

**KEYNOTE ADDRESS**  
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Mrs. Weir,  
Ladies and Gentlemen,

First of all, I would like to express my sincere thanks to Citigroup and INSEAD for inviting me to address this very interesting and important Summit. I am very pleased to be here with you today and to share with you my views on a very interesting topic of “Importance of Financial Knowledge for the Development of Emerging Economies”.

For any country, financial knowledge always assumes crucial meaning in both macro-economic management as well as business administration. Therefore, education of financial knowledge plays a very important role. This is because each enterprise and, in a broader context, each nation can only maintain sustainable development if that enterprise or that nation is capable of generating surplus, which in turn provides that enterprise or nation with the capacity to continuously re-invest and expand production on an increasing scale. To achieve that goal, that enterprise or country must be able to formulate appropriate macro- and micro- financial policies which allow for efficient allocation of investment capital. They must also be able to control and keep track of any segment of the capital movement in order to see that behind the silent figures and account balances are dancing coins.

In addition to that general requirement, the requirement of adequate financial education is becoming increasingly urgent for emerging economies, since these economies have some distinguished characteristics as follows:

*First*, an emerging economy is often featured by a transitional economy. And therefore, along with investment and trade policy renovation, it is also necessary to undertake financial management reforms. These reforms are in turn possible only when they are based on a proper and adequate financial literacy at both macro- and enterprise levels.

*Second*, emerging economies are usually accompanied with high GDP growth rates, (sometimes up to 2-digit level), and this is connected closely with the implementation of many investment projects. There are 2 issues to be addressed in this regard. Firstly, without financial knowledge to ensure economic efficiency of investment, it would be impossible to mobilize capital from the society. Secondly, the increase in investment requires the development of financial services and the development of accounting and auditing organizations, but financial knowledge and accounting regimes often do not keep in pace. This is the phenomenon where economic activities often develop at a faster pace than the establishment of governing institutions in emerging economies.

*Third*, another quite common characteristic of emerging economies is the relatively fast development, at some stage, in the types of enterprises, especially small and medium-sized enterprises. However, financial knowledge of the population, who establish and own enterprises, is generally at a low level and varies among various groups of the population. Here, a dilemma appears: an emerging economy needs and creates every favorable condition for increased establishment of enterprises, but the lack of financial literacy appears to be an important, if not to say major, impediment to the establishment of new enterprises. If it is impossible to invest to enlarge their enterprises and expand business operations, a big portion of the inhabitants use their idle money to purchase gold and US dollars for storage or invest in land (but not as the form of real estate business). But, at the same time, an emerging economy needs very much capital through financial institutions.

*Fourth*, the beginning stage of an emerging economy is usually characterized by house-hold economic unit, especially in agriculture and rural areas. That is the initiation of the transformation from a self-reliant economy to a commercial one, and also the dawn of capital accumulation process. Therefore, education of financial knowledge aimed at this target group in an emerging economy is of utmost necessity.

*Fifth*, insufficient financial knowledge of the population as mention in the 3<sup>rd</sup> point above, leads to another corollary, which are difficulties and unsustainability that faced by the implementation of hunger elimination and poverty reduction programmes in many countries, especially in emerging economies. Why is that? This is because the cause of poverty and hunger is not capital shortage, but the lack of business entrepreneurship and financial knowledge of the population. Therefore, for emerging economies, financial knowledge is not only economic issue in the short term but the social issue in the long term.

From that perspective, the role of financial education in an emerging economy is crucial. The question to be addressed is how to classify different groups of the population and identify financial education needs relevant to each of the groups. Accordingly, the population can be categorized according to their ages and business fields. In categorizing the population according to ages, national characteristics and cultural tradition should be taken into account. In Asia culture, for instance, parents, who are also the owners and income-earners in the family, play a major role in financial management, but it is the younger generation who will be future managers.

Therefore, if looking at the role of financial education from the perspective of ages in emerging economies, there are some noteworthy points. First of all, for people in school ages, financial education is very important in providing initial knowledge about money and formulating in them proper habits and attitude in spending money from their early days. This is the very first stage in nurturing business ideas and professional orientation for the most active part of the future population.

With regard to more mature groups of the population, financial education at graduate and post graduate levels continues to play an important role in the direct creation of business leaders and macro policy-makers with qualification and knowledge on financial services to serve the development of the country. At this age, a big part of the youth in the society can have their first opportunities to access financial and monetary knowledge through the financial courses provided at the universities. Normally, emerging economies have relatively young population, so this part accounts for a very large proportion of the population structure of these countries. For that reason, financial education for this part of the population is of great significance in economic development of these countries in the time to come.

For the older inhabitants, financial literacy can help them get access to and grasp diversified and new opportunities, which they would never expect before. Financial literacy also helps them make better decisions on how to save their private budget and how to spend cumulated money more effectively. It is necessary to have a more objective and practical understanding on the roles of different parts of the population on the development of the economy. Normally, the class of elderly people in the society, including current employees and retired people, hold the most part of cumulated money of the society. Moreover, to some extent, they have certain roles in investment or expenditure decision-making of the other parts in the society.

As a result, the assistance for these people to improve their financial knowledge has not only economic but also social significance.

It can be said therefore that financial education can influence and change economic perception and behavior of every class in the society, where there they are students in schools or retired people.

If the role of financial education is looked at from the perspective of economic fields, it can bring along significant knowledge which is not only important for business activities of enterprises, but can also be decisive in macroeconomic decision-making.

At the enterprise level, the process of decision making and planning of cost, revenue and profit, etc. always requires the enterprise leaders to be knowledgeable and experienced in financial matters, since this has direct impacts on the quality of enterprise performance.

For governmental authorities, financial knowledge is even more important because it directly affects a series of macroeconomic issues of a country such as tax policies, management of the national budget, exchange rates, interest rates and management of foreign exchange market and security market.

If considering the role of financial education vis-à-vis addressing social issues, as I mentioned above, it is not only of great importance to success in hunger and poverty alleviation and reducing discrepancies among regions, but also has significant effect on increasing the role of women, thus helps addressing the issue of gender equality, which is often severe in emerging economies. In this aspect, financial knowledge helps increase the ability and life building capability of women and poor people, and thus helps them gradually bridge the gaps with the other parts of the society.

Education and reeducation of financial knowledge for different parts of the population at any age and in any areas, is becoming increasingly urgent in the globalization era. When the factors of production can move more freely from a country to another, risk management and capacity in preventing and responding to crises, especially financial crisis, is also very significant.

Ladies and Gentlemen,

In a limited time, I have touched upon only some important aspects of financial literacy and education in emerging economies, to which Viet Nam also belongs. I will be very happy to elaborate with you more on the issues in the following Q&A session.

Thank you very much for your attention.

I am ready for your questions.