FINANCIAL INCLUSION- A COMPARATIVE STUDY ON SOUTH ASIA

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Abstract
This paper aims to construct an index of financial inclusion (IFI) in South Asian countries. Despite the growing recognition of financial inclusion across countries, the literature on measuring financial inclusion position among the South Asian countries is still scanty. Initially, the index of financial inclusion is calculated for 6 countries of the South Asian Countries for 2004 to 2015 using the data provided by financial access survey of International Monetary Fund (IMF) and Global findex database and finally Sarma model (2008) to compute Index of Financial Inclusion (IFI). Sarma model (2008) includes three dimensions of financial inclusion, which are: banking penetration, availability of banking services and usage of banking system. This paper reflects the comparative position of financial inclusion among the countries in the South Asia. From the index calculated, it is noticed that the position of India and Bhutan are good in comparison on other countries in South Asia but the Pakistan and Afghanistan are lag behind in financial inclusion due to lacks of usages of formal financial services by their country people. So, there are lots of scopes for improvement of financial inclusion position of these countries massively.

Keywords: Financial inclusion, Financial inclusion index, South Asia, Bangladesh

1. INTRODUCTION

Financial inclusion makes attempt to bring the unbanked people under the banking and financial services. Only opening banking does not mean financial inclusion. In broader sense financial inclusion is the process which ensures financial services including financial literacy for all sections of the populations. Financial literacy means creating awareness among the people about the banking and non-banking services provided by the formal financial institutions. If there is no formal financial system,
small entrepreneurs and disadvantaged people have to depend on informal sources due to its timely availability and accessibility (World Bank, 2008). Kempson, E. and Whyley, C. (1998) recognized that in countries having well developed banking system, the excluded from the financial system are the persons who belong to low income groups, ethnic minorities, immigrants, the aged and so on. Being excluded, from employment or being unable to secure credit often leads to economic impoverishment. Moreover, Regan and Paxton (2003) note that only having the access to use products is not financial inclusion. But it includes the quality of knowing how to use these products with efficiency and confidence. Priya (2006) finds rural sector people face numerous constraints when they need to borrow from banks and a transaction requires huge time and cost to be completed. Kofi Annan (2003) remarks that the people living on low incomes cannot access mainstream financial products such as bank accounts, low cost credit, remittances and payment services, financial advisory services, insurance facilities etc. He urges that the great challenge is to address the constraints that exclude people from full participation in the financial sector.

An alternate approach, as used by policy makers of different countries, is to use a variety of indicators of financial sector outreach to take stock of the state of financial inclusion. The most commonly used indicators are number of bank branches (per million people), number of ATMs (per million people), amount of bank credit and amount of bank deposit. In Beck at al. (2007), other indicators of outreach have been used-geographic branch penetration, loans and deposit accounts per capita, loan-income and deposit-income ratios and so on. Improved financial services not only enhance growth but also reduce poverty and income inequality (Beck et al. 2009).

Formally, in 2002, at the International Conference on Financing for Development, the Monterrey Consensus plainly acknowledged microfinance, micro credit as well as national savings outlines are important for improving the social and economic impact of the financial sector. In 2005, The United Nations General Assembly concentrated on the limitations that exclude people from full involvement in the financial sector. After that for investigating financial inclusion issues, the UN Department of Economic and Social Affairs (DESA) and the UN Capital Development Fund (UNCDF) took on an initiative to scrutinize the obstacles to financial inclusion.

Many empirical studies were conducted from time to time for measuring financial inclusion by different researchers. Previous literatures provided information on measurement of data for 2004-2010 and no significant cross-country analysis was found in South Asia. The main objective of this study is to construct an index of financial inclusion in the South Asia with a special reference to Bangladesh. The specific objectives of this study are: to review the current trends and patterns of financial inclusion in
South Asia and to compute the financial inclusion index South Asia for 2015 and finally to measure the financial inclusion position in Bangladesh.

