

# **Use of Data in Supporting the Development of Enabling Conditions for Greater Financial Inclusion**

***ASEAN Financial Inclusion Conference***

***Yangon, Myanmar***

***29-30 October 2014***

**Bank Negara Malaysia**



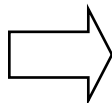
# The new Central Bank Act 2009 made inclusive financial system a primary function

## CBA 1958

Mandates broadly defined

### Principal objects

- Issue currency and to keep reserves safeguarding the value of currency
- Promote monetary stability and a sound financial structure
- Promote the reliable, efficient and smooth operation of national payment and settlement systems and ensuring that systems policy is directed to the advantage of Malaysia
- Act as a banker and financial adviser to the Government
- Influence the credit situation to the advantage of Malaysia



## CBA 2009

Strategically focused

### Principal objects

Promote **monetary stability** and **financial stability** conducive to the **sustainable growth** of the Malaysian economy

### Primary functions

- Formulate and conduct monetary policy
- Promote exchange rate regime consistent with fundamentals
- Regulate and supervise financial institutions
- **Promote sound, progressive and inclusive financial system**
- Provide oversight over the money and foreign exchange market
- Hold and manage foreign reserves of Malaysia
- Issue currency
- Exercise oversight over payment system



# Findings from a survey in 2001 reflected the opportunity to provide Malaysian SMEs with a range of development enablers

## SMEs were small and inward looking

- 1 Lack of skills – 43% of SMEs do not provide training for staff
- 2 Low usage of technology – 5% of SMEs fully automate operations
- 3 Lack of access to advisory services- 52% of SMEs have no access
- 4 Cater mainly for domestic market – 8% of SMEs export their products

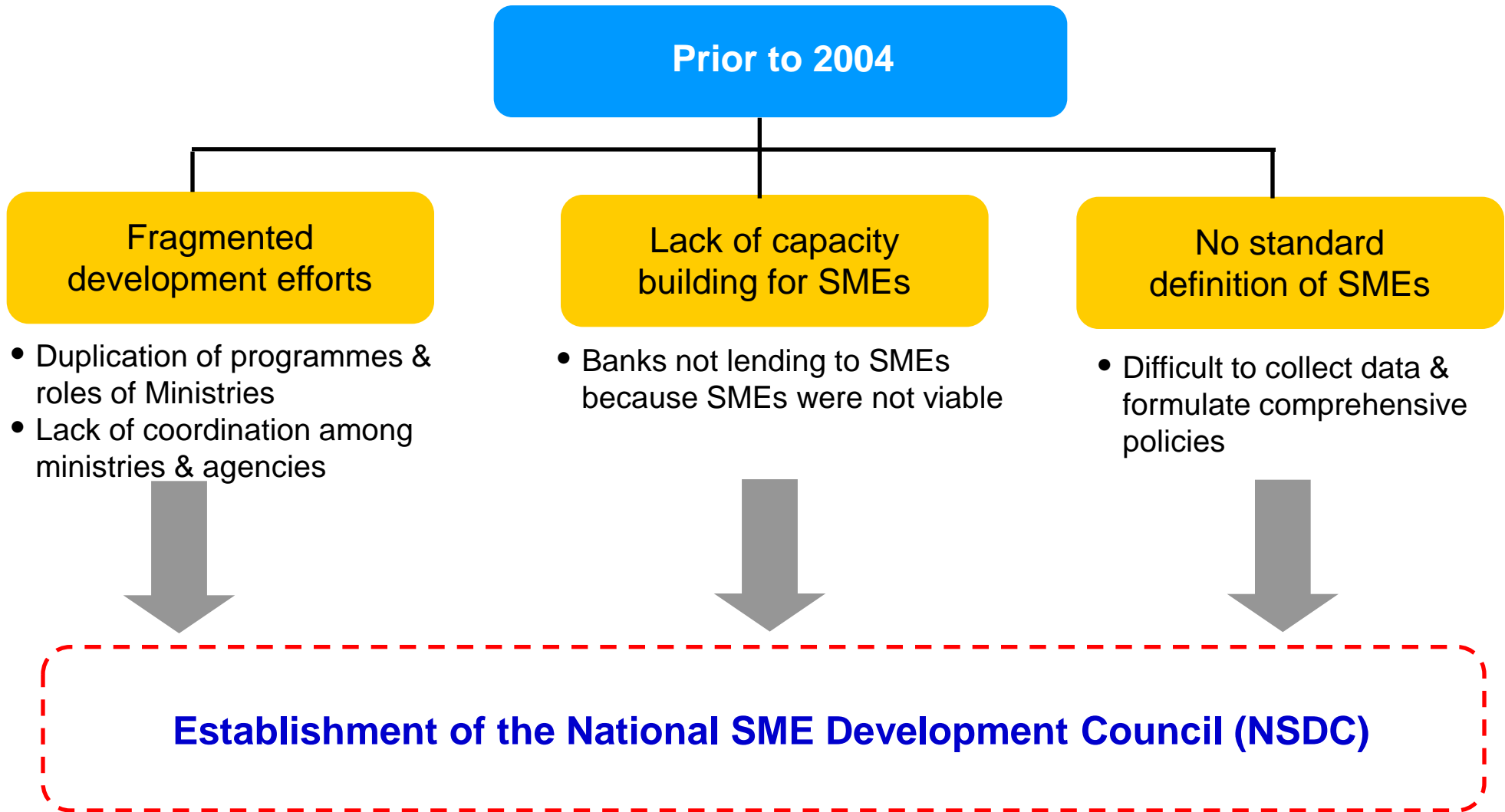
## As a result...

