

Overview of Financial Inclusion in Malaysia

- Background of financial inclusion in Malaysia
- Challenges and strategies to further financial inclusion
- Current status of financial inclusion

Development Finance and Enterprise Department
Bank Negara Malaysia



Malaysia – General introduction

- **Geographic coordinates:**
 - 2 30 N, 112 30 E
- **Area:**
 - Total: 329,758 km²
- **Population:**
 - 29.7 million (2013)
- **Demography:**
 - 51% male
 - 49% female
- **Median age:**
 - **Median age:** total: 27.4 years
 - **Male:** 27.2 years
 - **Female:** 27.6 years (2013 est.)
- **Urbanisation**
 - **Urban population:** 72% of total population (2010)
 - **Rate of urbanisation:** 2.4% annual rate of change (2010-2015 est.)
- **Life expectancy at birth**
 - **Total population:** 74.04 years
- **Literacy (2000)**
 - **Total population:** 88%
 - **Male:** 92%
 - **Female:** 85%



Malaysia – Economic Data

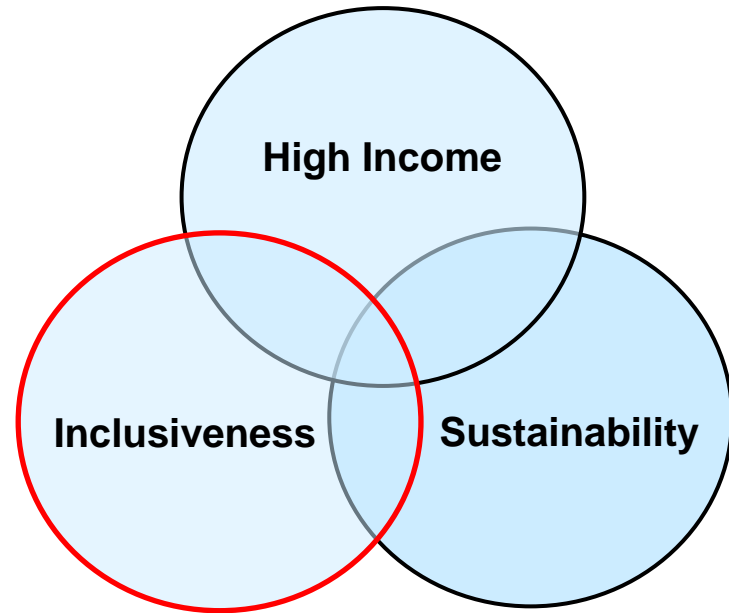
GDP (current prices):	RM984 billion (\$299 billion) (2013)
GDP - composition, by sector of origin:	<ul style="list-style-type: none">• agriculture: 11.2%• industry: 40.6%• services: 48.1% (2013 est.)
GDP (real growth rate):	4.7% (2013)
Gross national savings:	31.2% of GDP (2013 est.)
Labor force:	12.92 million (2012 est.)
Unemployment rate:	3.1% (2012 est.)
Population below poverty line:	3.8% (2009)
Inflation rate (consumer price):	2.1% (2013)
Exchange rates:	Malaysian ringgit (MYR) per US dollar - 3.29 (2013)



In 2009, the New Economic Model identified inclusiveness as a key part of growth

New Economic Model

Addressing the bottom 40% household



An important component of our financial sector policies is financial inclusion, to ensure that all segments of society get access to financial services irrespective of geographical location, income strata or the economic activity they belong to – YAB Prime Minister, Dato Sri Mohd Najib bin Tun Abdul Razak, 2009

Note: In 2009, 40% of Malaysian households represent a total of 2.4 million household had a total income less than RM2,300 (USD741) per month (RMK10)



Financial sector development in the last decade sets critical foundation of financial inclusion

Focus Areas

Selected Measures / Initiatives

Financial Infrastructure

- Central Credit Reference Information System (CCRIS)
- Credit Guarantee Corporation (CGC)
- Credit Bureau Malaysia

Financial Service Providers

- Strengthened role of DFIs
- Cooperatives Commission of Malaysia

Distribution Channels

- Guidelines on branching and e-banking
- Guidelines on shared banking services

Banking Products and Services

- Basic banking services and products
- *Pembiayaan Mikro* (Microfinance)

