



Preface

Banco Central de Timor-Leste (BCTL) holds firmly to the principle that financial inclusion has to be nurtured through the active role of the regulators and policymakers in creating an enabling regulatory environment with robust financial infrastructure, balanced by the safety, stability and integrity of the financial system. Working hand in hand with the Government, public and private sector stakeholders, BCTL continues to champion and strengthen the advocacy for inclusive finance in Timor-Leste through innovative approaches to increase access points, modernize payments systems, enhance usage of financial services and intensify financial literacy programmes in the country.

To be able to accelerate financial inclusion sustainably, data and measurement mechanisms are important, they serve as a performance framework to evaluate and review the country's achievements, set targets and track progress over time. In the recent years, our country's key accomplishments include the pioneering data collection initiative for the Financial Inclusion Report published in 2016, a momentous first Financial Inclusion Report for Timor-Leste. For the first time in history, we were able to measure financial inclusion with clear indicators along core financial inclusion dimensions of access, usage and quality.

The Financial Inclusion Report 2016 has been indispensable to BCTL's efforts in measuring and documenting the levels of financial inclusion in the country, providing quintessential insights into the disparities and challenges which needed to be addressed to advance financial inclusion. As a direct outcome of the report and its findings, BCTL was able to design a forward looking, comprehensive blueprint under the National Strategy for Financial Inclusion (NSFI) 2017-2022. The national strategy serves as a guiding light to steer financial inclusion policies and action plans for the period 2017-2022, anchored by the vision of creating an inclusive financial system that brings the benefits of financial services to all Timorese towards reducing poverty and enhancing shared prosperity.

By leveraging on our past achievements, experiences and lessons learnt, BCTL forged ahead with the commencement of a follow-up data collection project in 2018. This report outlines the findings on the current state of financial inclusion as at 2018, and the degree of progress the country has attained since 2016. The theme of this report is "Measure, Strategize and Innovate" and it is intended to update the understanding of factors which influence financial inclusion to form recommendations for future policy direction and cultivate innovation, in line with the ever evolving and modernizing financial sector.

One of the key discoveries from this report is the fact that the take up of bank accounts in Timor-Leste is increasing at a lower rate than expected, recording a growth rate of 3.4%. At end-2018, the total clients with account ownership in the five banks in Timor-Leste stood at 401,228 compared to 388,018 in 2016. This is one of the pressing issues which BCTL will prioritize as a next step in order to identify the impediments which are preventing higher account usage. Concurrently, BCTL will also dedicate similar precedence and urgency to overcome barriers in central areas of financial inclusion in Timor-Leste. This includes factors affecting financial access points, innovation of financial product features as well as financial literacy and awareness.

BCTL also affirms the need for continuous improvements and fine-tuning of the financial inclusion measurement framework in the country. The existing measurement framework used to measure financial inclusion in Timor-Leste is still lacking in terms of solid demand-side data to assess the quality aspects of financial inclusion. Demand-side data collection in Timor-Leste will be elevated in the near future, with BCTL's proposal to conduct a demand-side survey in 2019-2020, in addition to working with the Government to insert financial inclusion related questions in the nationwide Census 2020. BCTL also seeks to enhance the process of collecting supply-side data to ensure the accuracy and precision, and reduce duplications and inconsistencies. It is hoped that the next financial inclusion report will be further enriched with these initiatives in place.

With the vision of inclusiveness for all Timorese in mind, our country has reached another milestone with the successful publication of this second Financial Inclusion Report. This initiative marks BCTL's enduring commitment to propel financial inclusion to greater heights for Timor-Leste. BCTL wishes to express our appreciation to all our collaborative partners from the public and private sector, including Government Agencies and financial service providers, without whom this report would not be a success. BCTL believes that the availability of real, tangible financial inclusion data provides the knowledge and awareness to develop practical, achievable and evidence-based policies which will bring positive changes to all Timorese in the years to come.

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