

Measuring Financial Inclusion in Malaysia

Objectives:

- Strategies to further financial inclusion and measurement framework for Malaysia
- Measurement tools and indicators
- Development of the financial inclusion index
- Where we are now?

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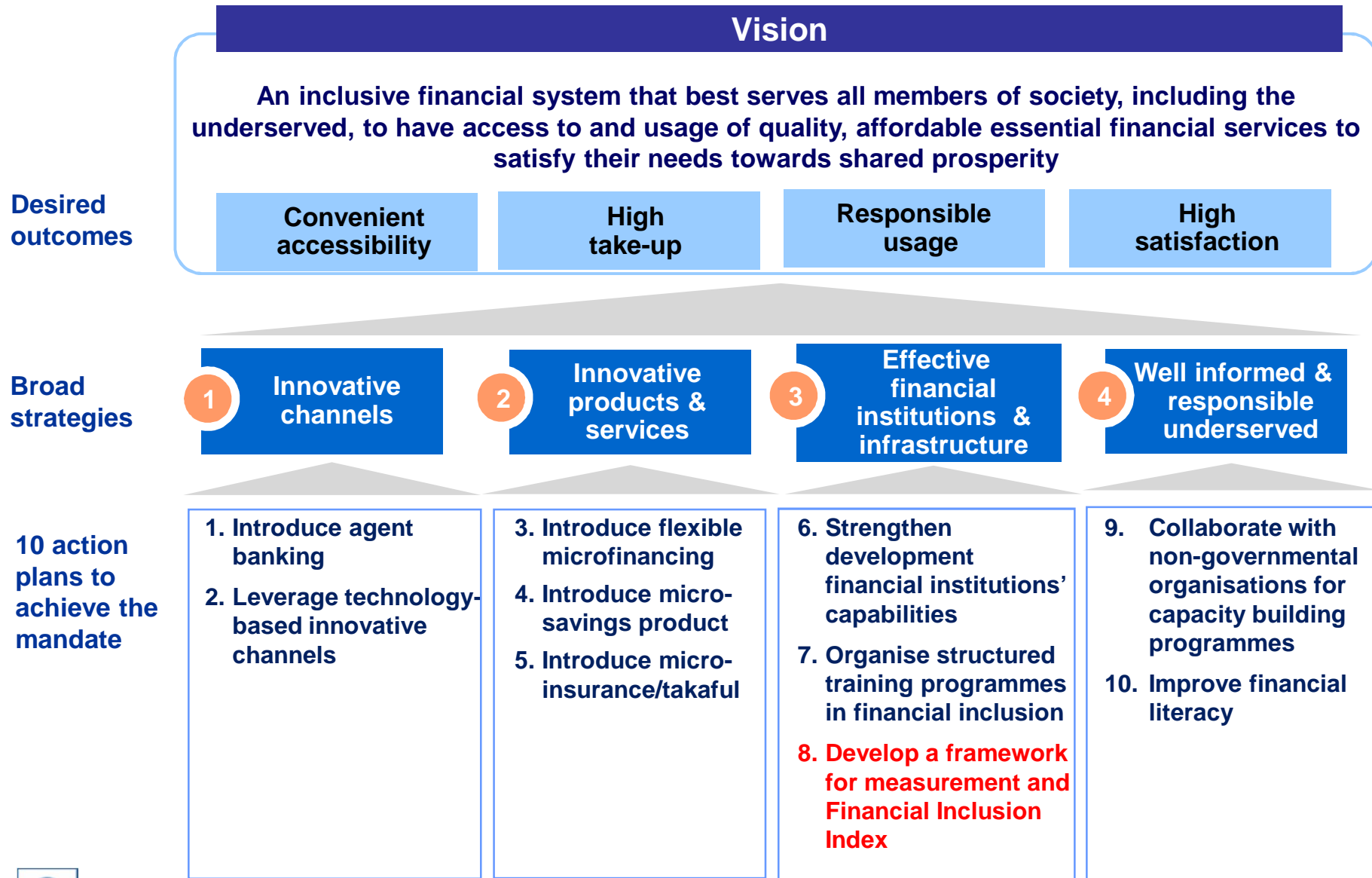
Malaysia – general information

