



## Asia and the Pacific need to do more to spur financial inclusion

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Asia and the Pacific need to ensure not only that more people have access to financial products and services but also that the poor can wield them to build wealth.

While the Asia-Pacific Economic Cooperation or APEC broadly recognizes that financial inclusion is key to fighting poverty and meeting the Sustainable Development Goals, more needs to be done to improve financial inclusion.

During a forum on financial inclusion held in Tokyo, Loi M. Bakani, governor of the Bank of Papua New Guinea, told participants:

**Effective financial inclusion is critical to drive an inclusive development that has a positive impact for people at the grassroots level.**

He urged participants to consider priority areas of structural and regulatory reform to promote financial inclusion.

**Reflect on schemes that encourage and incentivize the development of gateway products, remove or reduction of processes that are barriers to inclusion, and investments that build long-term prosperity for the region's vulnerable community.**

Digital platforms and mobile technologies can help people create and monetize nontraditional assets, taking into account the role of data and consumer protection.

Bakani also urged the forum participants to consider what more could be done to push for women's progress or harness women's influence in financial and economic reform.

He hoped participants would develop mechanisms to create a structural and institutional environment that would enable economic and financial inclusion, and to pave the way for the underserved to build wealth.

While these topics contain several key issues for which reforms are necessary to stimulate growth within the financial sector, they often lack enough consideration of the necessary actions that will have the greatest impact on the marginalized population segments; namely, low-income or rural communities and those operating outside of the formal financial sector. While discussions on reforms for government securities and capital markets have in the past included specific reference to the informal sector, reforms or actions that would specifically address this core group of stakeholders have been limited.

Giving people access to affordable financial products and services is not enough. People must be able to take it a step further and create wealth using these tools.

In Papua New Guinea and in other economies, reports show that access to a bank account does not drive usage. It's mere access to a bank account that "counts" as being financially included.

One way to create wealth for the poor is to find a way to tap the billions of dollars parked in retirement savings or superannuation funds and invest the funds in micro-lending.

There is currently estimated to be over \$30 billion within superannuation or provident and sovereign wealth funds in the Pacific countries, making these funds some of the largest financial institutions in the region. Well leveraged, these funds can offer significant potential for long-term and sustainable

economic growth. However, many countries struggle to realize the opportunity latent within this financial base.

Creating the structural and institutional environment in terms of economic policy that addresses pathways to optimize the investment and utilization of these funds is important. Utilizing and leveraging better financial returns to support and direct asset-building outcomes requires cooperation across an interdisciplinary ecosystem, but the benefits—economically, socially, and morally—make the undertaking worthwhile.

Governments also need to look into tapping trillions of dollars in “dead capital,” which could be used to advance financial inclusion. Dead capital refers to assets, such as land that people farm but do not have property rights to, preventing them from using the assets to boost their income. Dead capital residing in untitled poor dwellings globally is estimated at more than \$10 trillion.

This is why, Bakani said, Papua New Guinea is trying to create wealth to spur economic growth and to call for high-level policy dialogue and stakeholder cooperation and reforms in government capacity, collection of consumer data, and creation of an enabling environment to develop online or digital financial products and services. These actions should be further aligned with reform of the investor base, regulatory frameworks, and market infrastructure.

During the same forum, Mizuho Bank chair, Nobuhide Hayashi, and Japan’s APEC Business Advisory Council member, said that half of the people in the region do not have a bank account or access to financial services. He said improving access is key for the region’s poor to meet their basic needs, develop skills, and actively participate in economic growth.

He welcomed the growing number of people with smartphones, which give them access to more affordable financial technology products and services. Technology is also key to improve the access to finance not just of individuals but also of micro, small, and medium-sized enterprises.

Michelle Curry, CEO of the Foundation for Development Cooperation, which co-organized the forum, agreed that technology can drive financial inclusion. She noted the need to come up with a framework to define financial inclusion, which includes all of its key dimensions, including but not limited to access, usage, and quality of financial services.

If we agree with the adage that a rising tide will lift all boats, then a deeper focus on programs and policies that increase the participation of the people who are poor, who are part of the informal economy, to build productive assets and portfolios of financial securities, is vital. Breaking the reliance on continuous credit cycles at high interest rates can only be achieved by more strategic interventions, governed and regulated by the state, that encourage and incentivize schemes, the development of gateway products, removal or reduction of processes that are barriers to inclusion, and providing pathways to investments that build long-term prosperity for the region's poor.

This episode is based on remarks made during the [8th Annual Asia Pacific Financial Inclusion Forum—The Inclusion Imperative: Advancing Policies, Targets, and Plans](#), hosted by the Asian Development Bank Institute in Tokyo, in June 2018.

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