

Sasana statement on financial inclusion indicators

On 5 and 6 November 2012, Bank Negara Malaysia co-sponsored an international meeting at Sasana Kijang, Kuala Lumpur, to discuss financial inclusion measurement and indicators. The other sponsor was the Irving Fisher Committee on Central Bank Statistics (Irving Fisher Committee), a forum of economists and statisticians from 80 central banks from all regions, which operates under the auspices of the Bank for International Settlements. The meeting, which was presided by Deputy Governor Muhammad bin Ibrahim, who is also the Chairman of the Irving Fisher Committee, yielded the following insights:

1. Greater financial inclusion is essential for accelerating and sustaining employment, economic growth and financial stability. There is currently no standard definition on financial inclusion. In a narrow sense, it refers to the delivery of accessible, affordable, appropriate and cost-effective financial products and services to unserved or underserved households. The definition is sometimes extended to also include products and services to unserved or underserved enterprises. In its broadest form, financial inclusion takes into account the qualitative aspects of inclusiveness such as financial literacy and consumer protection.
2. As in other policy areas, good policy requires good data, at both the macro and micro level. The meeting highlighted the crucial role of measurement and performance indicators for the promotion of financial inclusion. Useful initiatives have been taken at the international level to provide guidance on the collection and dissemination of data on access to and usage of the financial products and services, as well as qualitative aspects of financial inclusion. International data-related initiatives include those of International Monetary Fund, the World Bank, the G20, Consultative Group to Assist the Poor, and International Finance Corporation, the Alliance for Financial Inclusion (AFI) and its Financial Inclusion Data Working Group (FIDWG), and Microfinance Information Exchange.
3. Many developing, emerging, and advanced countries are implementing current international recommendations related to data frameworks and methodologies for financial inclusion indicators. Nevertheless, they have yet to be fully used by all countries due to diverse levels of financial inclusion across countries. Many are also participating in internationally-coordinated data collection initiatives in order to map financial inclusion in their jurisdiction and make data more comparable across countries.
4. In addition, countries are implementing country-specific data-driven approaches to measure financial inclusion by different dimensions, including financial literacy, consumer protection, household indebtedness, micro credit, the financing of small and medium-sized enterprises and community development.
5. Central banks in different regions in the world have a clear interest in promoting financial inclusion, in particular by improving policy-relevant data. This includes the development of composite indicators or indices of financial inclusion at the national and international level. While the appeal for such interest is well-founded, a number of methodological issues need to be

carefully considered in using such indicators for policy development purposes, both in terms of comparing financial inclusion across different countries and over time.

6. The Irving Fisher Committee stands ready to contribute to international efforts in the standardisation of the relevant financial inclusion measurement and development of composite indices or dashboards. The statistical expertise of Irving Fisher Committee members is available to national and international organisations and groups.