

Zeti Akhtar Aziz: Global Findex Database 2014 – measuring financial inclusion around the world

Speech by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the World Bank's Asian Region Launch of the "Global Findex Database 2014: Measuring Financial Inclusion around the World", Kuala Lumpur, 20 August 2015.

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It is my great pleasure to be at this World Bank Asian Region launch of the "Global Findex Database 2014". The Global Findex is one of the most comprehensive and authoritative source of financial inclusion data, that offers valuable insights into the state of financial inclusion in the world today. We are most honoured that the World Bank Group has selected our cosmopolitan city of Kuala Lumpur to host the Asian regional launch of the Global Findex.

Financial inclusion, the provision of cost effective and quality financial services to all segments of society, has been acknowledged as an important structural enabler for economic development and progress. There is also a greater appreciation that development which empowers every individual to achieve their full potential raises the aggregate productivity and income, which in turn, supports a more dynamic and durable economic growth. Therefore, financial inclusion needs to be pursued more extensively beyond the underserved to achieve a more effective participation in the financial system and thus unlocking the further potential to contribute towards the overall growth and development of economies.

Financial inclusion in Malaysia: Our evolution

Since Bank Negara Malaysia's inception in 1959, financial inclusion has been an important agenda for the Bank as it was recognised that it is central to supporting the aspirations for a balanced and sustainable growth of our economy. Attention was initially given to establishment of a diverse range of financial institutions to meet the needs of the various consumers and businesses, including rural communities and small businesses.

Bank Negara Malaysia has also worked towards providing an enabling regulatory environment which encouraged the financial system to develop innovative products and services that would better meet the needs of the underserved. The Bank introduced the basic banking services, a no frills low cost savings account in 2005 and on the financing side, the micro-financing framework was established in 2006 to facilitate an uncollateralised micro financing scheme that provides access to financing in a fast, easy and convenient manner. Another important policy initiative is the development of such financial services based on Syariah principles. This has allowed many segments of the Malaysian society to now meaningfully use and benefit from the financial system.

In line with the transformative importance of financial inclusion, the Central Bank of Malaysia Act 2009 states that promoting a sound, progressive and inclusive financial system as one of the primary functions of the Bank. This has provided a clear mandate and legislative power for the Bank to advance the financial inclusion agenda. The financial inclusion mandate of the Bank is further reinforced by The Financial Sector Blueprint 2011–2020, which charts the future development of the Malaysian financial system. It details the Bank's holistic approach toward achieving greater financial inclusion.

An important evolution in the advancement of our financial inclusion strategies is the increasing focus on data and measurement. Success can only be celebrated if it is proven by visible developments that is felt on the ground. Hence, one of the cornerstone recommendations under the Financial Sector Blueprint is the development of a Financial Inclusion Index, a framework to measure accessibility to financial services as well as its

usage and quality. Our performance on this agenda has therefore been measured, consistent with our drive for accountability and excellence. Further policy initiatives have included the introduction of agent banking which has enabled 99% of Malaysians today to enjoy convenient access to safe, reliable and affordable financial services.

International efforts to enhance financial inclusion measurement

Internationally, there is an emerging common understanding that measurement is an essential policy tool for implementation. In this regard, the Alliance for Financial Inclusion, a network of central banks and financial regulators from 96 countries, has provided an important platform in advancing the global agenda of financial inclusion measurement. With the Sasana Accord, which was agreed upon in 2013 during the Global Policy Forum held here in Sasana Kijang, AFI members underscored the importance of measuring the progress of financial inclusion using a common set of measurable indicators. This Accord has formulated the measuring tools for the monitoring of Key Performance Indicators (KPIs) that has assisted policy makers in implementing and refining strategies to assist the underserved.

Immense progress has also been made in gathering accurate and timely data for financial inclusion KPIs. Traditionally, financial inclusion data has been scarce as they have depended on national user surveys. In this regard, the Global Findex has made a very significant contribution to financial inclusion policymakers and practitioners, as it is a database of more than 150,000 survey responses from more than 140 countries across the world. With the data from the Global Findex, which is updated every 3 years, we are now able to compare in a consistent manner the financial inclusion performance across countries and analyse trends over time. The availability of country performance data not only provides peer pressure that spurs action, but also provides empirical evidence on which financial inclusion policy actions are delivering the most optimal impact. The analysis of the Global Findex data has provided strong evidence that countries which adopted mobile banking outperformed those that did not. Such empirical evidence facilitates policymakers and the private sector in their drive for greater financial inclusion.

Priorities for greater financial inclusion

In these recent years, there has been significant progress in advancing financial inclusion across the world. According to the Global Findex, 700 million adults have gained access to formal financial services since 2011. This is indeed a significant achievement. Yet 2 billion adults today are still unbanked. Therefore both the private and public sectors, need to intensify efforts to accelerate meaningful and effective efforts in the drive for greater financial inclusion. In Malaysia, our priorities are to enhance greater access to digital financial services, as well as to enable the underserved to benefit from increased convenience, greater efficiency and lower cost. Another important priority would be financial education for the newly banked, to ensure that new entrants into the financial system behave responsibly and do not suffer the unintended consequences of being over-indebted.

For ASEAN, financial inclusion is an increasing priority because it is estimated that 260 million adults in the region still do not have access to the formal financial system, while 45 million small businesses have difficulties in accessing financing. To overcome this challenge, ASEAN Finance Ministers and Central Bank Governors in March 2015 decided to elevate financial inclusion to be a policy priority. It is our shared vision that every person and every small business in the region can participate and benefit from the opportunities that will be brought forth by greater regional integration under the ASEAN Economic Community.

Conclusion

Our collective efforts in advancing financial inclusion have yielded many significant achievements. The Global Findex Database 2014 will be an important contribution to more

optimal and impactful financial inclusion policy making and implementation. Bank Negara Malaysia would like to congratulate the World Bank Group on this accomplishment. We would also like to reaffirm our unwavering commitment to the financial inclusion cause and look forward to deepening our cooperation with all stakeholders to fulfil the promise of greater financial inclusion, thereby bringing hope and better opportunities to our communities.

Thank you.