2. LITERATURE REVIEW

For achieving sustainable growth, economic growth must ensure benefit of financial system to the population in breadth and depth range that means inclusive manner. Economic impoverishment arises when low income people or rural peoples are excluded from formal financial services i.e. financial inclusion.

Financial inclusion works as a big barrier to the economic development. This barrier could be removed by building an inclusive financial system. To achieve inclusive growth, insurance companies and other financial institutions also needs to come forward besides bank by providing financial services to bottom of pyramid customers (Beck et al., 2008). Getting loan from small lenders does not mean ensure financial inclusion. To be a proper financial inclusion, financial services will be parent and cost effective and people have to have loan from mainstream financial institutions (Chakrabarty k.c., 2009). Because having trouble in accessing appropriate financial services make the financing less effective by increasing cost of capital. An exclusive financial system reduces the growth of informal lending sector- which most of the cases exploitative in nature for borrower (Sarma, 2010). Problem is going to be more intensified, when it is observed that financial excluded people may socially excluded as well (Clare, 2014).

For this reasons, the essence of FI is in trying to make sure that a good range of appropriate financial services is available to every individual and enabling them to understand and access those services (Bluebook, 2006) . Gradually, the customers will put his savings to the bank and becomes enable to borrow from the bank (Kochaar, 2009). The access to a bank account should be backed by deposit insurance, access to affordable credit and banking system. To accelerate financial inclusion, branchless banking can be a dynamic instrument (Ignacio and Kumar 2008). For the poor and disadvantaged people, branchless banking using mobile phone is more desirable than other options. It is observed from Bhave’s (2009) study that people should have the power to choice what is good for them. Financial inclusion is not something that should be done in prospecting year rather it has to be done at present. Beck et al (2007) try to measure the outreach of financial sector and its determinants by using country data. To examine FI individual indicators have been used separately in this study. These indicators include bank account (per 1000 people), number of bank branches (per million people), number of
ATMs (per million people), and amount of credit and bank deposit. If the indicators are used individually this will represent only partial information of financial inclusiveness.

Previous studies have looked into the impact of financial inclusion on poverty and income equality. Honohan (2007 and 2008) builds a financial access indicator that captures the portion of adult population in a given economy with access to formal financial intermediaries. He tries to econometrically estimate the proportion of household or adults who have access to financial services for as many as 160 countries. These estimates provide interesting information but this provide only –one time measure of financial inclusion and the changes over time and across countries cannot be understood. World Bank (2009) in “Banking the Poor” analyzed the association between access to banking services as measured by the number of bank accounts per thousand adults in each country and several other factors like transactions offered at banks or required by banks and regulations adopted by country authorities that may affect banking access for 45 countries. Beck et al. (2009) have discussed about the availability of plentiful amount of data on many aspects of the financial system, but systematic indicators of inclusiveness of financial sector are lacking.

Banking to the poor is not always poor banking (Rao, 2010). Financial inclusion is only social banking all the time. People at the bottom can be potential source of doing business. So for driving financial inclusion in the upcoming days, there is a crucial need for bottom up approach. Despite the fact that, there is consensus on how financial inclusion is defined, there is no standard method by which it can be measured. Consequently, existing literatures provide varying measures of financial inclusion. Chakravarty and Pal (2010) make an attempt to construct an index for FI considering six attributes of FI: (i) demographic penetration, defined as the number of bank branches per 10 lakh people, (ii) geographic penetration, defined as the number of bank branches per 1000 square - kilometer land area, (iii) number of deposit accounts per 1000 people, (iv) number of credit accounts per 1000 people, (v) deposits - income ratio, and (vi) credit - income ratio They used data on these attributes for 24 states corresponding to the year 1991, 2001 and 2007. Technology can be a potential source for exploring financial inclusion. For example; by using payment cards or mobile phones customers can be easily identified and it will also enable them to perform their daily transactions in remote areas through third party outlets. Technology is a worthwhile basis for promoting financial inclusion by making small retail transactions easier, cheaper and faster (Gupta 2011: Thorat 2008). A recent initiative by World Bank, the Global Findex database (Demiguc-kunt and klap-per,2012) provide interesting indicators of financial inclusion from a micro(adult individuals) perspectives, based on primary surveys of 150000 adults in 148 countries during 2011.
3. RESEARCH METHODOLOGY

3.1 Data and Methodology

This study is conducted on the basis of secondary data. For the calculation of the index of financial inclusion the related data are collected from Global Findex Database from World Bank 2014 and IMF financial access survey 2017.

