
SPEECH TO INFORMAL ECOFIN MEETING: CREATE ECONOMIES THAT CAN BENEFIT ALL: DEVELOPMENT, EQUITABLE GROWTH, AND THE ROLE OF FINANCIAL INCLUSION

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Your Excellencies, ladies and gentlemen, welcome to Amsterdam. I am delighted to join you today at the kind invitation of Minister Dijsselbloem, in this special venue that exudes an atmosphere of industry and hard work.

From 1885 until 1967 this was a coal gas factory that produced gas for street lighting. After it shut down these buildings fell into disrepair..... until in the 1990s they were rediscovered by adventurous entrepreneurs and artists and this place became an important creative hub where new ideas are today being developed. So the Westergasfabriek, where 130 years ago coal plant employees worked hard, has now become again a source of light and energy and a shining example of the kind of transformation cities and societies need to stay vibrant.

Ladies and gentlemen, we need sustainable economic development and growth in which everyone can participate. And that requires healthy and stable financial systems. This is of course your core business.

Today you have been discussing important matters related to financial stability and economic policy. Very important and relevant matters in the EU these days and very urgent indeed. But please allow me to talk to you today about something important for the middle and long term, and that is financial inclusion.

I like to define financial inclusion as universal access to, and use of, a wide range of reasonably priced financial services. Provided responsibly by a variety of sound and sustainable institutions in order to strengthen development.

Without access to such services, people's talents and entrepreneurial skills remain underutilized and their innovative ideas never see the light of day. To make matters worse, it leaves them vulnerable and unable to shield themselves from unforeseen risks and less able to bounce back when the situation improves.

This evening I wish to speak about three particular elements of financial inclusion:

- 1) access to financial services
- 2) the sound use of those services, including the importance of financial literacy, and
- 3) the challenges stemming from financial innovation.

First, about access. A lack of access to financial services is a problem everywhere. While it is most prevalent in developing countries, it remains a challenge here in Europe as well.

Micro, small and medium enterprises in Europe lack the financing they need to fulfill their potential. Inadequate access to finance, forces business owners to cut back on efficiency, innovation, growth, hiring and job creation. This of course has worsened after the financial crisis.

Citizens face real challenges too. Between 2011 and 2014 more than 50 million Europeans gained access to financial services. But despite the hard work being done by governments and the private sector, we still have a long way to go towards including everyone in it. In the European Union one in ten adults do without access to the most basic financial services that you and I rely on every day.

If you are curious about how your own country is performing, I can recommend this *Little Data Book on Financial Inclusion*, otherwise known as the Findex, published by the World Bank. It contains all the relevant facts and

figures. You will all receive a copy at the end of the evening.

Ladies and gentlemen, my message is a simple one: access isn't solely a developing country issue, it is a real challenge in Europe even today.

But, access to financial services alone is not enough, which brings me to my second topic—the well-informed use of financial services. In this digital era, money is becoming less tangible. Spending is made ever easier.

Furthermore, many governments in Europe are encouraging citizens to take more responsibility for their own financial affairs. Especially in relation to important life events such as sending children to school, as well as care and retirement. The responsibility for financial decisions, as well as the risks, increasingly rest on the shoulders of the individual. It is therefore crucial that people are aware of the choices they are making and their consequences.

The benefits of financial literacy are many. From a microeconomic perspective we see that the financially savvy are more likely to have savings for a rainy day and to plan for retirement. They also tend to avoid debts that cannot be paid in the future. And they are unlikely to get caught by nasty surprises.

From a macroeconomic perspective, financial literacy is also important. Responsible financial behavior reduces the social costs that go hand in hand with problematic debts. It thereby contributes to financial stability, trust in financial markets and economic development in general.

Two days ago, the OECD published the results of a financial literacy survey in Europe. Respondents were asked about basic financial concepts. It emerged that in many EU-countries one in five do not understand the concept of inflation. And seven in ten people do not grasp the basic concept of compound interest.

The survey also revealed that in almost all EU-countries more than 80 percent of people choose financial products without shopping around or gaining independent advice. And over 40 percent chose such products without gathering any relevant information. Therefore, proper financial education initiatives are clearly as important as providing access to financial services.

Through experience, certainly in our country, we have learned that financial education benefits from a national, coordinated effort: combining government, the business community, academia and civil society at large.

The number of EU countries with a national strategy for financial education has grown in recent years. Five countries have implemented a national strategy and nine countries are in the process of doing so. And in four others, a national strategy is being developed or designed. This makes a total of 18 EU countries that have chosen the path of a comprehensive approach. It is my fervent hope that many more countries in the EU will follow suit.

Finally, in addition to providing universal access to financial services and enhancing financial education, we are faced with a new development, which holds great promise: the advent of fintech. Fintech is on the march, bringing new providers, new products and new delivery mechanisms. It is introducing a whole new cast of players to the mix, producing exciting innovations that have massive impact on the way money changes hands. Think of peer-to-peer lending platforms, cryptocurrencies and crowdfunding, to name a few.

In this brave new world, what will be the fate of existing financial service providers and regulators? Will new technologies solve some of the long-standing, unsolved challenges we face everywhere? Take SME finance. Traditional players lack the means to profitably lend small amounts to this vast, complex, but extremely important segment. Will new players succeed where others have failed by utilizing innovative credit scoring models? Will they be mining data from previously untapped data sources ranging from social media to satellite data? Only time will tell.

But for all its promise, fintech may also entail financial exclusion for some. Those unable to keep pace with technological change. Our major challenge is to ensure that these innovations provide benefit beyond the

technologically savvy to as many people as possible.

From a macroeconomic perspective, one of the largest dilemmas for policymakers, regulators and supervisors is safeguarding customers, investors and businesses while not stifling innovation by overregulating. But a lot of work will undoubtedly be needed to strike a balance in the subject of dealing with fintech.

Ladies and gentlemen, let me conclude. Standing in a place which has seen great progress, I wonder how this place will look 130 years from now. The coal plant workers of 1885 could never have imagined the transformation of their factory to the creative hub that it is now. Just like we today cannot possibly predict the future.

We only know this: we need to create economies in which everybody can benefit. The aim is to create a stimulating climate for new initiatives, development and equitable growth. Financial inclusion is one of the means towards achieving this goal.

I wish you lots of wisdom and lots of success in your work. Thank you.