Ladies and gentlemen,

It is very exciting to be with you here today. Here at the National School of Development, a new generation of professionals is being prepared to contribute to China's future. It is a privilege for me to address you. Indeed as the UN Secretary-General's Special Advocate for Inclusive Finance for Development, I feel as if I am amongst friends.

My focus, like yours, is development. We are working towards the same goal: equitable economic growth, poverty reduction, job creation and empowerment, and opportunities for individuals and communities. These factors contribute to the development of a balanced society.

As Special Advocate, I have made the case that access and usage of quality financial services enable broader social and economic development goals.

Your country has a very rich history of financial innovation. In fact, it was the Chinese who invented paper money in the seventh century. An early use of paper was for letters of credit transferred over long distances. The Chinese called this practise "flying money."

In the thirteenth century, the European traveller and explorer Marco Polo was very impressed by the efficiency of the Chinese system. His admiration for Chinese paper money was expressed in his travel report *The Travels of Marco Polo*. "All these pieces of paper are issued with as much solemnity and authority as if they were of pure gold or silver."

My country, the Netherlands, too has a history of financial innovation. As you may know, Amsterdam is home to the oldest stock exchange in the world, established in 1602. In the seventeenth century many grasped the opportunity to buy shares. And these were not only the wealthy that bought these shares. This innovation was a tipping point in Dutch history. It provided ordinary people with the opportunity of becoming a shareholder of the Dutch Golden Age. Of an exciting era of social development and economic growth.

One innovation built on the other. Both Chinese and Dutch inventions have contributed to economic growth and development all around the world. They still shape the world we live in today.

The speed and scale with which poverty and hunger have been reduced here just in the past decades is unparalleled in human history. Many millions of families have found a path to economic development. Many millions of entrepreneurs have been able to expand their businesses thanks to their hard work and entrepreneurial skills. And many millions of young people—people like you—have been able to fulfil their potential and follow their dreams.

This progress is relevant outside China, too. As part of the United Nation's Millennium Development Goals, launched in the year 2000, countries committed themselves to halving poverty before 2015. Many countries have proved themselves to be successful in substantially reducing poverty. Examples are India, Brazil, Bolivia, Vietnam and Ghana. But China became the first country to achieve its poverty reduction target ahead of schedule!

This incredible progress extends to financial inclusion. In fact, efforts to bring households and businesses into the formal financial system have contributed enormously to the rise of China and the welfare and well-being of the Chinese people. We are talking about a safe way to save money, a safe way to make payments, safe ways to send money home, back to your families in rural areas, safe access to insurance, and responsible credit for
productive purposes.

Thanks to government policies to strengthen the banking sector and to improve the regulatory framework, Chinese banks now serve 64 percent of adults. This is high when compared to other emerging countries. There are today 108,000 branches bringing their services to rural areas. There are now over 800,000 banking agents such as small shops that facilitate simple financial services for people who may not have convenient access to a bank branch. And China has improved its financial infrastructure by putting in place a modern collateral registry and a credit reporting system that today includes 840 million customers. This is allowing entrepreneurs to obtain credit more easily than before.

For economies at every level of development, ensuring that households and small business owners gain access to basic financial services is of utmost importance. With these financial services, poor households and small entrepreneurs in particular will be able to invest in education, build their businesses, save for retirement, and confront unforeseen risks. This has a positive impact on equitable growth, job creation, and innovation.

Unfortunately, today more than 2.5 billion people around the world still do without even the most basic formal financial services that most people around the world use every day. And hundreds of millions of small firms face significant difficulties accessing the financial services they need in order to grow. Even in China, despite the major successes achieved in financial inclusion, there is a great deal left to be done.

And it is the rural poor, migrant workers, and small entrepreneurs who are particularly affected. For example, loans to rural households account for only 6 percent of all outstanding loans, while members of these households make up nearly 50 percent of China’s population.

When it comes to entrepreneurs, only a minority of them are able to access loans from the formal banking system. Many are excluded from it and are forced to find informal, expensive, and unreliable alternatives. This represents a vast reservoir of untapped potential for employment, innovation, growth, and development.

But access alone does not do it. Access must go hand in hand with usage. In China, like in many countries, many people have a current account and a debit card but don’t use it. Increasing the usage by better adapting financial services to the actual demand of the consumers is a global priority.

Access and usage must also go together with financial education and consumer protection. Consumers need to have the financial capability to be able to take advantage of improved access to financial services. They also need to be effectively protected from misconduct. In China, as in other countries, this issue is high on the agenda. New technologies bring significant opportunities but they also create different risks for customers that need to be better understood and better monitored.

Last year the State Council requested the CBRC [China Banking Regulatory Commission] to develop a financial inclusion plan. This plan represents a unique and historic opportunity for China to develop a common vision among all public and private actors on how to reach full financial inclusion in your country. This is fully in line with ongoing efforts by the G20 and many other countries that are developing or implementing national financial inclusion strategies.

As a basis for this plan we need better data on under-banked clients, their own behavior, the products available to them, and their capability to adopt technology. Good data works as a catalyst, spurring greater action and shaping policy. It also helps identify needs and direct limited resources and energy where they have the most impact.

I believe that technology and innovation can play an even greater role in bringing financial services to China’s unbanked and under-banked, especially in rural areas. The good news is that the foundations have been laid, with many government-supported pilot projects using banking agents and self-service banking kiosks in rural areas.

China has the world’s largest mobile network operators and the fastest growing e-commerce market. Thanks to
companies such as Tencent, Alibaba, and China Mobile, the potential growth of online financial services, targeting especially the excluded and productive segments of society, is enormous. In fact, the eyes of the world are today on China to see what the future has in store as your country becomes a world leader in digital financial inclusion.

Financial inclusion doesn’t just happen. For it to be successful, a whole range of actors need to work together: ministries, the Central Bank, supervisors, commercial banks, mobile network operators, the broader private sector, including payment service providers, and knowledge institutions such as your school. No one actor has all the answers and everyone has something to bring to the table.

The financial inclusion plan will provide a great opportunity for all these actors to coordinate efforts. This will strengthen the financial sector and will improve the regulatory framework. In this regard, relatively small steps can make a huge difference.

For example, lending to small and medium-sized enterprises increased more than 30 percent in just five years when banking regulations were updated to facilitate the use of moveable property such as livestock and equipment as collateral. This, of course, has led to more investment and more employment for the poor. Another example: today, poor people in rural areas can receive government subsidies at village stores that are allowed to serve as agents for banks such as PSPC and ABC. This means that these people don’t need to travel all day to go to a bank branch, and it reduces the risk of fraud.

Ladies and gentlemen, dear students, you are the next generation of leaders who will have to deal with all these challenges and lift your country to new heights. In many ways you are in an enviable position. This proud and strong country with its vast reservoir of untapped potential offers so many opportunities! It must be so exciting to be able to help shape China’s future.

I do hope that centers of learning such as this support China’s efforts to further deepen access to financial services, especially for the poorest and most vulnerable segments of the population. These men and women, too, should have the opportunity to realize their potential. The development of a balanced society with equitable growth is impossible without financially included and economically empowered people. China has amazed the world with its exceptional achievements so far. I am confident that you will continue this success story in the future!

Thank you.