- 1 Low value added content
- 2 Small contribution to GDP
- 3 Few able to meet global standards & compete in global market

Source: BNM Survey on SMEs 2001

Based on Census of Establishments and Enterprises 2005, SMEs accounted for 99.2% of total business establishments in Malaysia

# There is a need to establish a holistic Government approach to develop SMEs



# The National SME Development Council (NSDC) was established as the highest policy making body to chart SME development

## Description

- Chaired by Prime Minister with 15 Ministers and 3 Heads of Agencies
- Secretariat: Bank Negara Malaysia (from 2004 to July 2008)
- Current Secretariat: SME Corporation Malaysia

## Roles

- Formulate broad policies and strategies for comprehensive development of SMEs across all sectors
- Oversees coordination of and ensure effectiveness in policy implementation

## 3 Strategic Thrusts

- Enhance access to financing
- Build SME capacity
- Strengthen infrastructure

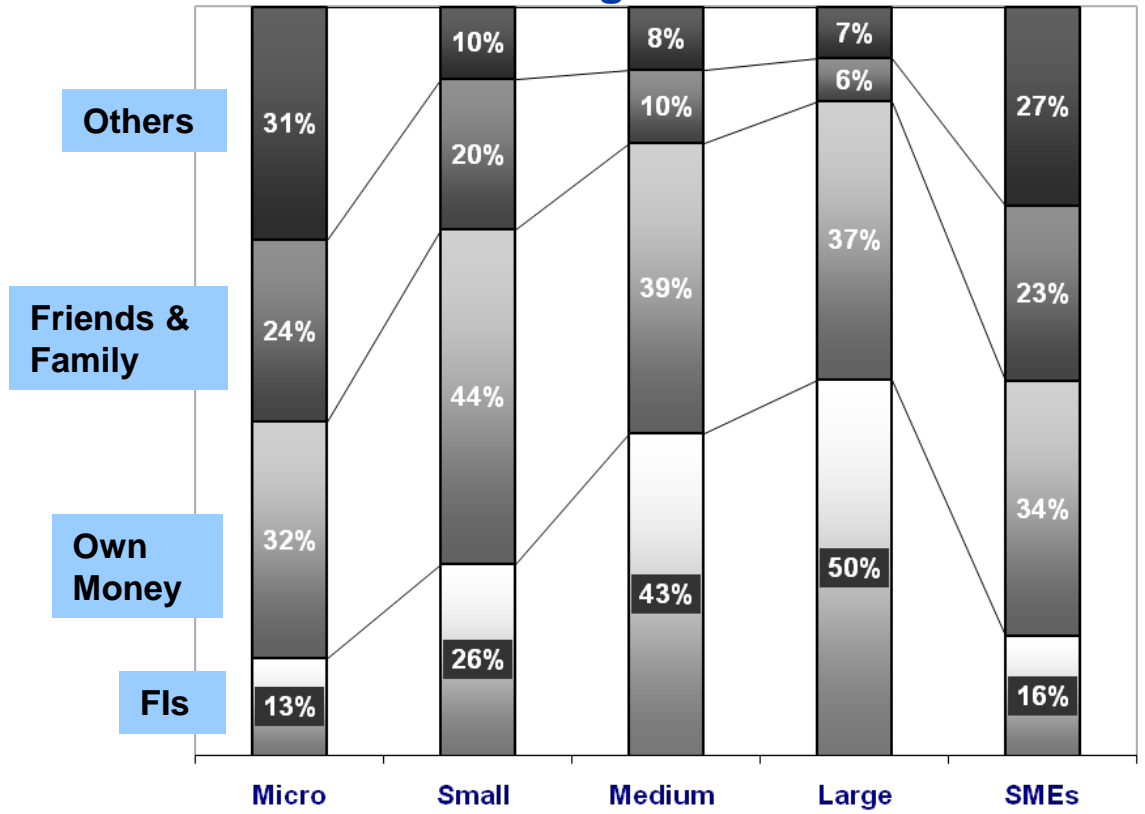
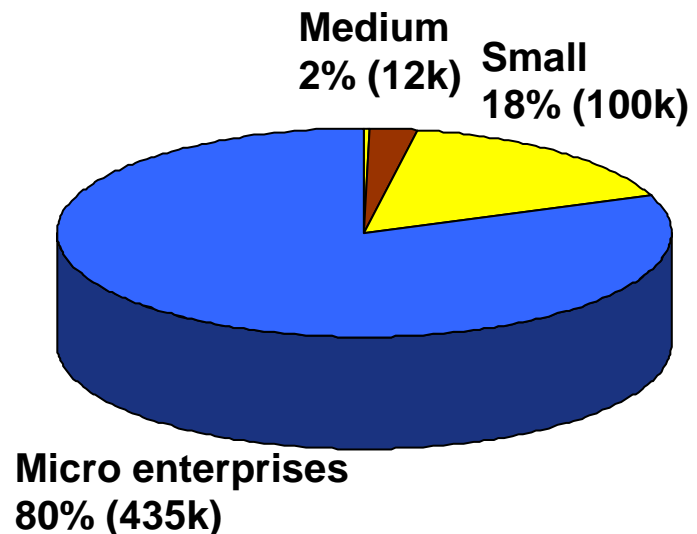
# Findings from a Census\* in 2005 showed that there was an opportunity for the formal financial system to serve the micro enterprises