- **Geographic coordinates:**
 - 2 30 N, 112 30 E
- **Area:**
 - Total: 329,758 km²
- **Population (2015 est.):**
 - 31.3 million
 - 20.5 million adults
- **Demography:**
 - 51% male
 - 49% female
- **Median age:**
 - **Median age:** total: 27.4 years
 - **Male:** 27.2 years
 - **Female:** 27.6 years
- **Urbanisation**
 - Urban population: 72% of total population (2010)
- **Life expectancy at birth**
 - Total population: 74.9 years
 - Male: 72.5 years; Female: 77.4 years
- **Literacy (2000)**
 - Total population: 88%
 - Male: 92%; Female: 85%



Strategies to enhance financial inclusion in Malaysia

- Financial Inclusion Framework for 2011-2020



Measurement Tools – Data sources for financial inclusion indicators

Dimensions

**Convenient
Accessibility**

Take-Up Rate

**Responsible
Usage**

**Satisfaction
Level**

Source

Access Points - GIS Mapping Project

**Financial Inclusion Demand Side Survey s -
2011 & 2015**

**Financial Inclusion Supply Side Surveys
- ID Matching Project & CCRIS Database**

**Financial Inclusion Demand Side Survey s -
2011 & 2015**



Development of a Financial Inclusion Index to track the overall progress of financial inclusion in Malaysia

- An Index incorporates key indicators into a single, comprehensive number

Key Salient Features

- 1 Leverage on AFI Core Set of Financial Inclusion Indicators formulated by the AFI Financial Inclusion Data Working Group (FIDWG)
- 2 Customised the AFI Core Set to reflect KPIs of Malaysia Financial Inclusion Framework by defining 4 dimensions of financial inclusion:
 - Convenient Accessibility
 - Take-up Rate
 - Responsible Usage
 - Satisfaction Level

Dimensions & Indicators

Dimension	Key Performance Indicators	Target (%) Set in 2012
Convenient Accessibility	• % of sub-district with at least 2000 population with at least 1 access point	90
	• % of population living in sub-district with at least one access point	95
Take-Up Rate	• % of adult population with deposit accounts	95
	• % of adult population with financing accounts	50
	• % of adult population with life insurance/takaful policies	40
Responsible Usage	• % of customers with active deposits	90
	• % of customers with performing financing accounts	97
Satisfaction Level	• % of customers who are satisfied – Overall financial services	80



Global Supply and Demand Side Indicators on Financial Inclusion that could be consider for Index