Financial Literacy, Advisory, Awareness, Redress

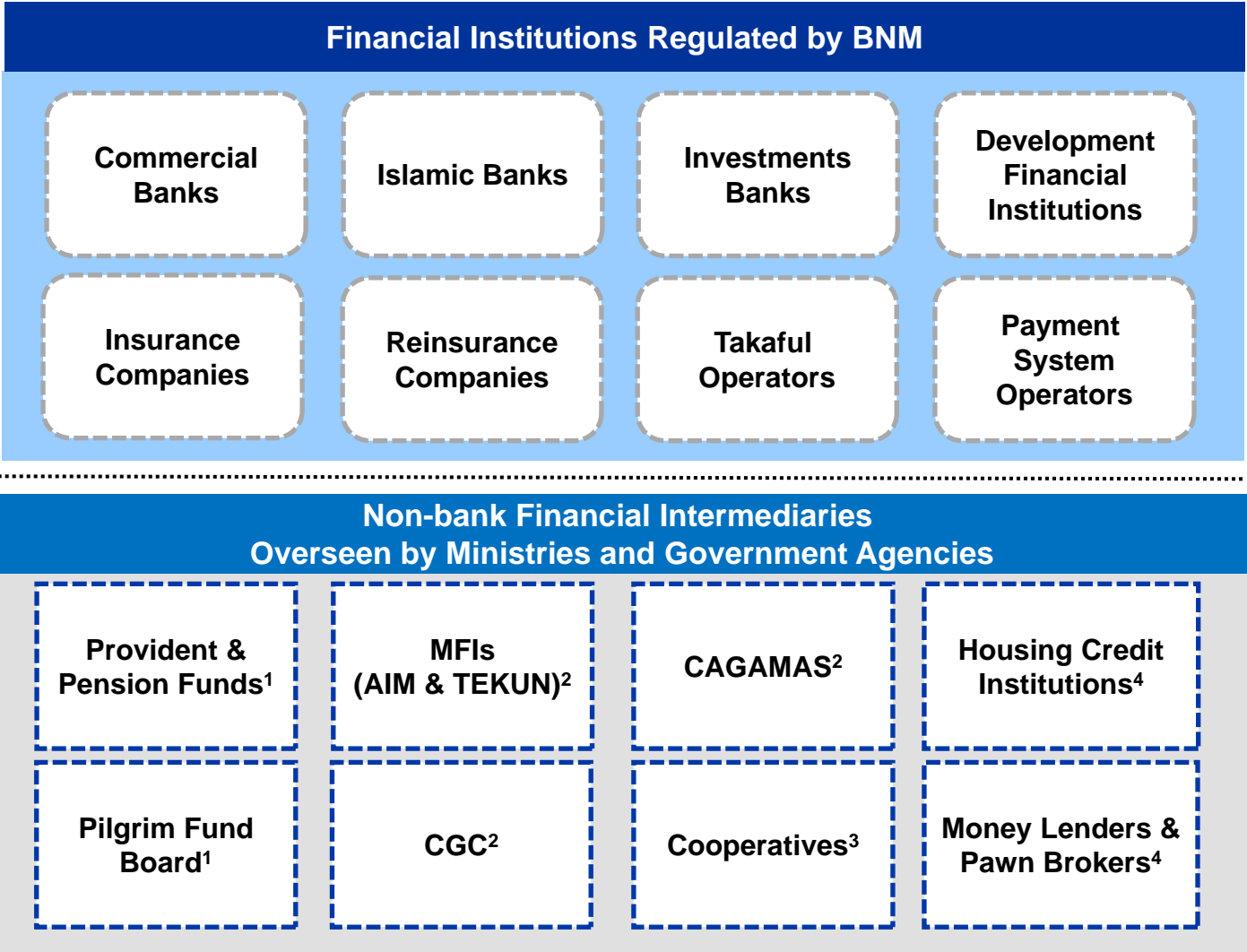
- Consumer Education and Protection
- AKPK & Small Debt Resolution Scheme (SDRS)
- BNMLINK & TELELINK
- Aggressive promotional initiatives