**Most establishments in Malaysia are micro enterprises ..**

- 99.2% of establishments in Malaysia are SMEs
- Total No. of SME Establishments: ~548,000

**.. but only 13% indicated that financial institutions were their main source of financing**

## Main Sources of Financing



Source: Census of Establishments and Enterprises 2005, Department of Statistics Malaysia

# The microfinance industry has grown as a result of the comprehensive sustainable microfinance institutional framework introduced in 2006

Definition of Microfinance
Financing up to RM50,000 (USD16,000) to <b>micro enterprises</b> for business purposes

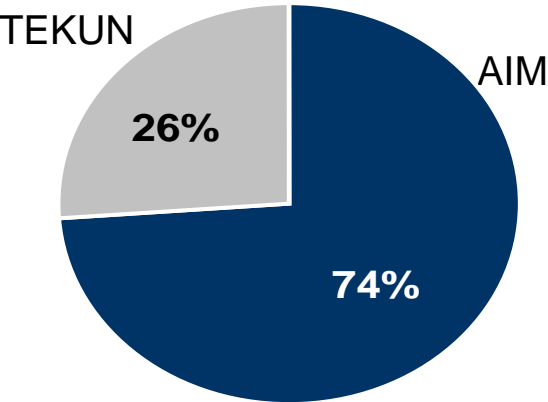
Easy
<ul style="list-style-type: none"> <li>• No collateral</li> <li>• Minimum documentation</li> <li>• Simple procedure</li> </ul>

Fast
<ul style="list-style-type: none"> <li>• Fast approval</li> <li>• Fast disbursement</li> </ul>