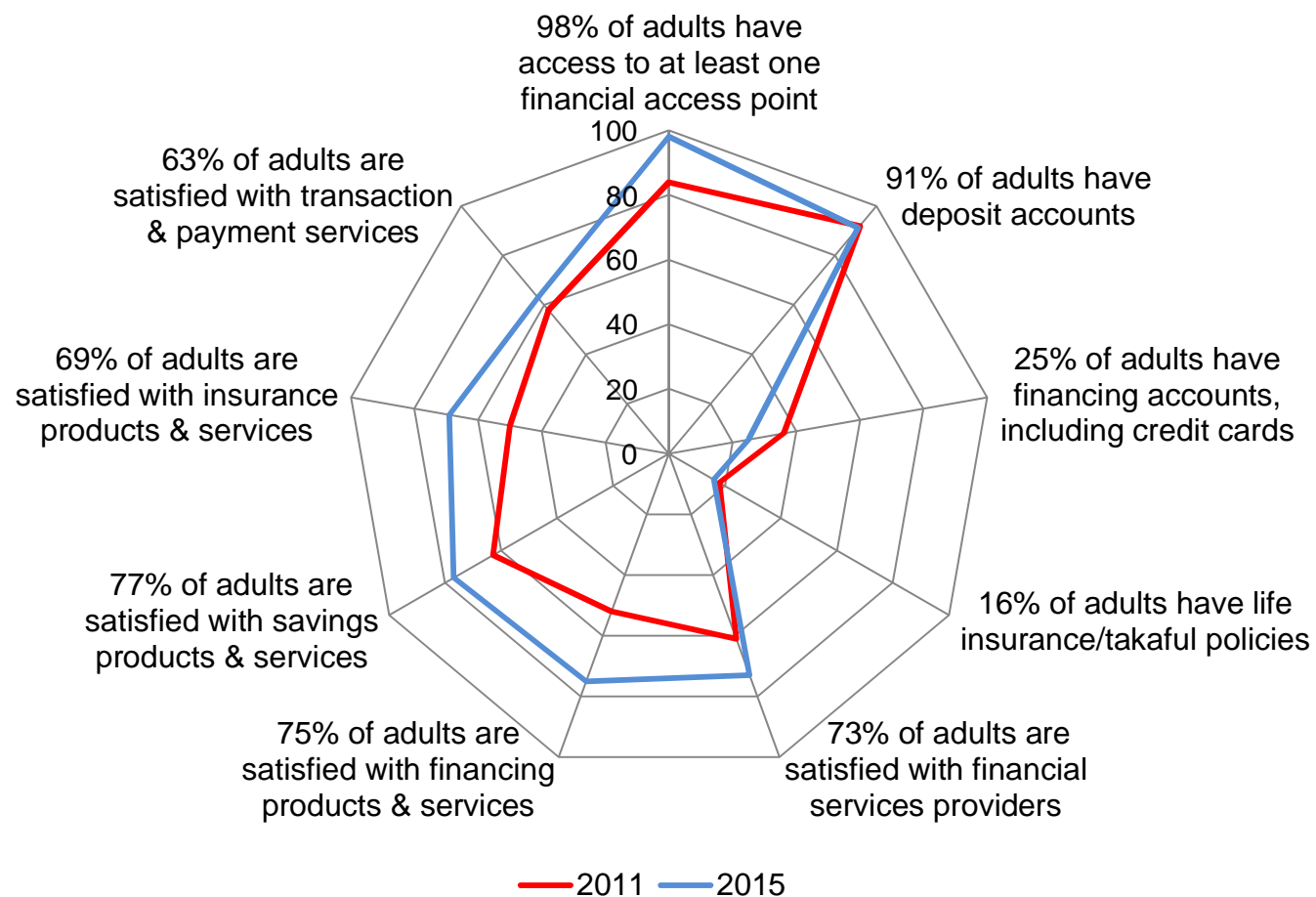
Supply-side	Demand-side
<p>For MFIs, commercial banks, credit unions and financial cooperatives:</p> <ul style="list-style-type: none"> • Automated teller machines (ATMs) • Number of borrowers • Branches • Deposit account • Loan account • Mobile mobile account, money agent outlets, balance value (% of GDP), mobile money transactions • Outstanding deposits and loans (% of GDP) 	<p>Percentage (%) of adults with:</p> <ul style="list-style-type: none"> • Account at a financial institution (all adults, women, adults poorest 40%, richest 60%, young, elder, rural & urban areas). • Mobile account • Debit and credit card • ATM as the main mode of withdrawal • Use of an account to receive wages, government transfers, to pay utility bills • Use of debit card to make payments • Sent / receive domestic remittances • Saved and borrowed



