to teach.

I think it applies to not only Viet Nam but also other countries: teachers do not know the financial system very well. So, we have to first train the teachers. What is financial education? Why is it important? And diversification number sets are important. I think teacher training is another thing. Then good textbooks created together with the Ministry of Finance and central bank and the Ministry of Education. And thirdly, video lectures may also be utilized through the internet. Then students can watch them on DVD or video, and that will promote their education.

That was the dean of the Asian Development Bank Institute, Naoyuki Yoshino, talking to Viet Nam's VTC10 *Sharing Vietnam* program during a workshop on fiscal advancement in Asia through financial literacy and consumer protection, hosted by the Asian Development Bank Institute and the State Bank of Vietnam in Ha Noi in mid-April.