Catalyse Comprehensive SME Development

- National SME Development Council



FIIs were leveraged as key channels for financial inclusion



Note:

¹ Statutory bodies

² Majority owned by Government

³Significantly owned by Government

⁴Purview of Cooperatives Commission

⁴Purview of Ministry of Housing and Local Government



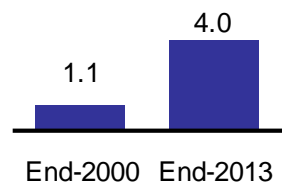
As a result, significant improvements were achieved in the level of financial inclusion since 2000

Key improvements

Development of the financial sector in the past 13 years

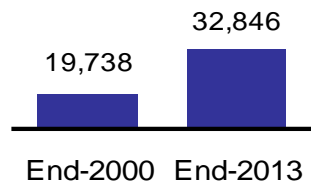
1 Outreach

Increase from 2000-2013
Branches per 10,000 adults



2 Take-up of deposits

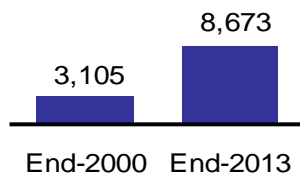
Increase from 2000-2013
Deposits accounts per 10,000 adults



3

Take-up of loans

Increase from 2000-2013
Loans accounts per 10,000 adults



Malaysia ranks high in terms of financial access

Category	Ranking	Source
'Getting Credit'	No. 1 for 6 consecutive years	<i>World Bank (Doing Business 2009, 2010, 2011, 2012, 2013 & 2014 Reports)</i>
'Ease of Access to Loans'	No. 5 out of 148	<i>World Economic Forum (The Global Competitiveness Reports 2013-2014)</i>
'Ease of Access to Credit'	No. 5 out of 62	<i>World Economic Forum (The Financial Development Report 2012)</i>
'Venture Capital Availability'	No. 7 out of 148	<i>World Economic Forum (The Global Competitiveness Report 2013-2014)</i>



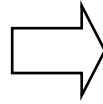
The new Central Bank Act 2009 made inclusive financial system a primary function

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



The vision of an inclusive financial system in Malaysia is outlined to meet the needs of consumers including the underserved for financial services

Vision of an Inclusive Financial System

An inclusive financial system that **best serves all members of society**, including the **underserved**, to have **access to and usage of quality, affordable essential** financial services to **satisfy their needs** towards **shared prosperity**

Outcomes

1

Increased **convenient access** to financial services

2

More **effective usage** of financial services – **high take-up** and **responsible usage**

3

Enhanced quality of financial services that **satisfies** the financial needs of all citizens



Nevertheless, there are still challenges towards achieving full financial inclusion

Challenges

Description

1
Sub-optimal Physical Access

i Lower physical outreach compared to high income countries¹

Per 100k adults	Malaysia	High income countries
Branches	15	32
ATMs	52	94

ii 100% of districts have FI access points, however, preliminary findings show that 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)

iii **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**²

ii Take up of financial services by **low income households**³ is **lower than general households**

Take up ⁴ of financial products	General households	Low income households
Savings a/c	90%	76%
Credit card	24%	2%
Insurance	41%	10%

Source:

