

Muhammad bin Ibrahim: Link between financial education, consumer protection and financing inclusion

Closing remarks by Mr Muhammad bin Ibrahim, Deputy Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Malaysia-OECD High Level Global Symposium on Financial Well-Being, Kuala Lumpur, 1 October 2015.

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As this year's Global Symposium on Financial Well-Being comes to a close, I thought it is appropriate to contemplate the world surrounding us. I want to make a short remark on the link between financial education, consumer protection and financing inclusion.

Financial education, consumer protection and financial inclusion is a tractable endeavor if we work in a collaborative manner. They are means to a noble end. Properly synchronized it would create a sustainable growth and financial stability, a prerequisite to continuously improve people's lives.

For the full promise of financial inclusion to be realised, financial education is a powerful tool to equip consumers with the financial competence to manage their finances more effectively and improve the overall well-being of individuals and households. It also means that financial education must enable consumers to liberate themselves by equipping them with the ability to make informed decisions thus ensuring their meaningful participation in the financial system. The focus on strengthening the ability of consumers and businesses to use financial services confidently and effectively must therefore be an important part of any effort to promote financial inclusion, to make a real difference to people's lives including the two billion adults globally, who still do not have access to financial services.

The role of financial inclusion in supporting sustainable economic growth is particularly important now, given the global economic landscape where countries continue to search for an engine of balanced, sustainable and long-term growth.

Financial inclusion provides low-income households with equal opportunities to save and invest securely, borrow for productive activities and buffer against unforeseen shocks. The utilisation of relevant financial services improves households' income and empowers them to attain healthcare, education and social mobility, effectively reducing social and economic inequality. Research (IMF) has shown that countries with lower inequality tend to have higher and more durable growth. There is also evidence that access to credit spurs entrepreneurship and job creation, and improves the economic well-being of households.

Inculcating financial capability and discipline so that all segments of society have the ability to make sound decisions regarding saving, use of credit, investment for education and retirement, and protection against adverse events is one fundamental way to raise financial well-being for all. Financial literacy becomes even more important for those who are financially less privileged. For households with limited resources, it becomes vital for them to manage the finances even more effectively to attain financial security and improve economic well-being.

Improving access to finance and responsible lending by the financial institutions coupled with sensible and prudent use of credit by the borrowers are an imperative for the consumers and for the wider economy. Being financially competent can also act as the first line of defence against falling prey to financial scams or frauds and abusive selling practices. Indeed, financial education initiatives complemented by fair and responsible business conduct are not only essential complements to financial inclusion, they contribute to broader financial stability and consequently improving the lives of members of society.

For financial educators and policymakers, the challenge ahead is a daunting one, given the scope of the task and the rapidly changing environment. There has been no time like the

present, where the financial education and financial inclusion agenda has risen to such prominence at the global, regional and national levels. We should seize this opportunity.

The increased visibility of financial education and financial inclusion should at least make our work a little bit easier especially in securing top level commitment to advance this agenda and ensure better alignment among various stakeholders.

It is in this context that the global leadership of institutions like the OECD, the Alliance for Financial Inclusion (AFI) and the World Bank is important to sustain the momentum for greater progress and champion the financial education and financial inclusion agenda. More can be done collaboratively with national agencies to propagate successful financial education strategies; to promote more effective coordination with financial inclusion and financial stability mandates; and to develop frameworks, tools and guidance that can be adapted to local conditions. Frameworks for evaluating the effectiveness and measurement of financial education initiatives should be developed to avoid pitfalls that can lead to poor outcomes despite significant time and resources invested in many activities.

At the regional level, consumer protection measures are being developed in tandem with the proposed economic measures to achieve greater economic integration under the ASEAN Free Trade Area. For the region, enhancing financial literacy of consumers will be an important consideration in raising the standards for consumer protection frameworks and in promoting financial inclusion. I expect that this will be discussed at the ASEAN Roundtable which will take place tomorrow and I encourage your active contribution to this important dialogue. The roundtable discussion will provide opportunities for ASEAN policymakers to share countries' experiences, exchange key insights on promising approaches and to explore new ideas and identify opportunities to deepen collaboration at the regional level. These are important matters as it enables policy makers to formulate new development policies and better strategies.

It has been a very productive symposium. The dedication and commitment expressed by those who have participated so actively in the various sessions should energise and inspire us all to strive even harder and achieve more to improve the well-being of our communities.

On behalf of Bank Negara Malaysia, let me take this opportunity to express our thanks to the OECD and INFE, and the moderators, speakers and discussants in making this event a success. I would also like to thank all delegates for your active participation throughout this symposium. I hope you have gained valuable insights for charting your own national strategies for financial education.

Enjoy the rest of your stay in Malaysia, and we look to the opportunity to welcome you back in the future.