Convenient
<ul style="list-style-type: none"> <li>• Widely accessible</li> </ul>

**Microfinancing Outstanding**  
End-2000

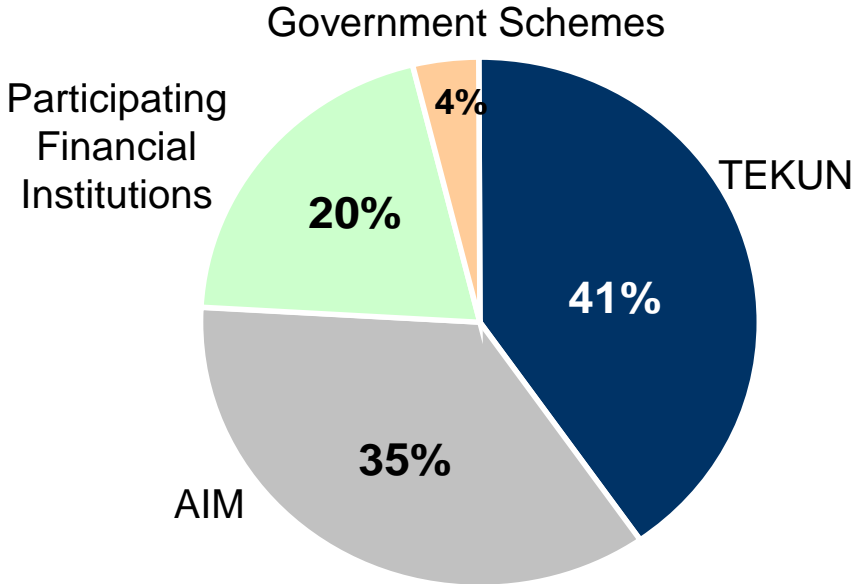
100% = RM151 million



**Compound annual growth rate: 27.9% yoy**

**Microfinancing Outstanding**  
End-Jun 2014

100% = RM4.2 bil



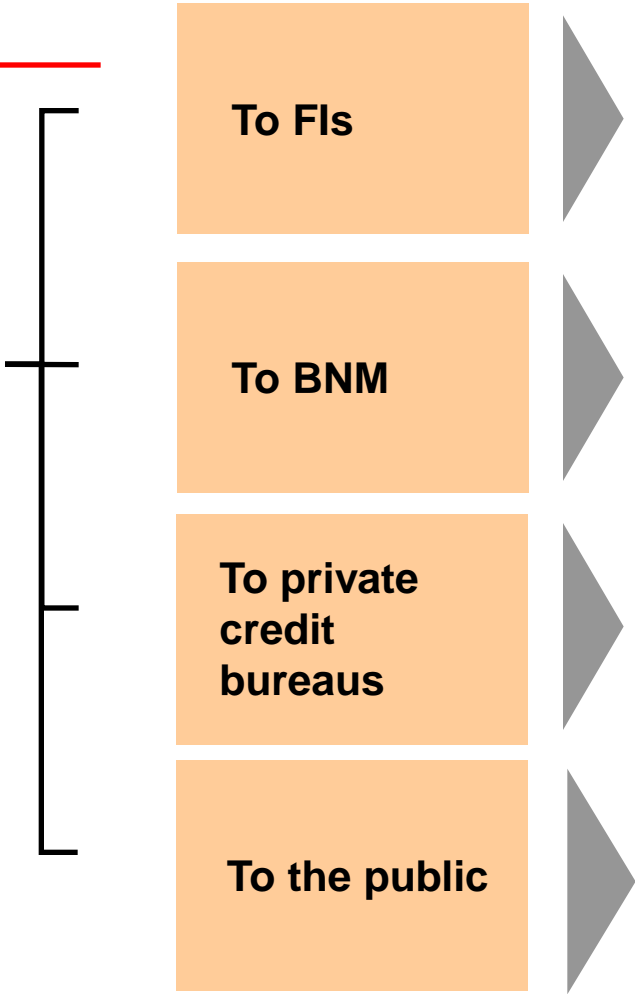
# Central Credit Reference Information System (CCRIS) is the key enabler for efficient and reliable data collection and dissemination of credit information

## Description

- Managed by and located at BNM
- Collect info from banks and regulated FIs
- Comprehensive database
- Enable real time access to both positive and negative credit information of the borrowers
- Info from non-banks and MFIs such as Cooperatives Commission of Malaysia, AIM and TEKUN are not included