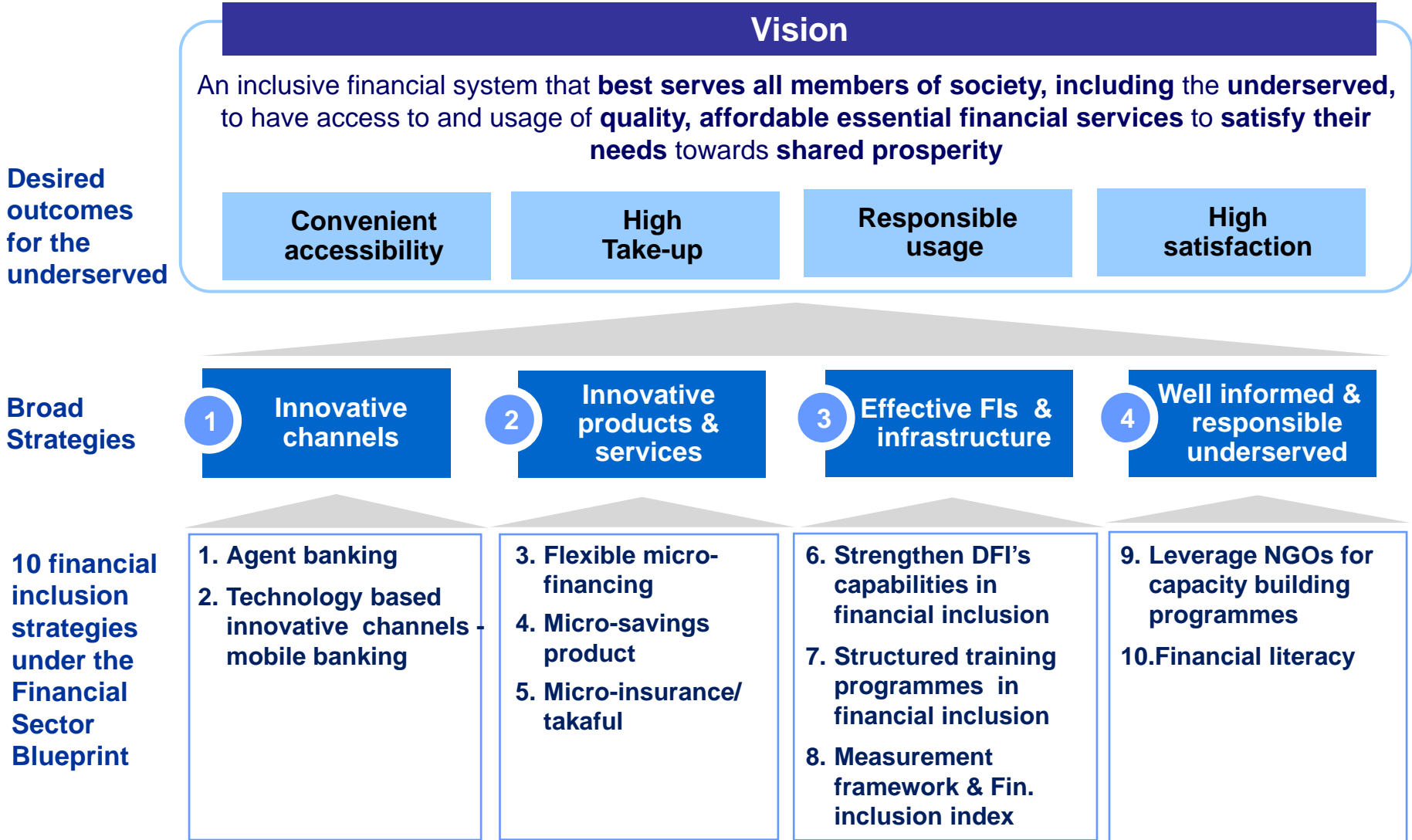
¹ Financial Access Report 2010, CGAP & FICPS.

² Financial Inclusion Demand-Side Survey 2011, Ipsos Sdn. Bhd

³ Individuals with monthly income below RM1,000

⁴ Financial literacy survey, White Hat Sdn. Bhd.

A framework was developed under the Financial Sector Blueprint (2011 – 2020) to enhance financial inclusion



Since the launch of financial inclusion blueprint strategies in December 2011, 5 strategies have been implemented

1 Agent banking regulatory framework

Aims to provide a conducive environment for agent banking to thrive in a **safe and sustainable manner**, without compromising **consumer protection**.

2 MyMobile (Mobile banking platform)

MyMobile platform allows **all phones**, including phones with no internet access, to access banking services began its pilot in February 2012.

3 Asian Institute of Finance (AIF)– Financial Inclusion Programme

AIF launched financial inclusion leadership programme in 2012 to provide world class **leadership & technical training** to micro finance practitioners in the region.

4 Monitoring framework with KPIs and development of a financial inclusion index

Demand-side survey data and supply side data to enable evidence-based policy formulation and monitoring mechanism via key indicators and Index.

5 Financial literacy via mobile LINK and partnerships

Extends **advisory** on financial services to **semi-urban/rural areas** in Malaysia.