Various measures are developed by researchers from time to time. We measured the Index of financial inclusion for cross country comparison of South Asian countries with Bangladesh by using the model developed by Sarma (2008) for calculating Index of financial inclusion. Sarma follows a distinct approach to construct the index. The index presented in this study, three basic dimensions of an inclusive financial system are considered. Such as:

Dimension 1: Banking penetration

Banking penetration is measured by the number of people who have a bank account. The value of this measure would be 1 if every person of an economy owns a bank account.

Dimension 2: Availability of banking services

Indicators of availability of banking outlets are offices, branches, Automated Teller Machines (ATMs) and so on. Two separate indexes are calculated for bank branches and ATMs. Then, a weighted average of these two indexes, using 2/3rd weight for bank branch index and 1/3rd weight for ATM index is considered as the index for the availability dimension.

Dimension 3: Usage of banking system

Incorporating the usage dimension in the present index, we consider two basic services of the banking system – credit and deposit. The appropriate indicators for these would be the volume of credit and deposit to adult individuals as a proportion of Gross Domestic Product (GDP).

This IFI includes a single number between 0 and 1 which captures information on banking penetration, availability of services and usage of banking systems. In this index, 0 denotes complete financial exclusion and complete financial inclusion is indicated by 1.

Algebraically,

\[ IFI_k = \frac{1}{2} \left[ \frac{\sqrt{p_k^2 + a_k^2 + u_k^2}}{\sqrt{1.5}} + \left(1 - \frac{\sqrt{(1 - p_k)^2 + (0.5 - a_k)^2 + (0.5 - u_k)^2}}{\sqrt{1.5}} \right) \right] \]
4. ANALYSIS

4.1 Current Trends and Patterns of Financial Inclusion in South Asia

This segment reviews the current trends and patterns of financial inclusion in the world. So as to achieve inclusive growth and sustainable development, the governments and the central banks in these countries have taken various measures to create a conducive and enabling environment for expanding financial services to marginal farmer, SME, unbanked/underserved people, women, and lower income group in rural area by banks, non-banks, cooperatives, MFI and other financial institutions. They also pursue for banks and MFIs to adopt information communication and technology (ICT) solution to render financial services at affordable cost. Many countries also adopt national financial inclusion strategy plan for universal financial access for all.

Consistent with the 2014 Global Findex data base, the account possession for countries in South Asia show a comprehensive variation in account penetration, ranges from 14.2 per cent to 69 per cent. In the region, on average, 51.3 per cent of adults have an account in the banks and financial institutions in 2014. Regional comparison of account ownership shows that Middle East has the lowest account percentage and East Asia and Pacific possess the greater percentage of adult accounts and South Asia has 46.4 per cent.

Inclusive account penetration for women adults varies across countries and region in the South Asia. According to the 2014 Global Findex database, adults account for women stood on average at 49.3 per cent in 2014. Account penetration for women varies across countries and region widely in the South Asia. In the figure Middle East has the lowest penetration of account for women and East Asia and pacific possess the highest penetration of accounts of adult women i.e 67%. Data on Account penetration for youth show that account of young adults (age 15-24) stood at 36.7 per cent in 2014 in the South Asian region. The highest account penetration for young adults incurred in East Asia and pacific that is 60.7 percent.
Data on the percentage of account holder shows that the largest share of percentage of account holder is in Sri Lanka in case of adults living in rural areas, young adults, adults belongs to the poorest 40%, women and all adults. India ranked in the second position in all segment. In Bangladesh, the account holder percentage of adults living in rural areas is 25.6, young adults 20.8, adults belong to the poorest 40% is 23.1, women 26.5 and finally all adults is 31. Among all the percentage the account penetration is greater for women and all adults in BD.