## Benefits

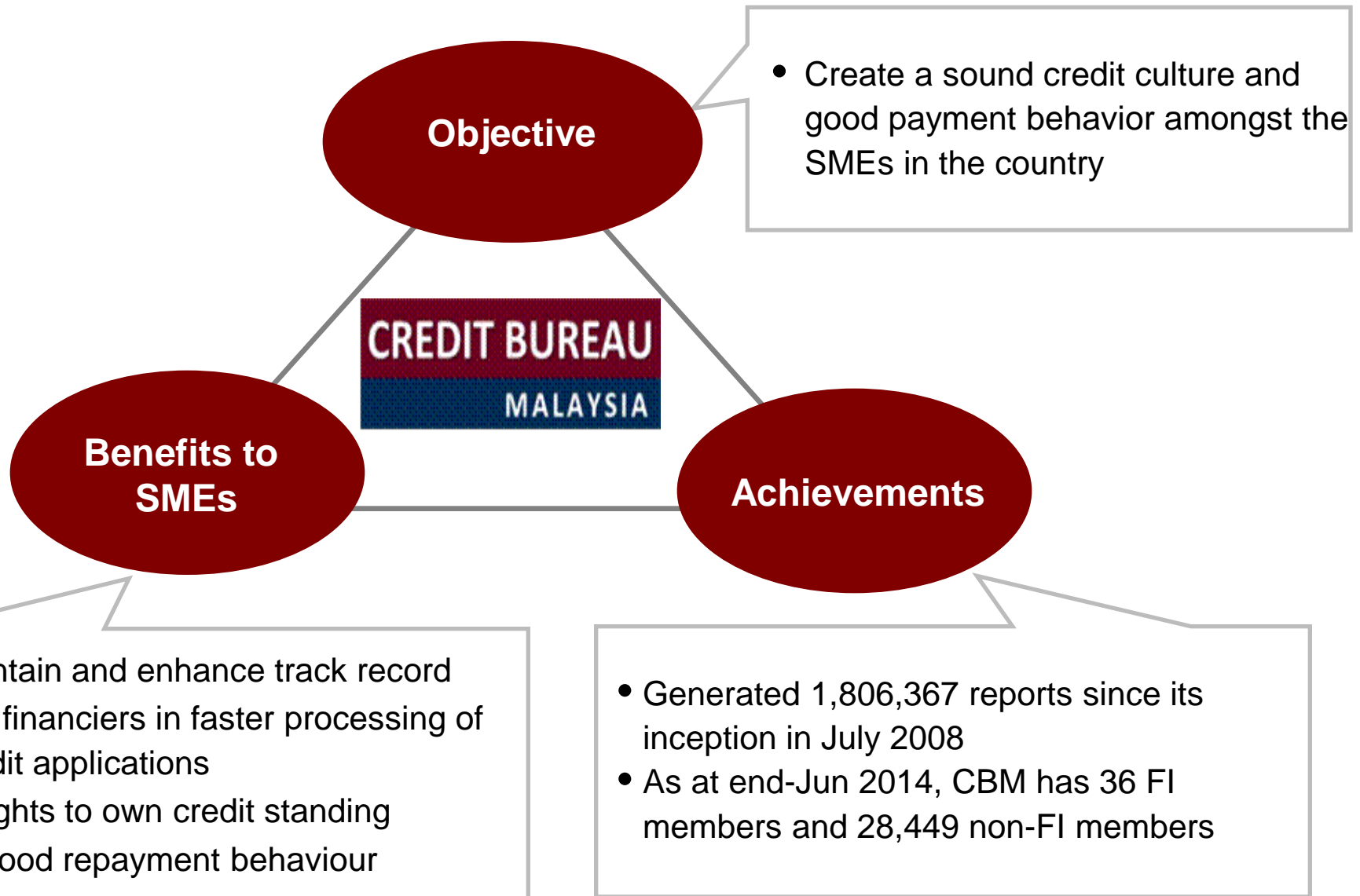
### Benefits of CCRIS



- Provide credit information to FIs to:
  - Facilitate credit assessment of customers
  - Facilitate credit risk management
  - Promote more efficient credit processes
- Facilitate BNM for regulatory, supervision and analytical purposes
- Provide data for the creation of business and consumer credit reports
- Inculcate good credit culture



# Credit Bureau Malaysia (CBM) complements CCRIS by collecting data from non-banks



# Data in 2011 showed that there are still opportunities to advance financial inclusion

## Challenges

## Description

1

**Sub-optimal Physical Access**

- i 100% of districts have FI access points, however, there are still **54% of sub-districts (mukims)** with more than **2,000 population** in Malaysia are **yet to be served** (449 out of 837 mukims unserved)
- ii **17% of adult population** live in mukims with more than 2,000 population with **no FI access points**

2

**Sub-optimal Take-up**

- i **8% of Malaysian adults do not have deposit accounts<sup>1</sup>**
- ii Take up of financial services by **low income individuals<sup>2</sup>** is **lower than general population**

Take up <sup>3</sup> of financial products	General population	Low income population
Savings a/c	90%	76%
Credit card	24%	2%
Insurance	41%	10%

Source:

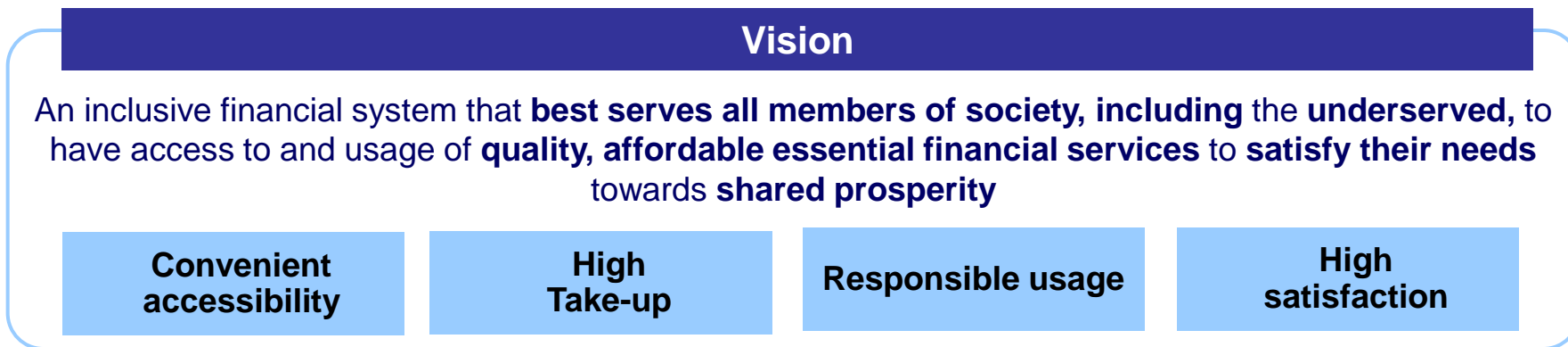
<sup>1</sup> Financial Inclusion Demand-Side Survey 2011

<sup>2</sup> Individual respondent representing household with monthly income below RM1,000