Agent Banking enhances outreach of financial services to the underserved

EB

ejen
bank
berdaftar



Performance as at end-2013

Agent banking piloted by 3FIs

Number of Agents

5,474 banking agents nationwide

Transactions by Agents

>13.8 million transactions worth **>RM1.6 billion**

↑ served mukims

From 46% (end-2011) to **92.5%**

↑ served DUN

From 72.9% (end-2011) to **99.8%**



Malaysians can access financial services anytime through MyMobile (pilot stage)

Opportunity

- Mobile banking can cover all mukims
- Adoption of mobile banking has been increasing

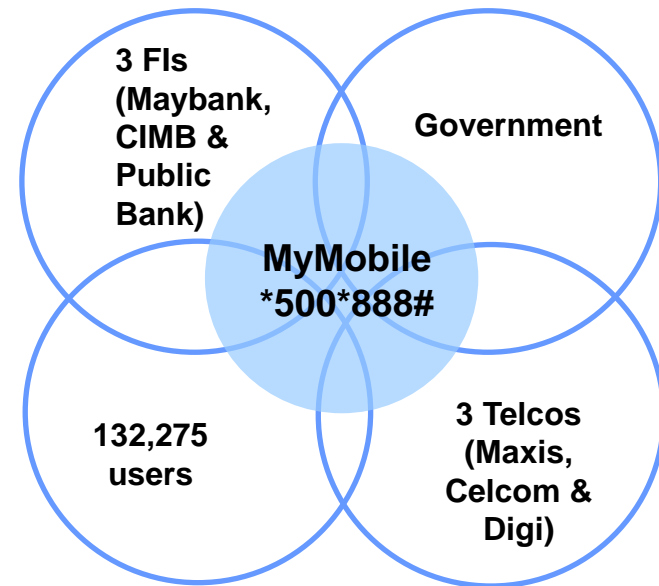
Benefits

- Available on all mobile phones
- Internet connection is not required
- Safe and secure
- Consumers are educated on how to use

Types of services

- View transaction history & balances
- Fund transfers (e.g. same bank & inter-bank)
- Bill payments
- Credit card repayment
- Airtime reload transactions
- Mobile to mobile transactions

MyMobile System



Achievements

- 3 participating FIs
- 3 participating Telcos
- 132,275 registered users as at end-2013
- 1.5 million transactions, of which 254,237 are financial transactions valued at RM21.3 million

The financial inclusion index has been developed to measure 4 dimensions, customised to the Malaysian context

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	Data (%) 2011 -Baseline	Data (%) 2013	Target (%)
Convenient Accessibility	• % of mukim with at least 2000 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

Innovative outreach channel via Mobile LINK

Background

- Mobile LINK was launched on 9 Dec 2011
- It is an innovative channel to achieve greater outreach in serving communities of semi-urban and rural areas
- Terminals in coach are connected to CCRIS, Consumer Redress Mechanism System (CRMS) and BNM's website
- Services provided include enquiry on CCRIS and financial advisory on financial products

Achievements to date (as at end-2013)

Total no. of engagements	97
No. of states covered	13
No. of sub-districts covered	112
No. of participants	28, 086



Current Status of Financial Inclusion - Key Statistics

Key Financial Inclusion Supply Side Data

Access Points

No. of bank branches per 10,000 adults	1.5
No. of ATMs per 10,000 adults	5.4
Districts served with bank access points (%)	100%

Note: 8 unserved districts in 2010 have access points by June 2011

Loan Accounts

No. of loan accounts per 10,000 adults	8,673
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Deposit Accounts

No. of deposit accounts per 10,000 adults	32,846
Proportion of Basic Savings accounts	18.4%

Insurance Penetration

No. of conventional & takaful policies in force per 10,000 adults	7,231
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Note: Data as at end-2013

Key Financial Inclusion Demand-Side Survey Findings

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.
- 39% have credit accounts.
- 60% indicated that financial institutions are the most preferred source of borrowing.
- ATMs and bank branches are the most popular methods of transferring money.