Financial Inclusion Index – General Population - 2015

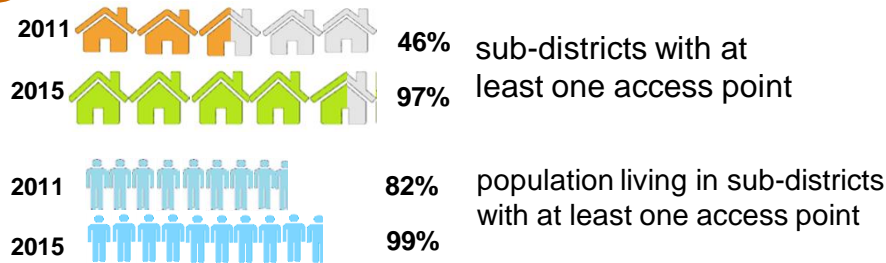
Dimension	Indicators	Data (%) 2011	Data (%) 2015	Target (%)	Index of Each Indicator	Weight	Index of Each Dimension	Equal Weighted Dimension	Equally Distributed FI
Convenient Accessibility	• % of mukim with at least 2000 population with at least 1 access point	46	96	90	1.07	0.5	1.05	0.25	0.90 (0.896)
	• % of population living in mukim with at least one access point	82	98	95	1.03	0.5			
Take-Up Rate	• % of adult population with deposit accounts	92	91	95	0.96	0.5	0.61	0.25	
	• % of adult population with financing accounts	36	25	50	0.50	0.25			
	• % of adult population with life insurance/takaful policies	18	16	40	0.40	0.25			
Responsible Usage	• % of customers with active deposits	87	92	90	1.02	0.5	1.01	0.25	
	• % of customers with performing financing accounts	97	98	97	1.01	0.5			
Satisfaction Level	• % of customers who are satisfied – Overall financial services	61	73	80	0.91	1.0	0.91	0.25	
Index ranges from 0 – 1, with 1 being perfect financial inclusion 							1.00	0 – 1.00	

Improvement in accessibility and satisfaction of financial services but moderate take-up of financial products



Where we are now?

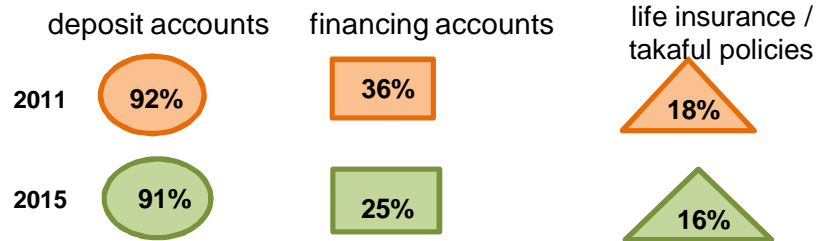
1 Convenient Accessibility



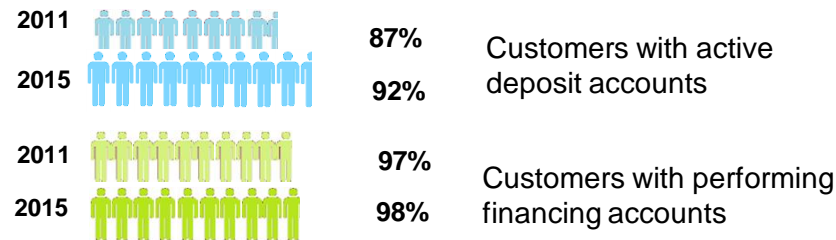
Strategies & Initiatives (2011-2015)



2 Take-up Rate (% of adult population with financial products)



3 Responsible Usage



4 Satisfaction Level



Consumer and Market Conduct

- Guidelines on Transparency & disclosure
- Guidelines on Fees and charges
- ABM- Partners on Client charter and standard documentations



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Who Are the 8% Unbanked Adult Population?

Gaps in financial inclusion across demographics, with women, youth and low income at the greatest disadvantage

