

Report on the Symposium ‘Coping with New (and Old) Vulnerabilities in the Post-Pandemic World’*

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A high-level international symposium entitled *Coping with new (and old) vulnerabilities in the post-pandemic world* was organised by the Global Partnership for Financial Inclusion (GPFI) on 4–5 October 2021, at the time of the Italian G20 Presidency, and hosted by the Italian central bank (Banca Centrale Italiana, also known as Banca d’Italia). The aim of the symposium was to evaluate the work carried out by the GPFI in 2021 and present experts’ opinions on how to leverage digitalisation in order to leap forward in terms of financial inclusion, while limiting the risks of exclusion related to digitalisation itself. In view of the pandemic situation, the symposium, which could be followed on YouTube as well, was held partly with personal and partly with online participation. The Queen of the Netherlands was the guest of honour of the symposium. The introductory remarks were given by the Governor of Banca d’Italia on the first day and by the Minister of Finance of Italy on the second day. In addition to them, leaders and experts from major international organisations, top-ranking universities and research institutions shared their thoughts and experiences during the presentations and panel discussions, in the three sessions of the symposium.¹

The symposium was opened by *Her Majesty Queen Máxima of the Netherlands*, as the United Nations Secretary General’s Special Advocate for Inclusive Finance for Development and GPFI Honorary Patron. She expressed her happiness that today’s technological innovations allow significant improvements in individual living conditions, and better living standards can be created for wide social groups as well. Nevertheless, she highlighted that the crisis affected the various social groups differently, and recovery from the crisis is taking place very unevenly. She stressed that the pandemic mainly affected women, people working in the informal economy, individual farmers and small businesses, whose access to the digital economy and financial services had already been limited prior to the crisis as well. In her opinion, the countries that had invested in digital public goods already before

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¹ For more details see: <https://www.gpfi.org/news/high-level-international-symposium-0>. Downloaded: 12 December 2021.

the crisis really experienced its benefits during the crisis. It allowed for rapid social transfers to those concerned as well as digital financial services and the spread of online payment. Digitalisation entails a number of challenges as well. It does not terminate inequalities, and may even exacerbate them, which can be offset by boosting financial literacy and strengthening consumer protection. Finally, Her Majesty welcomed the efforts of the GPF, which foresee more digitalised finances that provide wider access than now, simultaneously with a reduction of digital risks. She is convinced that concerted actions will result in a successful recovery from the crisis and the creation of an inclusive, resilient and responsible digital financial system, which provides new opportunities for everybody.

The keynote speech of the first day was held by *Ignazio Visco*, Governor of the Bank of Italy. He considered the subject of the symposium extremely important, because as a result of the rapid spread of digitalisation the pandemic created new points of vulnerability and also amplified the old ones. He indicated that the issue of vulnerability had been dealt with by the G20 as well, when the Ministers for Innovation and Research met in Trieste on 5 August 2021 to promote dialogue on the digital transformation of the economy and society as a driver for a flexible, sustainable and inclusive recovery. In his opinion, it is necessary to prevent digitalisation from creating new forms of exclusion from financial services, and it needs to be ensured that the advantages stemming from digitalisation are enjoyed by the widest possible range of stakeholders. The spread of digital financial services creates new opportunities, meaning new threats as well at the same time. Unequal access to financial services may deepen social division, and in order to avoid that, it is necessary to develop digital infrastructure and access. The common target is 'not to leave anyone behind'. It is necessary to fight against financial exclusion and irresponsible financial behaviour. That requires two complementary measures: enhancement of digital financial literacy and competencies, as well as more innovative regulation and supervision. The recommendations developed by the GPF present the best practices regarding both measures, whose aim is to create a financial system that ensures wider access. The presentation was concluded by drawing three lessons: during the fight against such a deep crisis, the long-term consequences of the policies applied need to be taken into account, and it is necessary to strive to increase financial literacy; digitalisation should and could be used as a stepping-stone to the extension and easing of access to financial services; and the threats of financial exclusion and the most vulnerable should be dealt with.

Following the opening speeches, Session I addressed *the impact of Covid-19 on financial inclusion*.

