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Two months and a half into retirement, I was so much refreshed engaging academics and financial literacy practitioners in the first Asia Pacific Financial Education Institute a couple of days ago. The topic was financial literacy, plain and simple. Organized by David Fernandez, formerly of J.P. Morgan and Barclays, this event was held at the Singapore Management University. David is now director of the SimKee Boon Institute for Financial Economics. For transparency, I was recently invited to be part of the Institute's Advisory Board.

It was exciting to have shared the task of delivering the keynote address with the superstar of financial literacy, Annamaria Lusardi, director of Italy's Financial Education Committee and academic director of the Global Financial Literacy Excellence Center and chair of economics and accountancy at the George Washington University. Two other distinguished professors of economics and champions of financial education in the US in their alliance with many government and private entities, including the US Federal Board and the Federal Insurance Deposit Corporation, were Michael Staten and William Walstad who joined us in the panel with Annamaria.

There is only one way to summarize the thrust and the insights from all the presentations and the panel discussion. It is by linking up financial literacy with economic growth and the issues of income inequality and poverty.

Financial literacy upgraded by financial education is the water in the ecosystem of the economy and the financial system. Without the water, both the economy and the financial system cannot leverage on each other and produce sustained economic growth and mitigate income inequality and poverty. They will dry up. The analogy is not mine, that's Annamaria's.

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In her keynote, Annamaria was quite emphatic in saying that even in such an advanced economy as in the US, there is a wide disparity in financial literacy especially among women and young people. Three questions could very well establish the literacy benchmark of any population.

One, do we have a resilient household? Two, are households prepared for the future? And three, are households over-indebted? If asked if they could produce $2,000 in case of any contingency, a third of the respondents in the survey replied in the negative. Annamaria also presented surveys of different countries across the globe and what was revealing in the results was that financial literacy is quite low even in some richer countries.

Based on these findings and examination of other related data, she called for building the pump to spread the water. She believed that large and scalable financial literacy programs are imperative including on literacy in schools, wellness in the workplace and a strategy for national implementation. Critical is mandating financial education in the formal school system and everyone who believes in financial education should serve as ambassador of financial education. There is so much to cover and once or twice an engagement would never be enough.

In our keynote and panel presentation, we argued that financial inclusion seems to be an afterthought of many regulators around the globe. Public policymakers believed then, and many of them continue to believe now, that appropriate macroeconomic policies would be sufficient to promote sustainable economic growth.

In the last 60 years, we argued, the lifecycle optimization process has been in vogue, popularized by the view that the consumer could arrange his optimal savings and decumulation patterns to smoothen his marginal utility over his lifetime. But alas! We simply assumed that people are all able to execute their saving and spend down plans. That was a heroic assumption because even now, the state of economic and financial literacy remains generally weak.

Today we are a little wiser in saying that financial literacy could indeed define saving and investment behavior, that it could be the key to what the Atlanta Fed would describe as the four foundational aspects of economic opportunity, namely, equality, mobility, stability, and resilience.

We also stressed the fact that we were quite ahead of the pack. As early as in the 1990s, we started going around our branches and regional offices to share what was happening in the macroeconomy. Literacy should cover both economic and financial aspects. In 1999, we inaugurated our money museum coinciding with the 50th anniversary of central banking in the Philippines. Thousands of students and researchers have visited the money museum with some good impression of the evolution and importance of money in the Philippines. In the mid-2000s, we built the Economic and Financial Learning Center in the main office and replicated it in all the 19 branches and 3 regional offices around the Philippines. (We hope the new

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leadership of the BSP will maintain these EFLCs where they are now, and continue doing this for the new branches). Students and researchers alike have been coming to this place to take advantage of the statistical center where anyone can access economic and financial data collected by the central bank. This is true in all the regional EFLCs. Coinciding with the establishment of the EFLC, we launched the first financial education seminar in Cebu, focusing on the overseas workers and their families with then MB member Nellie F. Villafuerte introducing the initiative.

Further recognizing the challenge of sustained economic growth, the BSP decided to progress its advocacy of microfinance to the broader goal of financial inclusion. Following this shift in 2007, we established the Inclusive Finance Advocacy Office. Eleven years later in 2018, this was expanded into the Center for Learning and Inclusion Advocacy which consolidates under one office all the inclusion and learning advocacy initiatives of the Bank. A coordinating office is strategically important in pursuing the good cause of financial inclusion.

These initiatives were made within the broader context of the National Strategy for Financial Inclusion which drove the enabling policy and regulatory environment initially for microfinance and eventually for financial inclusion. We also established an inter-sectoral, inter-agency steering committee in 2016 for strategic direction, guidance and oversight in the implementation of various initiatives towards financial inclusion.

In short, what the BSP did was to implement financial literacy program alongsidethe establishment of a financial system that allows easy access to credit and solutions to the need for a quick and reliable payment system. It is believed that it is desirable to face the issue of poverty and illiteracy head on by teaching people the value of money and saving whilefixing the policy environment to allow various forms of financial products and services to flourish. These various forms include on line and mobile banking courtesy of fin tech and blockchain technology.

(to be continued next week)