

# Workshop on Financial Inclusion Indicators

## 9 am, Monday, 5–6 November 2012

### Forum, Sasana Kijang, Kuala Lumpur

#### Opening remarks by Dato' Muhammad bin Ibrahim, Deputy Governor of the Central Bank of Malaysia and IFC Chairman

Good morning ladies and gentlemen,

It is my great pleasure to welcome you to the Workshop on Financial Inclusion Indicators here at Sasana Kijang, Kuala Lumpur. The Central Bank of Malaysia is honoured to co-host this event with the Irving Fisher Committee on Central Bank Statistics (IFC).

Following the recent global financial crisis, financial inclusion has emerged as an important element of the global policy agenda. Greater financial inclusion, if properly designed, can contribute decisively towards sustainable long-term economic growth. Many countries look at financial inclusion as a means of achieving inclusive growth, by giving all segments of society access to financial services. Financial inclusion can also help to reduce poverty, by providing the poor with ways to grow and protect their incomes, smooth their consumption/investment patterns and enhance their saving capacity through the provision of adequate financial products. This increases the economy's resilience in the face of economic shocks, promotes financial stability, fosters the financial sector, and spurs economic growth by mobilising savings and supporting investment.

According to the World Bank Global Findex Database, released in April 2012, about half of the world's adult population have an account with a formal financial institution. But there is a large disparity between advanced and developing economies. In high-income economies, 89% of the adult population have some access to the financial system; this is more than twice the ratio seen in the developing economies (41%). Among the 2.7 billion or so adults in the world who have no formal account, most are in the developing economies and in the poorest segments of society: the highest income quintile is more than twice as likely to have a formal financial account, compared with those in the lowest quintile.

Now widely discussed, financial inclusion issues have attracted increasing interest from central banks worldwide. In addition, the major multilateral agencies involved in development issues have become very active in this area: for instance, the International Monetary Fund (IMF) and the World Bank have sought to identify key indicators of financial inclusion, and they have published their first set of financial inclusion statistics in the form of the Financial Access Survey and the Global Findex Database, respectively in 2010 and 2012.

There are also other institutions that play an active role at the international level in developing new research, setting standards and providing a platform for policymakers to share experiences. Among the most significant are the Global Partnership for Financial Inclusion (GPII), the Consultative Group to Assist the Poor (CGAP), the Alliance for Financial Inclusion (AFI) and the International Finance Corporation (IFC).

Recognising the significant benefit of financial inclusion, Malaysia, and in particular the Central Bank of Malaysia, has actively supported this policy agenda at both the domestic and international levels. Domestically, the Bank is currently implementing the 10 high-priority financial inclusion measures outlined in the Financial Sector Blueprint 2011–2020 released in December 2011. Five of them have already been implemented, namely, agent and mobile banking, a financial literacy outreach programme to under-served locations, training for microfinance practitioners and financial inclusion Key Performance Indicators (KPIs). And they are delivering real benefits to underserved communities. Capacity building is another area where we have allocated resources. For 2012, the Bank has organised three financial inclusion training programmes for policymakers, covering the topics “Regulation and supervision of deposit-taking microfinance institutions”, “Business conduct and consumer protection” and “Islamic microfinance”.

To reflect our continuous commitment to the global financial inclusion agenda, the Bank will be hosting the 2013 AFI Global Policy Forum in Kuala Lumpur. This is an important international financial inclusion forum for policymakers around the globe. We expect to receive more than 300 participants from over 80 countries. We wish to invite all of you here today to participate in this forum in September next year.

Yet, promoting financial inclusion remains a significant challenge. One frequently mentioned impediment is the lack of reliable figures to support more effective and informed policy formulation and implementation. Reliable, accurate, comprehensive and timely data are absolutely essential, as they help policymakers formulate policies that address the real needs of the under-served community and to measure their real impact.

Measuring financial inclusion is also challenging because the concept is so variously defined. This can hinder meaningful analysis and policy discussion. For example, some institutions cleave to a narrow and specific definition of the underbanked population, while others include financial services for the poor and for small enterprises.

In addition, the type of variables used to assess financial inclusion may also differ across countries and organisations. Usually, these variables include:

- access to bank accounts;
- access to credit;
- payment facilities;
- usage and quality of financial products and services, which encompasses consumer protection and financial literacy; and
- consumer satisfaction.

But even if the variables look similar, definitions and practices vary, making comparability difficult.

Apart from the need to develop methodologies for defining financial inclusion and for drawing up indicators that relevantly encompass all its dimensions, one issue for policymakers is the lack of a composite measure for financial inclusion. Such an index, once established, would be a useful way of making comparisons across time and geography. It would also help decision-makers to gauge the effectiveness of their policies over a period of time.

Taking into consideration the global need to address these challenges, and in line with the IFC's desire to promote the exchange of views among central bank economists, statisticians and policymakers, the IFC is proud to organise this workshop jointly with the Central Bank of Malaysia. We hope it will be a useful platform for the community of compilers, users and analysts of statistical information in their efforts to:

- share experience on the compiling of data on financial inclusion and how these can shed light on key aspects of interest to analysts and policymakers;
- review and discuss key indicators that help to define and measure financial inclusion along with its impact; and
- discuss the development of composite indicators for financial inclusion.

As regards the measurement of financial inclusion, the workshop will provide a useful opportunity for discussion of financial inclusion measures, the new challenges faced by policymakers, and the impact of financial inclusion initiatives on the overall economy, particularly in terms of financial stability.

We will conclude our workshop on the second day with the issuance of the Sasana Statement on Financial Inclusion Indicators, which will incorporate and summarise our discussions and reflect our continuous and unwavering commitment to supporting the global financial inclusion agenda.

On behalf of the IFC and the Bank, I would also like to take this opportunity to put on record our heartfelt thanks to Her Royal Highness Princess Maxima of the Netherlands, the UN Secretary General's Special Advocate for Inclusive Finance for Development, for her strong support of our initiative. And on this topic, I would like to quote her words, as follows:

"Financial inclusion is essential for employment, equitable economic growth and development, and financial stability. To achieve these goals, policymakers need good national data. Appropriate financial inclusion indicators will be so valuable to produce more and comparable data on which products, delivery models, and policies have the greatest impact on poor people and national priorities."

Aside from the workshop, I hope you will take the opportunity to tour this magnificent building, the Sasana Kijang, as well as the beautiful green city of Kuala Lumpur during your time here. Sasana Kijang exemplifies the Bank's vision of creating a centre for the development of thought leadership and for the promotion of greater regional and international collaboration in central banking and finance.

On this note, I wish you a fruitful discussion and an enjoyable as well as productive workshop.

Thank you and Terima Kasih!