First, *Leora Klapper*, leading economist of the World Bank, presented new phenomena evolving as a result of the pandemic. She mentioned digital disbursements by the state, digital payment at retailers, online shopping as well

as new opportunities and risks, including regulatory flexibility, installation of the necessary infrastructure, development of new products and the strengthening of consumer protection.

Following that, *Matthew Gamser*, Chief Executive Officer of the International Finance Corporation SME Finance Forum, spoke about the impacts of the pandemic on micro, small and medium-sized enterprises. Regulation, consumer protection and financial literacy gained key importance as a result of the pandemic. Concerning regulation, he pointed out that due to the pandemic every country introduced easing for micro, small and medium-sized enterprises, and digitalisation in these areas entails enormous opportunities as well as major risks. In addition, the role of non-bank financial institutions and financial institutions as well as FinTech partnerships in the life of micro, small and medium-sized enterprises has changed and increased, which makes regulators face completely new tasks.

The keynote speech of the first day of the symposium was held by *Raghuram Rajan*, Professor at the University of Chicago Booth School of Business, former Governor of the Reserve Bank of India, and was entitled *New prospects for financial inclusion in the digital era*. The pandemic revealed the importance of access to financial services, he said, as well as the gaps and achievements in the development and accessibility of digital infrastructure. He presented a number of advantages as well as drawbacks of the digital revolution. He noted that technological development simultaneously means an opportunity to widen the access to financial services and a threat of being excluded from them. Regulation also needs to be sensibly innovative and experimenting, and needs to take steps even in areas that we cannot yet understand completely (e.g. large digital platforms, data protection, cryptocurrencies, etc.). Because digitalisation is an inevitable process, which may widen access to financial services considerably if we are able to adequately manage its challenges.

The panel discussion entitled *Digital financial services and new forms of financial exclusion* following the keynote speech was moderated by *Andrea Brandolini*, Deputy Director General for Economics, Statistics and Research of the Bank of Italy. In his introductory speech, he attached great importance to the development of digital capabilities of the society, in which various factors play a role, including, inter alia, the infrastructure, access, knowledge and experience. Of the participants of the panel discussion, French economist *Thomas Philippon*, Professor at the New York University Stern School of Business, directed attention to the opportunities and challenges inherent in FinTech. In his opinion, FinTech increases competition in the financial sector, but it is a question whether it makes access to financial services easier. He thought that FinTech may help mitigate discrimination but does not stop it. *Rohini Pande*, Professor at Yale University, pointed out that women are still at a disadvantage in the economy and in terms of access to financial services.

As this is not eliminated by competition, she is convinced that it is necessary to take strong steps against discrimination against women in order to make the use of digital financial services accessible and easier for them as well. As a representative of a major international organization, *Jean Pesme*, Global Director, Finance, Competitiveness & Innovation of the World Bank highlighted that in the digital age, the lack or low level of digital skills – which is typical for women in many countries – can also widen the gender gap in finance. To avoid this, special attention should be paid to increasing women’s digital and financial skills. The last speaker of the panel discussion, *Ratna Sahay*, Senior Adviser on Gender in the Executive Board at the IMF, emphasised that – in parallel with their indisputable advantages – digital financial services increase inequalities in terms of the degree of availability of means, access as well as digital and financial literacy, and they pose potential security and data usage risks, which can only be overcome by the cooperation of the public and private sectors.

Similarly to the first day, the programme of the second day of the symposium proved to be interesting and substantial. In his opening remarks, *Daniele Franco*, the Minister of Economy and Finance of Italy, referred to three subjects: the G20 Digital Agenda, access to digital financial services and the digital transformation in Italy. He pointed out that the G20 Digital Agenda adopted at the time of the Italian Presidency foresees the creation of an accessible, open, fair and non-discriminative digital economy, which is one of the most important factors that allow the achievement of the UN Sustainable Development Goals. As a result of the pandemic, new forms of exclusion from financial services appeared. Therefore, it is necessary to widen access to digital financial services. In connection with digital transformation in Italy, he mentioned that it is facilitated by significant aid provided by the government, in line with its plan for post-crisis recovery and strengthening resilience. Finally, he recommended that the advantages of digital transformation be exploited and the danger of exclusion from digital financial services be warded off.

