

Asia's Developing Future



ASIAN DEVELOPMENT BANK INSTITUTE

Foreign remittances should be a key part of expanding services at postal savings banks

Postal savings banks can expand their financial services and bring them to more people, by using foreign remittances as a springboard.

With \$250 billion in remittances flowing into Asia every year, postal savings banks can provide cheaper and easier ways for people to access those funds and become one-stop-shops for financial services in Asia.

That's the suggestion of a recent book published by the Asian Development Bank Institute, *Postal Savings – Reaching Everyone in Asia*.

In a chapter in the book titled *Remittances as a Trigger for Postal Financial Inclusion*, author Hans Boon talks about the high costs many intended recipients in Asia pay to access those funds and the difficulties they experience.

Boon is chief executive officer of PostFinance Int'l Development, Amsterdam, a consultant for the World Bank and the International Fund for Agricultural Development and a director of Eurogiro in Denmark.

The accumulated amount of money sent to Asia by more than 80 million migrants is very large, more than what is spent on official development aid. But the remittances individually are often quite small, amounting to only \$200 on average.

Costs, on the other hand, are quite high. In 2016, they averaged 6.9% for sending remittances to Asia. That means remittances cost at least \$16 billion in 2016, not including the money recipients spent traveling to pick them up or the time they lost while doing so.

One of the targets of the Sustainable Development Goals is to bring down the cost of remittances to 3% by 2030. That reduction is estimated to save remittance recipients more than \$10 billion a year.

Meanwhile, only 59% of adults in Asia have bank accounts, leaving hundreds of millions of Asians unbanked. Most of the traditional banks are in the large cities and most of Asia's unbanked reside in rural areas.

Postal operations often reach deep into rural areas unserved by other financial institutions and can offer financial services to many unbanked consumers, using remittances as a major drawing card.

First though, postal savings banks need to be updated to accommodate remittances and other financial services.

About half of the post offices in Asia lack adequate technology, power supply, or connectivity to deliver remittances effectively. Authorities need to decide to either shrink their outdated post office networks or digitize and diversify them to ensure their futures.

Almost all post offices in Asia now offer postal money orders, which were first used at the start of the 19th century as a way to replace cash sent in envelopes. Those money orders could be used to switch to modern, digital remittances, Boon explains.

Partnerships could be developed with companies that provide modern financial technology services to simplify the remittance process. Workers at the post offices would need to be trained, especially in marketing and financial management. They would also need to discard the corporate culture in the postal operations of many countries, which still have a monopoly mindset that makes them resistant to change.

Training and testing of the changes could start in a few branches and be rolled out to entire networks once the new business model is successful.

There are 350,000 post offices in Asia, many deep in rural areas where people currently find it difficult and expensive to access remittances. Offering a cheaper and easier way to provide financial services especially to people who are underserved will ensure a future role for post offices in Asia.

This podcast is based on *Remittances as a Trigger for Postal Financial Inclusion* by Hans Boon, CEO of PostFinance Int'l Development, Amsterdam, a consultant for the World Bank and the International Fund for Agricultural Development and a director of Eurogiro in Denmark. His chapter appeared in the Asian Development Bank Institute's new book, [Postal Savings—Reaching Everyone in Asia](#).

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