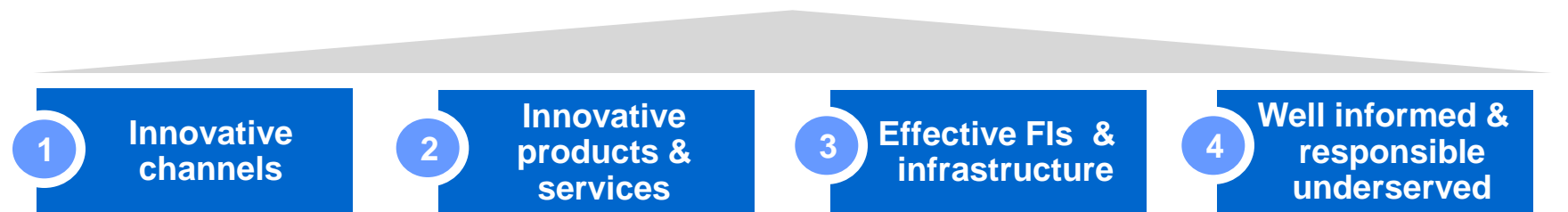
<sup>3</sup> Financial literacy Survey, White Hat Sdn. Bhd.

# A Framework under the Financial Sector Blueprint (2011 – 2020) to enhance Financial Inclusion

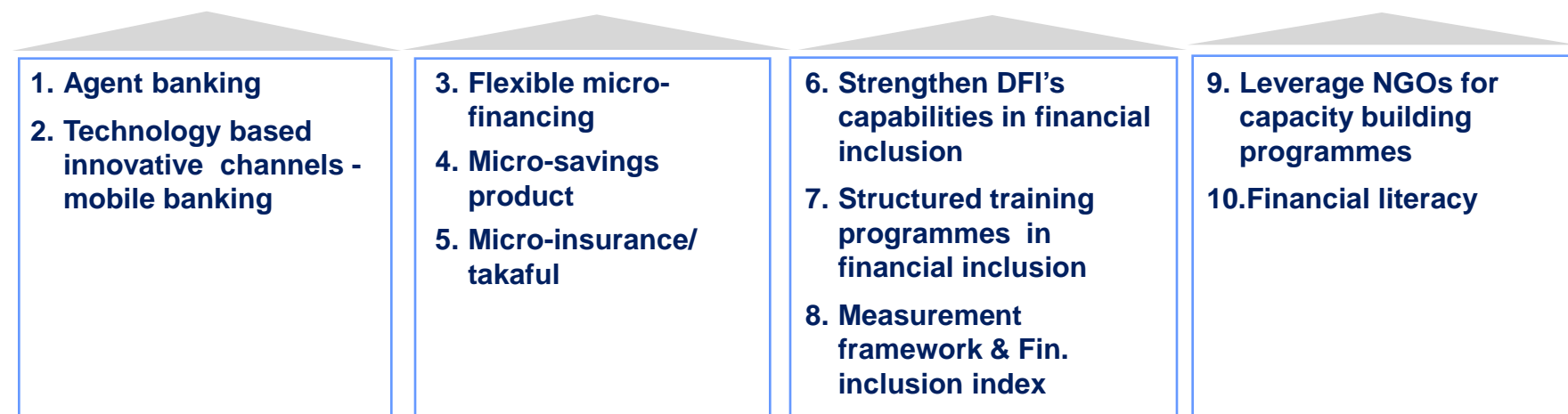
Desired outcomes for the underserved



Broad Strategies

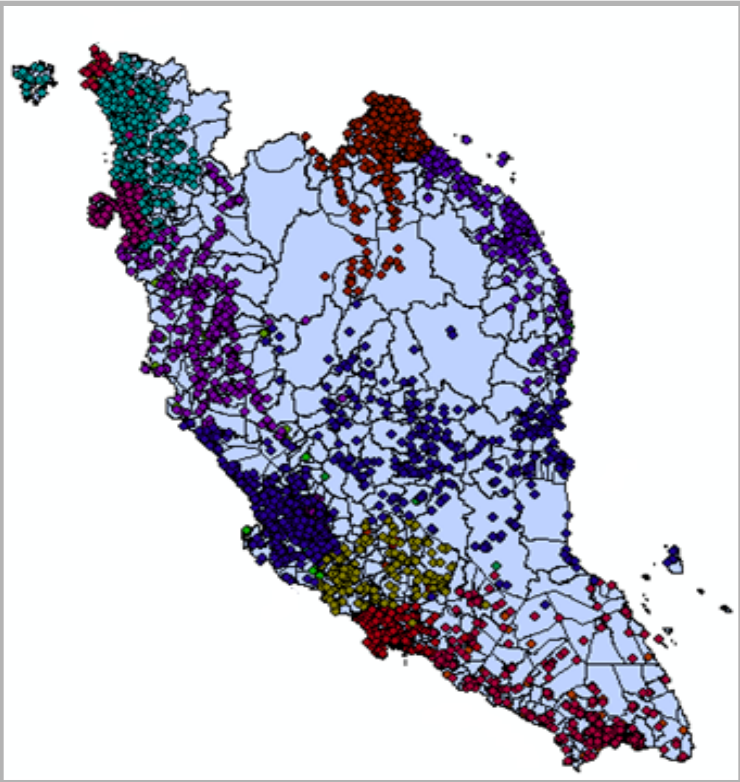


10 financial inclusion strategies under the Financial Sector Blueprint

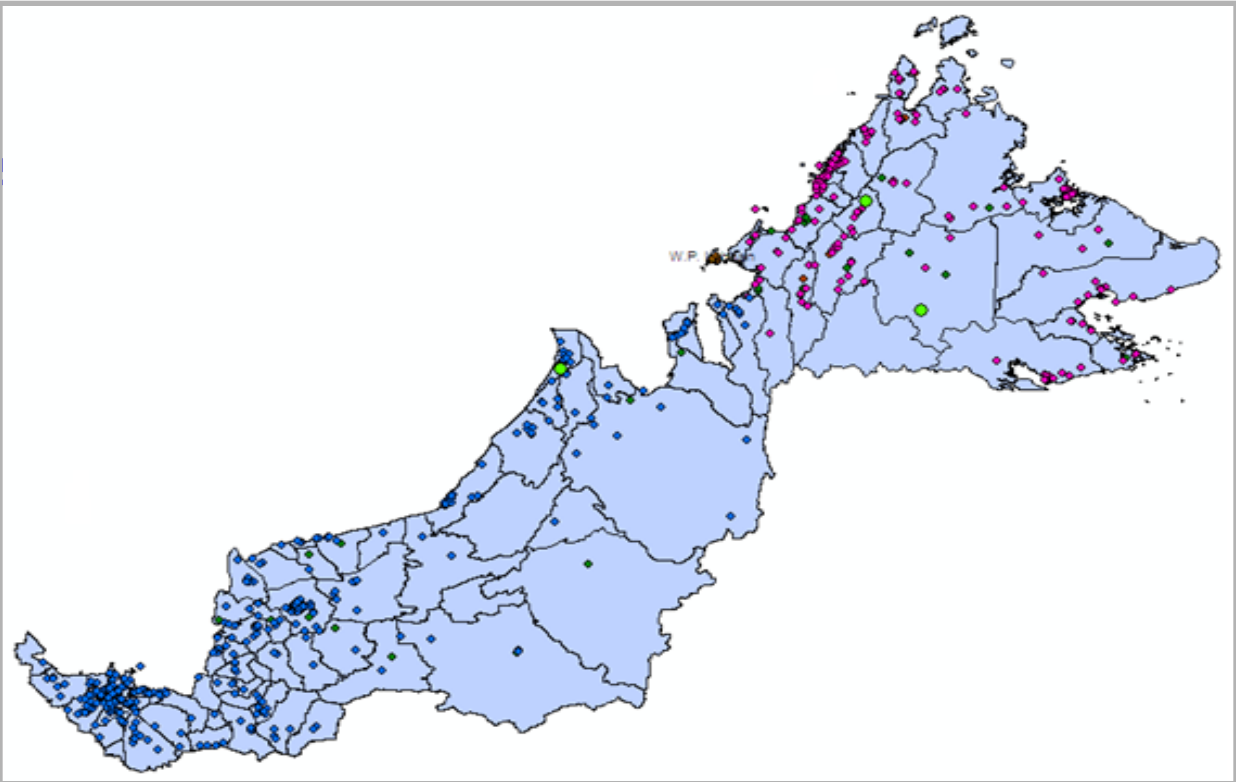


# Identified unserved/under-served areas via geographical mapping of access points

**Peninsular Malaysia**



**East Malaysia**



	End-2011		
	Total	Number of served areas	Number of unserved areas
Sub-districts (< 2000 population)	837	388 (46.4%)	449 (53.6%)
State Legislative Assembly	576	420 (72.9%)	156 (27.1%)

# Agent Banking enhances outreach of basic financial services to the rural areas – progress is closely monitored through the % of served areas

	Total	Number of served areas		
		End-2011	End-Aug 2014	End-2014 (Target)
Sub-districts (< 2000 population)	837	388 (46.4%)	795 (95.0%)	753 (90%)
State Legislative Assembly	576	420 (72.9%)	576 (100%)	576 (100%)



### As at end-Aug 2014

**Number of Agents by 3 FIs**  
5,661 banking agents nationwide

**Transactions by Agents**  
25 mil transactions totaling RM2.8 bil

**% of served districts**  
100% served by mid-2011



# Financial inclusion Key Performance Indicators for Malaysia

## Dimensions

## Indicators

## Source

### Convenient Accessibility

- % of mukim (subdistricts) with at least 2000 population with at least one access point
- % of population living in mukim with at least one access point