The programme continued with the work of Session II, with the subject of *supporting financial resilience, inclusion and transformation through digital financial literacy*. The first guest speaker of the session was one of the 100 most influential women on the Forbes list, *Annamaria Lusardi*, Professor at the George Washington University School of Business, founder of the Global Financial Literacy Excellence Center, Director of the Financial Literacy Committee in Italy as well as Chair of the Research Committee of the OECD International Network of Financial Education. In her presentation, Lusardi drew attention to the fact that there is an urgent need to address households’ financial vulnerability. Many Italian families were already financially vulnerable prior to the pandemic, the impacts of the pandemic were unevenly distributed across the social groups, the crisis affected women and young people the most, and financial literacy provided some protection to prevent the

financial effects of the pandemic. Therefore, it is essential to increase households' financial resilience. Households' financial position in Italy is already improving this year, but inequalities are growing. Digital technologies are coming into general use, which means great opportunities as well as serious risks. Sophisticated use of technology requires increasing financial literacy. Summing up, she concluded that the crisis provides an opportunity to rethink the future. It is impossible to return to the pre-pandemic state, she said, and financial security and prosperity should be created for everybody. This requires a long-term attitude and focusing on families, which will certainly pay off.

The other guest speaker of the session, *Flore-Anne Messy*, Head of Division at the OECD, examined the role of digital financial literacy in increasing financial resilience and the promotion of digital transformation. Based on two GPFIs reports of this year, she presented the impact of the pandemic on the financial resilience of households as well as micro, small and medium-sized enterprises, and also the effect of digitalisation on the activities and operating profits of these enterprises. She stated that households, micro, small and medium-sized enterprises had not had sufficient financial reserves before the outbreak of the Covid-19 pandemic either, which impaired their not too strong resilience even further. Many of them started to use digital financial services during the crisis. As a result, they felt the negative impacts of the crisis to a lesser degree, and this had a positive effect on their activities and profits. She touched upon the advantages and challenges of using digital tools, and finally drew attention to the importance of a long-term approach in the digital age.

Session II was followed by an overview of the experiences of three countries, the USA, Brazil and India. *James Woodsome*, representing the US Treasury, referred to the importance of increasing financial literacy, and presented the related national strategy and committee work as well as the best practices. *Diego Cruz*, representing the Central Bank of Brazil, spoke about the rapid digitalisation of finances and households' adjustment to that, the vulnerable groups and the main factors of their vulnerability. *Shri Pawan Kumar*, from the Ministry of Finance of India, pointed out the determining role of digital infrastructure as public good in widening the access to financial services.

The next part of the programme, Session III dealt with *consumer and MSMEs protection and regulation beyond the Covid-19 crisis*. As the first guest speaker, *Jonathan Zinman*, Professor of Economics at Dartmouth College, expressed his opinion that at present the regulation is based on wrong assumptions as well as on an insufficient knowledge of markets and consumers. He called for a change and for building the regulation upon proper assumptions based on research. Then, *Miles Larbey*, the Head of the Financial Consumer Protection Unit at the OECD, presented a report prepared jointly by the OECD and the GPFIs on the impacts of the pandemic,

government measures, the lessons learnt from the crisis management as well as efficient approaches.

Following that, the session presented the consumer protection measures introduced by regulators during the pandemic, reflecting the experiences of three countries, the United Kingdom, Indonesia and South Africa. *Richard Monks*, Director of Strategy of the Financial Conduct Authority of the United Kingdom, highlighted the importance of a rapid, flexible, solution oriented regulatory approach, which is different from the traditional one. *Yunita Resmi Sari*, Head of Logistics and Facilities Management Department of Bank Indonesia, listed the digital tools that were introduced by Indonesia to strengthen consumer protection, and pointed out the importance of synergies and cooperation between stakeholders developing and operating these tools. *Katherine Gibson*, Deputy Commissioner of the Financial Sector Conduct Authority of South Africa, emphasised the importance of data collection and presented some of the findings of consumer surveys conducted in South Africa. Summarising the work of the session, Chair *Magda Bianco* drew attention to the fact that there is a gap between the actual situation and the regulatory intention in the fields of consumer protection and access to financial services and called for closing this gap as soon as possible.

Concluding the symposium, GPMI Co-Chair *Magda Bianco* presented the recommendations of the G20 and the GPMI, which aim at increasing digital financial literacy and the protection of consumers as well as of micro, small and medium-sized enterprises.