4.2 Scenario of Financial Inclusion Indicators in South Asia

Among the different state of the indicators of financial inclusion among South Asian countries, Bhutan has the highest number of ATMs per 100000 adults. The share of branches of commercial banks per 100,000 adults is reported to be 18.6 for Sri Lanka, 15.4 per Bhutan, 13.5 for India and 8.4 per Bangladesh. Then deposit accounts with commercial banks per 1,000 adults shows that India has the highest number of deposit accounts per 1000 adults followed by Bhutan (1464.0), Bangladesh.
(680.7), Nepal (590.8) and Pakistan (366.6). India has the large number of loan accounts per 1000 adults with commercial banks which is 170.1. This implies the economic activity in India is growing day by day. The countries which have less number of loan accounts per 1000 adults are Bangladesh, Nepal, Pakistan and Afghanistan.

Finally, in case of outstanding deposits and loans with commercial banks as a percentage of GDP, this paper finds that Nepal has the large share of outstanding deposits and loans (% of GDP), which is quite similar to India and Bhutan. The number of outstanding deposits and loans with commercial banks are also higher in Bangladesh with comparison to Sri Lanka, Pakistan and Afghanistan.

### TABLE 1. STATUS OF FINANCIAL INCLUSION IN SOUTH ASIA, 2015

<table>
<thead>
<tr>
<th>Country</th>
<th>ATMs per 100,000 adults</th>
<th>Branches of commercial banks per 100,000 adults</th>
<th>Deposit accounts with commercial banks per 1,000 adults</th>
<th>Loan accounts with commercial banks per 1,000 adults</th>
<th>Outstanding deposits with commercial banks (% of GDP)</th>
<th>Outstanding loans with commercial banks (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>1.0</td>
<td>2.3</td>
<td>192.3</td>
<td>3.0</td>
<td>20.10</td>
<td>3.85</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>6.8</td>
<td>8.4</td>
<td>680.7</td>
<td>88.9</td>
<td>52.57</td>
<td>40.85</td>
</tr>
<tr>
<td>Bhutan</td>
<td>26.8</td>
<td>15.4</td>
<td>1464.0</td>
<td>170.1</td>
<td>59.24</td>
<td>46.96</td>
</tr>
<tr>
<td>India</td>
<td>19.7</td>
<td>13.5</td>
<td>1542.3</td>
<td>154.5</td>
<td>65.76</td>
<td>50.70</td>
</tr>
<tr>
<td>Nepal</td>
<td>9.0</td>
<td>8.9</td>
<td>590.8</td>
<td>36.6</td>
<td>68.85</td>
<td>51.92</td>
</tr>
<tr>
<td>Pakistan</td>
<td>8.8</td>
<td>10.0</td>
<td>366.6</td>
<td>26.2</td>
<td>30.05</td>
<td>15.93</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>17.2</td>
<td>18.6</td>
<td></td>
<td></td>
<td>41.48</td>
<td>38.08</td>
</tr>
</tbody>
</table>


4.3 Debit Card Penetration in South Asia

This figure represent that India has the highest level of users both in debit cards and credit cards to make payments. The 2nd highest is Sri Lanka which represent 10.4 percent of debit card usage and 2.8 percent credit card usage. Bhutan has 10.1 percent usage of debit card to make payment and no usage of credit card. Bangladesh possesses only 1 percent of debit card usage to make payment and 0.2 percent of credit card usage. Afghanistan, Bangladesh and Pakistan have low usage of the debit card and credit card.
4.4 Usage of Financial Institutions

Figure 3 depicts the usage of financial institution in South Asian region. The percentage of saving at a financial institution is highest in Sri Lanka and lowest saving in financial institution is in Pakistan. The percentage of borrowing from a financial institution is superior in Sri Lanka (17.1) and lowest in Pakistan (1.5). Borrowing from friends and family is greater in Nepal (35.1) and lowest in Sri Lanka with only 9 percent. Borrowing from a private informal lending organization is better than other countries in Nepal by 17.6 percent and lower in Bhutan by 1.3 percent.
4.5 Remittances Reception Medium

