Towards a better, more digital, financially inclusive world

I'm sure we've all been in this situation. You've got something really important to do, but it never makes it to the top of the agenda. Instead, there's always something more urgent that comes along and takes up all your time. Something you need to deal with right away. Which means putting everything else on hold.

A wise man once said: "Most things that are urgent are not important. And most things that are important are not urgent".

Today I'd like to present you with three pearls of wisdom from this man. You've just heard the first. I didn't mention this because you don't appreciate the urgency of financial inclusion, but because you so admirably manage to keep the subject constantly on the agenda.

The man I just quoted was a Republican President of the United States. Although the president I am referring to spoke these words in nineteen fifty-four, they form the basis for a time management technique which is still widely in use today. Unfortunately – among some young people – this historical figure is better known for this technique rather than for all his other achievements.

I am of course talking about Dwight D. Eisenhower. The man who was not only President of the United States, but before that was the general who played such a paramount role in liberating Europe from fascism, putting an end to the Second World War.

Eisenhower was committed to freedom, racial equality and fighting poverty. He believed in equal opportunities for all. And he had some very astute and powerful words to say on these matters. Words which are still reflected in the management theories we use today. The technique I referred to is called the Eisenhower matrix. I'm sure some of you are familiar with it. This simple matrix provides you with an insight into how urgent something actually is, and helps you set your priorities.

But today I'm not just going to draw on Eisenhower for inspiration. I'm also going to look to you for inspiration. Because you have succeeded in bringing a sense of urgency to a very important matter. And you have done this despite facing a deadline that's a long way off, while also having to contend with a constant stream of other issues. Over the years you have taken great strides towards financial inclusion.

And you continue to seek further cooperation. This brings me to the second of Eisenhower's maxims. He reiterated how cooperation is a critical success factor for every mission: ”Leaders need to work with others and build coalitions if they want to get things done.” He said.

What things do we want to get done? And why are we concerned with financial inclusion at De Nederlandsche Bank?

Financial inclusion relates directly to sustainable prosperity. And that's definitely an area that concerns us at the central bank. Because contributing to sustainable prosperity is an issue at the top of our agenda. That is why, six years ago, we added the word 'sustainable' to our mission statement. Although that's just one word. It can make a big difference.

Our mission statement now reads: We seek to safeguard financial stability and thus contribute to sustainable prosperity in the Netherlands. We don't just do this by focusing on ourselves, following the principles of corporate social responsibility, however important that is. We also focus on the outside world, considering how we can incorporate sustainability in our role as central bank and supervisor of the financial sector. This is what our stakeholders ask us to do: Use that influence, use your influence, your convening power, use the leverage that you have.

International and national

That is why, in the sustainability debate, we act as a catalyst, and bring our convening power into play. Because we're committed to sustainable prosperity, we're also concerned with raising awareness of financial inclusion. And we aim to do this both at home and abroad.

On the international stage, we share our knowledge and insights of payment systems. Many countries do not have the same level of basic efficiency in this area as we do here in the Netherlands. We do what we can to help improve these systems around the world. We did so in Indonesia, Macedonia and Aruba, for instance. We visit these countries to help them develop a stable and secure payment system.

I'm sure you're fully aware of the challenges facing many countries. As members of this platform, you are active in over 90 countries and together you invest almost 2.8 billion euros in the financial inclusion sector. Praiseworthy efforts indeed.

But we also still face challenges here in the Netherlands. Although these challenges are of a very different order to those in many other parts of the world. That's because in the Netherlands, a lot is already very well arranged. For example, we have a stable system of payments, and everyone has access to financial products and services, such as bank accounts, insurance and pensions. Over 99% of Dutch citizens have a bank account.

Plus, in the Netherlands, we also devote a lot of attention to financial education, another important aspect of financial inclusion. You also play a big role in this respect. These initiatives include the Money Week project for primary school pupils, the Money Wise platform, as well as the activities of Child and Youth Finance International.

Yet there's another aspect of financial inclusion I'd like to see us pay more attention to in this country: resilience. We strive for financially resilient consumers in society. Consumers should, in order to be resilient, make prudent and sound decisions. That's one aspect on which we still have much work to do in the Netherlands. It is apparent in several areas. Let me give you a few examples:

National issue #1: vulnerable groups

For one, the impact of innovation, and the widespread digitization of financial products and services. This development means that many more people are now able to gain access to, for instance, insurance and banking services for the very first time. It's fantastic to see what innovation can deliver in this respect.

However, in the Netherlands we have seen how innovation has also led to certain sections of society becoming more financially vulnerable. This is due to banks closing more of their branches and reducing the number of ATMs. At the same time, the new products and services that FinTech companies offer are sometimes still inaccessible for certain groups. These include the elderly, the handicapped, and people with low digital literacy.

