



November 5 - 6, 2012

Workshop on Financial Inclusion Indicators co-sponsored by The Irving Fisher Committee on Central Bank Statistics (IFC) and Bank Negara Malaysia (BNM), held in Kuala Lumpur.

Concluding remarks by Alfred Hannig, Executive Director, Alliance for Financial Inclusion

We have witnessed two days of rich discussions with insightful presentations on the current state of financial inclusion measurement. This workshop gives us an excellent basis and background from which we can further promote national and international efforts in financial inclusion measurement and data.

AFI members express their appreciation to the Bank Negara Malaysia (BNM) and the Irving Fisher Committee on Central Bank Statistics (IFC) for preparing and hosting this workshop.

This workshop originates from a high-level meeting co-chaired by Her Royal Highness Princess Máxima of the Netherlands, the UN Secretary General's Special Advocate for Inclusive Finance for Development, and Dr. Stefan Ingves, Chairman of the Basel Committee on Banking Supervision, at the Bank for International Settlements (BIS) on March 19th, 2012. The purpose of the meeting was to discuss ongoing initiatives, to explore how further cooperation among Standard-Setting Bodies (SSBs) could advance financial inclusion and global standards, and how SSBs can take financial inclusion into consideration within their respective mandates.

Following this meeting, the Irving Fischer Committee on Central Bank Statistics suggested exploring opportunities for collaboration with the Alliance for Financial Inclusion (AFI) in its data collection efforts. AFI welcomed this proposal, as an effective dialogue would be established among SSBs and developing countries, based on mutual learning with evidence-based feedback on data collection efforts from both ends. Looking at the productive discussions held at this workshop, we feel that the AFI members present could make a contribution to an improved understanding of developing and emerging countries' practices in data collection.

In this context, let me take this opportunity to mention that as part of their financial inclusion agenda and during their meeting held on November 4 - 5, 2012, the G-20 Finance Ministers and Central Bank Governors commended the additional commitments to the Maya Declaration made in Cape Town in 2012, and encouraged countries to measure progress through national data collection efforts.

The Maya Declaration is the first global and measurable set of commitments by developing and emerging countries to increase financial inclusion. The commitments are being measured through the Core Set of Financial Inclusion Indicators developed by the AFI Financial Inclusion Data Working Group (FIDWG), which has already encouraged other countries to gather this information.

Key takeaways

Both developed economies and Low and Middle Income Countries (LMICs) recognize the critical importance of financial inclusion to economic and social development. However, developed economies and LMICs seem to be facing different challenges along the financial inclusion curve. Overall, **developed countries** are confronted with **usage** and **quality** issues while the majority of **LMICs** are putting a lot of emphasis on increasing **access**. These differences in policy focus are reflected in the range of approaches presented at this workshop, which aim to measure financial inclusion with data that captures various dimensions of financial inclusion.

As a result of the **increasing relevance** of policies to enhance **consumer protection** and **financial capability**, financial inclusion **quality indicators** need to be **developed further**. “Financial education makes people creditworthy,” according to Reserve Bank of India Deputy Governor Chakrabarty.

AFI will have to think about how **members** can better **connect with developed countries** to discuss and exchange on pertinent financial inclusion issues such as data and measurement.

Reliable, comprehensive and country-specific data is critical to inform financial inclusion policymaking, and at this workshop we have seen good examples from developing countries (Mexico, Colombia, Brazil and Mozambique) on country-specific data. From our point of view, data can be standardized and harmonized for comparison among countries and benchmarking, however, the priority is on gathering relevant country-specific data for domestic policymaking. Too much **standardization** or **harmonization** of data collection efforts could **reduce the relevance** for each country.

It is important to note that technological or infrastructural **innovations** have **implications for data capturing and measurement** methodologies. As was demonstrated by the Malaysian case, the addition of agent banking pushed the indicator of financial inclusion upward.

This brings us to the important point of developing a composite index for financial inclusion. It is our impression that we have **not reached a consensus on whether a composite index is recommendable or not**. Some participants mentioned the “dubious significance” of the composite index and argued that the use of dashboards might be the most prudent way to reflect the complexity of the data collection effort. This view was supported by the Mexican case, which showed that a composite indicator could be used as an instrument to diagnose financial inclusion on the country level. However, it has limitations in terms of comparability with other countries. Bank Negara Malaysia’s (BNM) presentation in this context provided a very interesting example on how a composite index can be built on an agreed set of financial inclusion indicators (the FIDWG Core Set).

Next steps

BNM will share progress made on the development of its **financial inclusion composite index** at the next meeting of the **AFI FIDWG**.

FIDWG is currently developing the 2nd tier indicators to complement the Core Set of Financial Inclusion Indicators, which will include indicators of quality, and additional indicators of access and usage.

It is good news that the IMF has reported an increasing number of LMICs participating in the global data survey. AFI will **encourage more members to embark on data collection efforts** through the Maya Declaration and the FIDWG, thereby broadening the group of countries involved in systematic financial inclusion measurement.

The European Central Bank's (ECB) efforts to **measure SMEs' access to finance** could be a relevant input for the planned **AFI working group on SME Finance**. The presentation will be shared with the working group members and **ECB** could be **invited** to one of the first meetings of the group.

In light of the numerous data collection efforts currently taking place, **any existing gaps for potential additional activities need to be carefully analyzed**. IFC could continue systematic knowledge exchanges like this work shop. IFC will also be invited to the next FIDWG meeting and other AFI events.