This figure represents remittances reception medium in South Asian region. The percentage of recipients is who received remittances via financial institution is higher in Sri Lanka 30.2 and lower is 4.6 in Pakistan. The percentage of received remittances via mobile phone is higher in Bangladesh and lower in Bhutan 0.2 percent. The countries who have no remittance via mobile phone are Nepal and Sri Lanka. No of recipient of received remittances via money transfer operator is higher in Nepal 17.9 and lower in Sri Lanka i.e. 1.5.

![Remittances Reception Medium in South Asian Countries](image)

**Figure 4. Remittances Reception Medium in South Asian Countries**
Sources: Global Findex, World Bank Economic Outlook 2014

4.6 Measurement of Dimension and Index of Financial Inclusion (IFI) in South Asia

The three dimensions of index calculation of financial inclusion are represented here. Among the countries shown in the figure, has the higher level of banking penetration (Dimension 1) i.e. Accessibility of banking services incurred in India (0.61) and Bhutan (0.58) and Lower penetration incurred in Bangladesh (0.26) and Nepal (0.23), Pakistan (0.14) and Afghanistan (0.6).

Looking at dimension 2 that is availability of banking services, Bhutan has the greater availability of banking services which is 0.23. India (0.19) also has better availability of banking services. The countries which have less banking services available are Pakistan (0.12), Nepal (0.11), Bangladesh (0.10), and Afghanistan (0.01) respectively.

How many people are unbanked can be easily identified by dimension 3 that is usage of banking system. Looking at this dimension of inclusive banking system higher number of the usage of banking
services incurred in Nepal (0.40), and India (0.39) followed by Bhutan (0.35) and Bangladesh (0.31). Pakistan (0.15) and Afghanistan (0.08) seems to be having very low usage of bank accounts.

![Figure 5: Dimensional Status of Financial Inclusion in South Asia - 2015](image)

Source: Author’s calculation

Figure 5 shows the financial inclusion position of South Asian countries. In this figure, financial inclusion index is calculated for South Asia from 2004 to 2015. It appears from the table that there has been a continuous growth in financial inclusion condition of India. Bhutan also showed a rising trend till 2011. But in 2012 the financial service is reduced in this country and again from 2013 it started to rise till 2015.

![Figure 6: Index of Financial Inclusion in South Asia](image)

Source: Author’s Calculation

Figure 6 shows the financial inclusion position of South Asian countries. In this figure, financial inclusion index is calculated for South Asia from 2004 to 2015. It appears from the table that there has been a continuous growth in financial inclusion condition of India. Bhutan also showed a rising trend till 2011. But in 2012 the financial service is reduced in this country and again from 2013 it started to rise till 2015.
2015. From 2004 to 2010 there was an absence of financial inclusion in Nepal. Despite this, the country shows a continuous rising trend of financial inclusion for the years of 2011 to 2015. The condition of financial inclusion of Bangladesh also shows a positive growth in all the years. In Pakistan, the growth of financial inclusion is low with steady position. Finally, Afghanistan seems to have very low financial inclusion in South Asian countries.

4.7 Financial Inclusion Indicators in India from 2004 to 2015

Table 2 represents the data of the indicators of the financial inclusion from 2004 to 2015. Looking at the indicators presented it is seen that (ATMs) per 100,000 adults is rising gradually from 2004 to 2015 with cumulative average growth rate of 21.60%. Growth also found in case of Branches of commercial banks per 100,000 adults, Deposit accounts with commercial banks per 1,000 adults, outstanding loans and deposits with commercial banks (% of GDP). Loan accounts with commercial banks per 1,000 adults are increasing year to year by CAGR 4.78%, which means that micro level people are getting loan for businesses which accelerate economic growth.