Gender

55% women



More than half of the unbanked population are women

Age Group

46% from age of 15-24 years old



Youth are less likely to have a formal account

Income

86% no income & low income



RM0 -RM1,000

>RM1,000

Adults with no income or low income are less likely to be banked

Region

33% in East Malaysia



Adults living in the rural and remote location are less likely to be banked

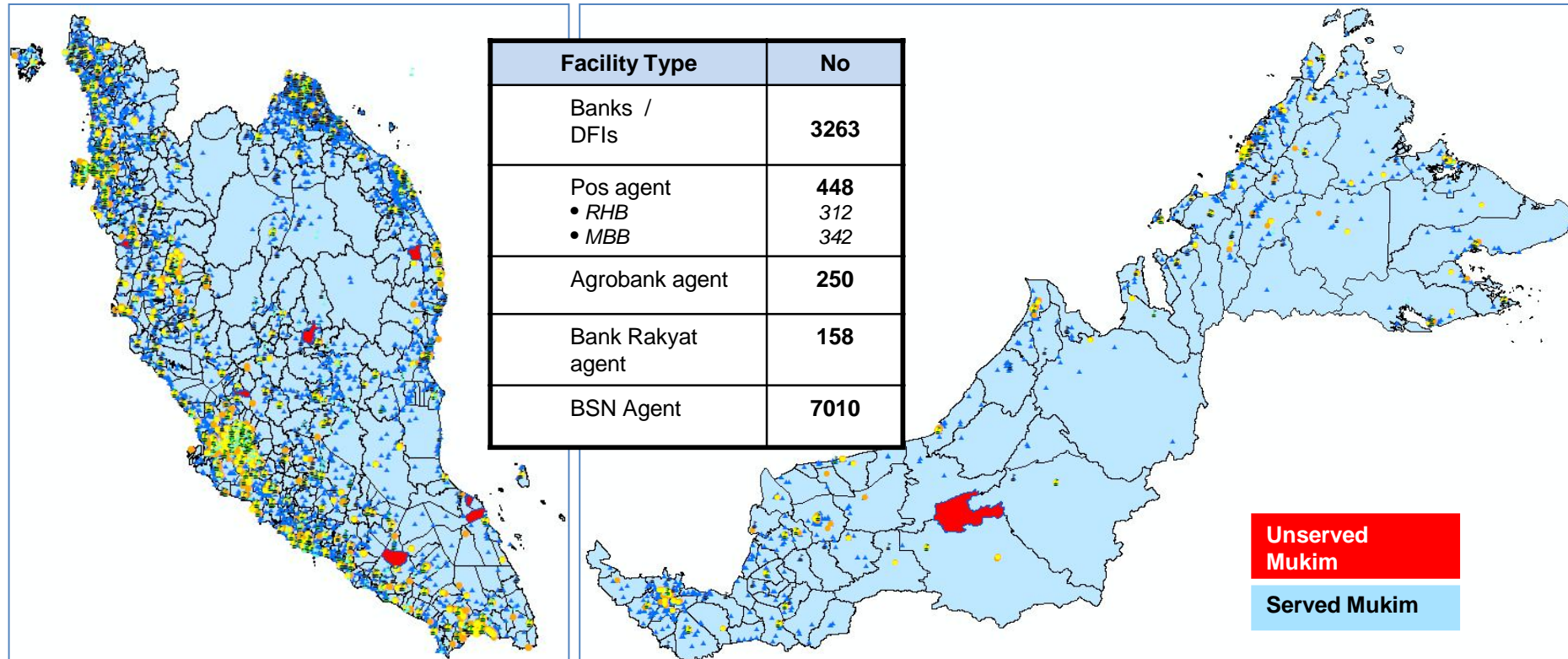


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BNM used GIS to map the distribution network of all access points, as a result areas that are yet to be served are identified

Peninsular Malaysia

East Malaysia



As at end-2016: Total served sub-districts(mukim) – 97.4% with 23 sub-districts still remain unserved



Achievement thus far...

Improved financial inclusion index

2011: 0.77 → 2015: 0.9

Additional financial indicators to be monitor moving forward...

SME FINANCING INDICATORS		2011	2015	2020
1	Higher share of SME financing to business financing	39%	47%	Above 40%
2	Maintain high approval rate	80%	81%	Maintain above 80%
3	Improve impaired financing ratio	5.8%	3.2%	3%

GENDER DATABASE

- 1 Account ownership and active account user at the formal financial institutions
- 2 Women business owners



Thank you for listening

Q & A

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References:

1. A research paper on *Financial Inclusion in Malaysia: Tracking Progress Using Index* presented at the Workshop on Financial Inclusion Indicators, 6 November 2012 & excerpt published in Central Banking Journal, May 2013.
2. *Box Article : Unlocking Shared benefits for All through Inclusive Finance*, BNM Annual Report 2015, pg 72-78.
3. *A Financial Inclusion Index to Measure the Progress of Financial Inclusion*, AFI - Guidance Note No.18, April 2016