These days, innovative firms focus on specific or younger target groups. The early adopters. This is a logical business strategy.

However, during this transition we must also consider the needs of more vulnerable groups. After all, access to these products and services should be available to everyone. While we are dismantling old systems and introducing new ones, the vulnerable among us may not always be able to keep up. They run a risk of becoming disenfranchised – a risk of being left out in the cold.

National issue #2: exclusion

The second development I'd like to call your attention to under the aegis of 'financial resilience' is the use of data analysis to make services more personalised. Again, we can see how this has had a very positive impact internationally. For example, if a financial service provider, based on data analysis, can see a customer is reliable, then such service provider is more likely to grant that person a loan to set up a small business.

But there is also another darker to this coin, also in The Netherlands. In addition to the potential violation of privacy, data analysis can also lead to the exclusion of some customers. They may, for example, be excluded from certain financial services, if, by shrewdly combining various databases, it becomes clear that they have a high risk profile, or low profit expectations.

National issue #3: understanding

The third and final aspect of financial resilience I'd like to discuss concerns people's understanding of financial products. Getting a mortgage or choosing a pension is not an easy process. The information provided is often highly complex. If someone takes out a mortgage they can't afford, or chooses the wrong pension, it can lead to serious financial problems. The combination of honest communication and understandable products is an important concern in this respect.

'Consider the vulnerable people'

I'm sure you're familiar with these examples. But I've mentioned them for a very good reason. When you're designing a product or a service, I urge you, as representatives of the financial sector, to please always stop and ask yourself the question: "have I considered the more vulnerable people among us?"

Examples systemic DNB approach

At DNB, we don't just consider the impact on individuals or groups, we also look at the bigger systemic structures in society. And how they could affect financial inclusion. Let me give you a couple of examples of these.

Starting with pensions. Now you may be thinking: isn't that actually a great example of inclusion? And you're right – it is. The way pension schemes are organised in the Netherlands – with mandatory participation – means a large group of Dutch citizens will be provided for in their old age.

The flip side of this is that we currently have a system which makes a substantial number of people feel non-included. Our pension schemes leave relatively little room for people to make their own choices. There's a large group of people out there, who don't really know what's going into their pension pot. And they may only realise their pension does not meet their expectations when they retire. This may negatively impact people's confidence in the system. This is the kind of systemic vulnerability we need to address. That's why we're committed to a modern pension system, that engages people with their own financial future.

Long household balance sheets are a second example of how a system can affect the financial resilience of Dutch society. With pension entitlements on one side, and mortgage debts on the other, a lot of money is tied up in these balance sheets. In bricks and mortar and retirement provisions. This reduces people's flexibility, making them less resilient. These are the kind of systemic aspects we must consider as central bank and supervisor. We conduct economic research so we can provide the government with independent economic advice.

For example, we're now studying whether there's a relationship between the level of financial inclusion in a country and financial stability in a country. I hope we can make progress in this area, as insights like this help shape the agenda. They can also lend added urgency to an issue.

How to make the difference? Planning

It is clear that there is still a long way to go. Both here in the Netherlands, and certainly abroad. But how do you make the difference? To answer this question I'd like to turn to Eisenhower again, and to share with you the third of his maxims. Looking back on his work as a general he said: ”In preparing for battle, I have always found that plans are useless but planning is indispensable.”

Good planning therefore makes all the difference. This is something that society has come to realise more and more. We've recently set increasingly demanding objectives for essential developments. Take the United Nations Sustainable Development Goals, which contribute to financial inclusion, and the Paris Climate targets.

But just setting a deadline isn't good enough. You also need a timetable. Establish milestones and make good transition arrangements. That's what works.

This doesn't have to be difficult, as we've seen with improving the sustainability of buildings. At the end of last year, the Dutch government introduced a new transitional measure which maybe hasn’t attracted much attention this far, but which I consider to be very important. The new measure requires all office buildings to have at least a C energy label by 2023, and an A level by 2030. The move forces the financial sector to take action. Various initiatives are already underway to meet the new requirements. I think this is an inspirational example. It shows these aims can be achieved, by the public sector establishing ambitious but feasible deadlines, and the power of the private sector being mobilized to meet them. This could also be true for our aims for financial inclusion. Because as we've concluded today: financial inclusion is both urgent and important. We are working together to make progress on this issue. And if we set out a good timetable we will get there.

I have every confidence that together we will prevail. And to that end, I have one last piece of Eisenhower wisdom for you: "Neither a wise man nor a brave man lies down on the tracks of history to wait for the **train** of the future to run over him." What I see here is a room full of wise and brave men and women, not passively waiting to be overrun, but actively wanting to jump on that train to shape that future. A future for all. Especially the most vulnerable, an Inclusive Future!

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