<table>
<thead>
<tr>
<th>Economy</th>
<th>Year</th>
<th>Automated Teller Machines (ATMs) per 100,000 adults</th>
<th>Branches of commercial banks per 100,000 adults</th>
<th>Deposit accounts with commercial banks per 1,000 adults</th>
<th>Loan accounts with commercial banks per 1,000 adults</th>
<th>Outstanding deposits with commercial banks (% of GDP)</th>
<th>Outstanding loans with commercial banks (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>2004</td>
<td>8.96</td>
<td>607.46</td>
<td>88.22</td>
<td>46.61</td>
<td>27.15</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>2005</td>
<td>2.29</td>
<td>606.89</td>
<td>100.31</td>
<td>47.30</td>
<td>31.20</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>2006</td>
<td>2.74</td>
<td>617.75</td>
<td>108.80</td>
<td>48.69</td>
<td>35.25</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>2007</td>
<td>3.38</td>
<td>647.82</td>
<td>124.08</td>
<td>52.08</td>
<td>39.04</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>2008</td>
<td>4.29</td>
<td>711.31</td>
<td>130.84</td>
<td>57.72</td>
<td>42.93</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>2009</td>
<td>5.31</td>
<td>794.00</td>
<td>131.94</td>
<td>60.54</td>
<td>43.96</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>2010</td>
<td>7.27</td>
<td>863.86</td>
<td>139.47</td>
<td>58.59</td>
<td>42.97</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>2011</td>
<td>8.85</td>
<td>934.45</td>
<td>139.25</td>
<td>61.69</td>
<td>46.65</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>2012</td>
<td>10.99</td>
<td>1022.34</td>
<td>148.15</td>
<td>61.08</td>
<td>48.27</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>2013</td>
<td>12.87</td>
<td>1161.03</td>
<td>142.52</td>
<td>62.21</td>
<td>49.01</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>2014</td>
<td>17.80</td>
<td>1337.89</td>
<td>151.33</td>
<td>63.71</td>
<td>50.30</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>2015</td>
<td>19.71</td>
<td>1542.26</td>
<td>154.49</td>
<td>65.76</td>
<td>50.70</td>
<td></td>
</tr>
</tbody>
</table>

Cumulative Average Growth Rate: 21.60% 3.50% 8.07% 4.78% 2.91% 5.34%

Source: Financial Access survey, 2017, CAGR calculated by Author
From 2004 to 2015, India gradually improves financial inclusion positions. From three dimensional views, India has continuous achievement in increment of banking penetration- that means how much number people of having account to get access in financial services. But having bank account only does not mean that people have all short of financial services available for usages. Further, banking services should be cheaply and easily available for better financial inclusion. Most of the bank branch and ATMs branches are established in city area; as a result rural people still lag behind in accessing financial services cheap and easy way.

From the figure 7, it is found that India did well comparatively in availability of services and bank penetration. Third dimension of financial index is ‘Usages of banking services’ which can easily reflect how much people are unbanked in a country. Due to remoteness of bank outlets, unfavorable of conditions of getting loan, negative experience, most of the poor could unbanked. Figure 7 shows that the credit and deposits to adult individuals to GDP is only 0.19 that means majority people are getting loan and making deposits in informal sources. Although, India is doing well in financial inclusion comparatively with other countries in South Asia, but still there is long way to achieve inclusive growth by improving these three dimensions.

4.8 Financial Inclusion Indicators in Pakistan from 2004 to 2015

Table 3 represents the data of the indicators of the financial inclusion from 2004 to 2015. Looking at the indicators presented it is seen that (ATMs) per 100,000 adults is rising gradually from 2004 to 2015 by CAGR 22.73%. Same issues found in case of Deposit accounts with commercial banks per 1,000 adults.
which also increased by CAGR 2.25%, but loan accounts with commercial banks per 1,000 adults are very fluctuating year to year which means that economic growth is not stable and lack of capital formation.

