LEAPING FAR AHEAD: UNLEASHING MYANMAR’S POTENTIAL THROUGH FINANCIAL INCLUSION

30 Mar 2015

Your excellencies, professors and students, members of the diplomatic corps, ladies and gentlemen, it is a pleasure to be here today at this joint event of the University of Yangon and the Yangon Institute of Economics.

As the United Nations Secretary-General’s Special Advocate for Inclusive Finance for Development, I am particularly pleased to be speaking at this proud, historic university where your countryman U Thant, the third UN Secretary General, received his education.

U Thant left a powerful, positive mark on the United Nations and the world as the organization’s first Asian Secretary-General. Throughout his life, U Thant stressed the importance of opportunities for all. He was concerned about the economic gap between developed and developing countries. And it was under his leadership in the 1960s that the United Nations embarked on its first ‘development decade’, and welcomed dozens of new states.

His work inspires us today, here in his native Myanmar. A country of enormous potential just waiting to be unleashed. Rich in natural resources, situated in the heart of Asia—the fastest growing region in the world—and with a young and dynamic population.

I am here to make the case that financial inclusion will be central to making a lasting leap forward for Myanmar and for you—the first generation that will benefit from this. We know that sustainable and inclusive development never happens overnight, but we also know that by taking the lessons from other countries, you can go faster and evade mistakes made elsewhere. That is why I am so very pleased to have the opportunity to address you today.

Financial inclusion is a new concept for many people but it has become a rising priority for governments, academia, and businesses around the world. At the moment half of the adults in the world-many of them poor and vulnerable—struggle to get by without access to formal financial services. The goal of financial inclusion is to provide access to safe and affordable financial services for everyone, regardless of income level. That goal is important because financial inclusion has been shown to reduce poverty, improve lives, unlock opportunities for men and women and foster economic growth that benefits everyone. So it is not only pro-growth but pro-poor.

But how does financial inclusion actually improve lives and empower people? I will give you some real life examples.

- A bank account into which a family can save extra money to help pay for big expenses like school fees and weddings, without worrying that that hard-earned cash might be misplaced, lost in a fire, or stolen.
- Crop insurance that can help a farmer to feed his family when a harvest fails or he cannot work because of sickness.
- Secure and affordable payment services so that people can send money home to their families, confident that all the money will arrive there every time.
- And loans that can allow you to start a business and expand it, without repayments being too expensive or inadequate to your business.

In Asia and around the world, financial services help people provide better lives for their families and themselves. Still, the importance of financial inclusion is not always obvious to everyone. On my travels as the Secretary General’s Special Advocate, people often say to me: “I have so little money, why do I need financial services?” So I ask:

- Have you ever borrowed from a friend or a moneylender?
- Have you ever sent money to someone in your family, maybe by taxi or by courier, or maybe through a
friend of a friend?

- Have you ever given funds to a relative for safekeeping, or bought gold, or stored money at home?

In fact, most of the people I meet are already using financial services—they’re just not getting them through a formal provider like a bank, an insurance company, or a microfinance institution. Households and businesses in Myanmar are saving, borrowing and sending money *informally* because it is sometimes the only thing that is available.

These *typical* informal services here in Myanmar—provided by a moneylender, taxi driver or a neighbor—are generally less secure, less protected and more expensive than formal services. Actually, managing money through informal services is often complicated and time-consuming. They can cost people more than 20 percent of their cash annually and involve a great deal of hassle. So imagine saving 20 percent! That’s an awful amount of money!

And think about business owners, spending long hours going around collecting bills so they can pay their staff. They would gain maybe a whole day’s work if they had a fast, inexpensive way of receiving and depositing money. And did you know that worldwide today 100 million people fall back into poverty due to medical costs each year? Savings accounts and health insurance can help cope with these unexpected crises, thus making more money available for investing in a business, or sending your child to school.

Financial inclusion is especially important in a country where many people are struggling to make ends meet. One of the least remarked-on problems of living on two dollars a day is that you don't literally get that amount each day. You make more on some days, less on others, and often get no income at all. Savings and loans allow people to tap into past income (through savings) or future income (through loans), helping them smooth their own consumption and getting food on the table every day.

Of course, for financial inclusion to make significant improvements in people’s lives, services need to be carefully regulated, safe, affordable, and designed according to the needs of customers. Access to finance must be provided *responsibly*. Customers need to be certain that their savings are insured and protected. The formal financial system requires a high degree of trust, and regulators and providers should work actively to *build* that trust.

That is why I am delighted that Myanmar is developing a detailed road map to expand financial inclusion responsibly. This roadmap aims to establish a common vision of how to significantly expand financial inclusion—taking into account the needs of customers as well as banks and government.

Myanmar also has an exciting chance to leap far ahead with financial inclusion thanks to the rapid rise of mobile phone services and other digital technologies. Other countries have relied on traditional infrastructure such as physical banks. But Myanmar may have a unique opportunity to skip this costly and difficult step by using mobile phones to provide financial services.

Today only 10 percent of people in your country transfer money through a formal institution--10 percent! Mobile accounts could very quickly reach many more citizens by taking advantage of the fast growing mobile penetration in Myanmar, which is expected to reach 90% of the population by 2019.

This isn’t to say that financial inclusion will happen so easily. It will take strong leadership, close cooperation, and careful planning. A wide range of people and organizations need to work together: government ministries, the central bank, regulators, commercial banks, mobile phone companies, payment service providers, and knowledge institutions such as your university. Myanmar’s financial inclusion road map is an important first step. But no single group has all the answers—everyone has something vital to bring to the table.

In my work as UN Special Advocate, I’ve found that countries make progress with financial inclusion when they develop their own approaches. Even in this early stage, the contours of financial inclusion Myanmar-style are beginning to emerge, shaped by the promise of mobile and other digital technologies.
And who better to help strengthen the impact of the mobile revolution than you? Young people, students: you understand mobile technology, you know how to use it, and you can play an important role in helping your fellow citizens truly benefit from new forms of digital financial services.

My point today is that financial inclusion is vital for economic growth, job creation, and social development in any country. It supports broader social inclusion, which is a fundamental element to any successful and enduring democratic transformation and to stable societies. By providing your country with an inclusive and transparent financial system, you will be building a strong foundation for sustainable development. A development that benefits everyone!

Some of you will start your own business. Others will be researchers, working at a knowledge institution like the University of Yangon and the Yangon Institute of Economics. And some of you will employ your talents working for the government or for financial institutions. You are the next generations of leaders and thinkers who will lift your country to new heights, like U Thant did before you.

I wish you all every success in helping to shape your future!