Access Points Mapping Project

### Take-Up Rate

- % of adult population with deposit accounts
- % of adult population with financing accounts
- % of micro enterprises with financing accounts
- % of adult population with life insurance / takaful policies

Financial Inclusion Demand Side Survey 2011

### Responsible Usage

- % of customers with active deposits
- % of customers with performing financing accounts
- % of micro enterprises with performing financing accounts

IC Matching Project  
CCRIS

### Satisfaction Level

- % of customers who are satisfied with overall financial services
  - *Transaction and payment system*
  - *Financing services for consumption*
  - *Financing services for business*
  - *Saving services*
  - *Insurance services*

Financial Inclusion Demand Side Survey 2011

# Demand side survey measures financial inclusion at the national level

## 1st Financial Inclusion Demand-Side Survey (2011)

### Profile of Survey Respondents

- 2,000 Malaysian adults between 16 to 64 years old

### Convenience

- 80% indicated that access to financial services is convenient
- 84% were unaware of agent banking services

### Take-up, Preference and Behaviour

- 92% have deposit accounts
- 89% of those who saved did so for emergency expenses
- 60% indicated that financial institutions are the most preferred source of borrowing.
- ATMs and bank branches are the most popular methods of transferring money
- 95.3% do not conduct mobile or internet banking
- On the average, respondents rated their satisfaction with financial services at 7.7 out of 10, primarily due to simplicity of procedures and ease of access



# A Financial Inclusion Index has been developed to track the overall progress of financial inclusion in Malaysia

## Key Salient Features

- Leverage on AFI Core Set of Financial Inclusion Indicators** formulated by the AFI Financial Inclusion Data Working Group (FIDWG)
- 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	Data (%) 2011 -Baseline	Data (%) 2013*	Target (%)**
Convenient Accessibility	• % of mukim with at least 2,000 population with at least 1 access point	46	93	90
	• % of population living in mukim with at least one access point	82	98	95
Take-Up Rate	• % of adult population with deposit accounts	92	92	95
	• % of adult population with financing accounts	36	36	50
	• % of adult population with life insurance/takaful policies	18	18	40
Responsible Usage	• % of customers with active deposits	87	92	90
	• % of customers with performing financing accounts	97	98	97
Satisfaction Level	• % of customers who are satisfied – Overall financial services	61	61	80

\* Based on data from geographical mapping exercise, supply and demand side

\*\* Based on benchmarking and internal targets





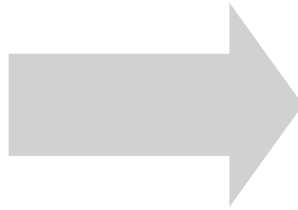
# Key Indicators are transformed into a Financial Inclusion Index

Dimension	Indicators	Data (%)	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	90	0.51	0.5	0.64	0.25	<b>0.77</b>
	• % of population living in mukim with at least one access point	82	95	0.86	0.5			
Take-Up Rate	• % of adult population with deposit accounts	92	95	0.97	0.5	0.70	0.25	
	• % of adult population with financing accounts	36	50	0.72	0.25			
	• % of adult population with life insurance/takaful policies	18	40	0.45	0.25			
Responsible Usage	• % of customers with active deposits	87	90	0.97	0.5	0.98	0.25	
	• % of customers with performing financing accounts	97	97	1.00	0.5			
Satisfaction Level	• % of customers who are satisfied – Overall financial services	61	80	0.76	1.0	0.76	0.25	
Index ranges from 0 – 1, with 1 being perfect financial inclusion							1.00	0 – 1.00

# Maya Declaration & Sasana Accord by Alliance of Financial Inclusion (AFI) are adopted by member countries to set and turn commitments into actions

## Maya Declaration

- Launched in 2011
- Commit to putting in place financial inclusion policies that deliver concrete outcomes



## Sasana Accord

- Launched in 2013
- Strengthen the effectiveness of the members' commitments made in the Maya Declaration
  - Measure progress through AFI Core Set of Financial Inclusion Indicators
  - Commit to quantifiable national goals

### Progress of member countries are measured from time to time and published online

Concrete Targets	Progress Updates as end-June 2014
95% of the adult population to have access to the formal banking by 2014	Based on data from a demand-side survey in 2011, 92% of the adult population has access to the formal banking system (95% target for 2014 )
By 2014, 90% of the 837 sub-districts (mukim) in Malaysia with population more than 2,000 to have at least one physical financial services access point	94% of the sub-districts in Malaysia have at least one access point 100% coverage at the districts level.
Develop an agent banking framework	BNM introduced the guidelines on agent banking in 2012
Put in place a monitoring framework to track the progress of financial inclusion	Established a monitoring framework to track the progress of financial inclusion and developed a Financial Inclusion Index (FII) in 2012
Strengthen the institutional arrangements (role of specialized DFIs, build capacity of practitioners)	The National Savings Bank (BSN), with a mandate to provide microfinance

# Q & A

# Thank you