### TABLE 3. FINANCIAL INCLUSION STATUS IN PAKISTAN FROM 2004 TO 2015

<table>
<thead>
<tr>
<th>Economy</th>
<th>Year</th>
<th>Automated Teller Machines (ATMs) per 100,000 adults</th>
<th>Branches of commercial banks per 100,000 adults</th>
<th>Deposit accounts with commercial banks per 1,000 adults</th>
<th>Loan accounts with commercial banks per 1,000 adults</th>
<th>Outstanding deposits with commercial banks (% of GDP)</th>
<th>Outstanding loans with commercial banks (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>2004</td>
<td>0.75</td>
<td>7.69</td>
<td>162.69</td>
<td>40.57</td>
<td>35.95</td>
<td>26.09</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2005</td>
<td>1.18</td>
<td>7.78</td>
<td>165.64</td>
<td>49.16</td>
<td>37.10</td>
<td>28.56</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2006</td>
<td>1.90</td>
<td>7.92</td>
<td>215.07</td>
<td>50.93</td>
<td>33.26</td>
<td>26.74</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2007</td>
<td>2.77</td>
<td>8.18</td>
<td>237.42</td>
<td>49.25</td>
<td>35.41</td>
<td>27.16</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2008</td>
<td>3.47</td>
<td>8.52</td>
<td>238.58</td>
<td>50.52</td>
<td>32.06</td>
<td>28.32</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2009</td>
<td>4.01</td>
<td>8.60</td>
<td>233.99</td>
<td>40.08</td>
<td>29.57</td>
<td>22.57</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2010</td>
<td>4.41</td>
<td>8.64</td>
<td>259.42</td>
<td>35.53</td>
<td>30.08</td>
<td>20.54</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2011</td>
<td>4.88</td>
<td>8.81</td>
<td>285.20</td>
<td>31.16</td>
<td>27.98</td>
<td>17.05</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2012</td>
<td>5.47</td>
<td>9.06</td>
<td>302.04</td>
<td>29.27</td>
<td>29.89</td>
<td>17.06</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2013</td>
<td>6.52</td>
<td>9.39</td>
<td>318.29</td>
<td>27.98</td>
<td>30.75</td>
<td>16.41</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2015</td>
<td>8.79</td>
<td>10.04</td>
<td>366.61</td>
<td>26.19</td>
<td>30.05</td>
<td>15.93</td>
</tr>
<tr>
<td>Cumulative Growth Rate</td>
<td><strong>22.73%</strong></td>
<td><strong>2.25%</strong></td>
<td><strong>7.00%</strong></td>
<td><strong>-3.58%</strong></td>
<td><strong>-1.48%</strong></td>
<td><strong>-4.03%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Financial Access survey, 2017, CAGR calculated by Author

The CAGR of Loan accounts with commercial banks per 1,000 adults has negative CAGR by -3.58%. This implies that economic activity is not up to the mark. So to have a meaningful inclusion the number of loan accounts of commercial banks should be increased.
From the figure 8, it is found that Pakistan has very slow growth in availability of services and bank penetration only nears to 0.14. It also shows that the credit and deposits to adult individuals to GDP is only 0.19 that means majority people are getting loan and making deposits in informal sources.

5. CONCLUSIONS

This paper has undertaken to compute an Index of financial inclusion (IFI) in the South Asia. Methodologies to construct the IFI is based on a multidimensional approach as proposed by Sarma (2008) and concentrated to highlight the level of financial inclusion in South Asia. From the index calculated it is observed that the position of financial inclusion of South Asia among other continents is not satisfactory. Among the South Asian countries the position of India and Bhutan are better in comparison with other countries. The most financial exclusion is noticed in Afghanistan and Pakistan. Afghanistan faces lot of financial problem due to war and political turmoil. But low index of financial inclusion in Pakistan shows that a big portion of people are unbanked and uses informal sources for financing.

This study is only a first step for measuring financial inclusion by cross country comparison in the South Asian region. Further improvement of the current IFI can be possible through technical innovations.

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FINANCIAL INCLUSION- A COMPARATIVE STUDY ON SOUTH ASIA


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