Note: Data as at end-2011



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

Description

- Chaired by Prime Minister
- 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

Holistic framework implemented to assist SMEs

I Financial Infrastructure

- Microfinance Institutional Framework
- Strengthening the DFI
- Central Credit Referral Info Syst (CCRIS)
- Credit Guarantee Corp. (CGC) & Credit Bureau M'sia
- Financing Facilitation (ABM-PARTNER)

IV Avenues to Obtain Information & Advice/Redress

- BNMLINK, BNMTELELINK, Mobile LINK
- Financing Help Desks at SME Business Associations
- ABMConnect
- Bankinginfo and SMEinfo
- Complaint & SME Advisory Units at FIs

II Financing Schemes

- Various BNM SME Funds
- Venture Capital Funds for Agriculture & ICT
- Financing for new growth areas

V Debt Resolution & Management

- Small Debt Resolution Scheme (SDRS)
- Agensi Kaunseling dan Pengurusan Kredit (AKPK)

III Guarantee Schemes

- Various CGC Guarantee Schemes
- Green Technology Financing Scheme
- EXIM Overseas Guarantee Facility

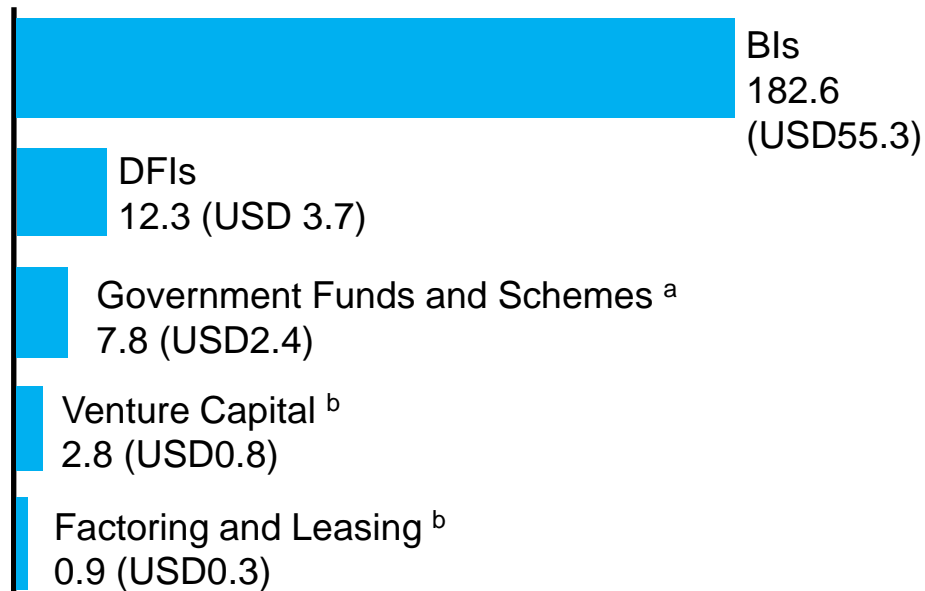
VI Outreach & Awareness Programmes

- SME financial exhibitions
- Mass media advertisements
- Distribution of promotional materials through strategic partners, including Local Authorities

SMEs in Malaysia rely on banking institutions as the main source of financing

Financing Outstanding as at end-Mar 2013

RM billion



^a As at end-Sep 2012. Excluding government funds that are channeled through FIs.

^b As at end-2012

- Various sources of financing available for SMEs
- SME financing by the financial institutions as a percentage of GDP was 20.2%
- Banking institutions are the main financiers for SMEs:
 - Representing 88% of total SME financing
 - 569,630 SME accounts in banks (DFIs: 104,258 SME accounts)

Source: Bank Negara Malaysia, SME Corp. Malaysia and Securities Commission



Moving forward, 2 key Plans will facilitate innovation-led and productivity-driven growth to achieve high income nation

SME Development Framework

Goal of SME Masterplan

- 1 Increase Business Formation
- 2 Expand number of high growth and innovative firms
- 3 Raise Productivity
- 4 Intensify formalisation

Desired Outcome

Innovative and competitive SMEs across all sectors that play greater roles towards achieving high income nation and contribute to the social well-being

A financial system is supportive of economic transformation

Recomendations in Financial Sector Blueprint

- 1 Enhance capability to support high value activities
- 2 Increase supply of broad range of private risk capital funding
- 3 Improve access to information
- 4 Enhance access to financing for micro enterprises

Thank you

