Reaching the unreached: Determinants of financial inclusion through access and usage of banking services in SAARC countries

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Abstract

The present study explores the factors influencing financial inclusion outreach of the South Asian Association for Regional Cooperation (SAARC) nations by using International Monetary Fund (IMF) Financial Access Survey Data for the period 2004 to 2014. The analysis considered geographic and demographic branch and Automatic Teller Machines (ATMs), number of mobile accounts, and mobile money transactions to know the association with financial inclusion outreach for SAARC nations. The results indicate that geographic branch and ATMs, and geographic ATMs penetration and number of mobile accounts have significant association with deposit account and depositors in the commercial banks. The study also finds that among the SAARC nations, Sri Lanka has emerged as the country with highest financial inclusion with regards to number of bank accounts, borrowing, savings with ATM/debit card usage and insurance penetration. The findings of the research contribute to the existing evidence regarding the determinants of financial inclusion in the context of emerging economies (SAARC nations).

Keywords: ATM penetration; branch penetration; financial inclusion outreach; SAARC
1. Introduction

Financial inclusion is a measure of the ability of a population to make use of financial services (having bank account, deposits, credits, insurance services etc.). High rates of financial inclusion in a country are empirically correlated with high levels of economic development in that country and vice-versa (Swamy, 2014). Thus, policy makers and government generally agree that one of the methods to improve the economic development is to increase the level of financial inclusion.

Several countries across the globe now look at financial inclusion as the means for a more comprehensive growth, where in, each citizen of the county is able to use his/her earnings as a financial resource that they can be put to work to improve their future financial status and simultaneously contribute to the nation’s progress (Chakaravarty & Paul, 2013). Issues relating to financial inclusion are a subject of growing interest and one of the major socioeconomic challenges on the agenda of international institutions, policymakers, central banks, financial institutions and governments. The declaration of World Bank to achieve universal financial access by 2020 is a prime example to indicate that financial inclusion was recognized as fundamental for economic growth and poverty alleviation (Camara, Pena & Tuesta, 2014).

Accordingly, there is a need for government and policy makers to develop strategies to include more people into formal banking services and provide better opportunities to increase financial inclusion, especially among women and poor people. Governments and the private sectors can play a vital role by shifting the payment of wages and government transfers of cash to beneficiary bank accounts. To enhance financial inclusion, it is important to look beyond the role of formal financial institutions such as commercial banks. In SAARC (South Asian Association for Regional Co-operation) nations, the role of Micro Finance Institutions (MFIs), including non-governmental organizations (NGOs), Community Based Organizations (CBOs), Self Help Groups-Bank Linkage Programme (SBLP), and Co-operative banks, Regional Rural Banks (RRBs) play a significant role in increasing financial inclusion status.

In recognition of the significance of financial inclusion for economic development, the government of India started the biggest financial inclusion initiative in the world called “Pradhan Mantri Jan Dhan Yojana” (PMJDY) on 15th August 2014 to ensure access to financial services -mainly banking and insurance services (Press Information Bureau, GOI, 2015). This was a major path-breaking initiative to enhance finance inclusion (Major Initiatives Pradhan Mantri Jan Dhan Yojana, n.d.). India plays an important role in the economic development of the nations in SAARC region while it also has a significant role in promoting international trade.
As per the provisions of PMJDY scheme, every single household can open a zero balance account and has an opportunity to get Rs. 100,000/- life insurance cover and the owner of the account receives an additional Rs. 30,000/- as accidental cover. The account also gives an opportunity to avail an overdraft amount of Rs.5000 after 6 months of opening the account (Press Information Bureau, GOI, 2015). As on 6th April, 2016, 215.1 million new accounts have been opened and Rs.366 billions has been deposited under the PMJDY scheme highlighting the significance and success of the initiative (Press Information Bureau, GOI, 2015).

In this backdrop, this research attempts to understand the various determinants of financial inclusion among the SAARC nations. This would help the policy makers in various nations to focus their efforts on enhancing the financial inclusion with regard to the outreach and usage of various financial services. The findings of this research will help the central bank authorities in SAARC countries to introduce various initiatives to increase the status of financial inclusion. An increase in financial inclusion will also help in the economic empowerment of the financially excluded population in all the SAARC countries.

Most of the earlier studies (Amidzic, Massara and Mialou, 2014; Beck, Demirguc-Kunt and Peria, 2007; Demirguc-Kunt and Klapper, 2012; Ghosh 2012; Gupte, Venkataramani and Gupta, 2012; Kodan and Chhikara 2011; Rahman 2013; & Sharma, 2008) used macro level indicators to find the determinants of financial inclusion. It is pertinent to note that none of previous studies investigated the key determinants of financial inclusion in the context of SAARC nations. Additionally, in this research an attempt was made to include some new indicators like number of mobile accounts, mobile money transactions and number of insurance policies to study the determinants of financial inclusion outreach among SAARC nations (Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, Maldives and Sri Lanka). This research explores the determinants influencing financial inclusion and the objectives of the research are as follows:

- To assess the current status of financial inclusion in SAARC countries.
- To explore the significant factors that affect financial inclusion outreach in SAARC nations.

2. Review of Literature

A few researchers in the past have identified the key determinants of financial inclusion at a macro level. In the Indian context, some of the studies have used secondary data to study the determinants of financial inclusion. Sarma (2008) constructed Index of Financial Inclusion by considering the three dimensions - banking penetrations, availability of banking services and usage of banking system. Gupte, Venkataramani and Gupta (2012) studied the determinants that measure the extent of financial inclusion and focused on the computation of an index of financial
inclusion by considering multi-dimensional variables like outreach, usage, ease of transaction and cost of transaction.

Arora (2010) explored the dimensions of financial inclusion by considering three dimensions - physical access, ease of transactions and cost of transactions for measuring financial access in Indian context. Also at global level, some authors examined the determinants of financial inclusion. Lenka and Bairwa (2016) studied the impact of financial inclusion on monetary policy. It was found that financial inclusion, exchange rate, and interest rates are negatively associated with inflation among SAARC nations.

Amidzc, Massara and Mialou (2014) assessed the financial inclusion status of various countries using a composite index. Three important indicators - outreach, usage quality and cost of usage were used in their study. Yorulmaz (2013) attempted to construct a financial inclusion index in the context of turkey. In this study the author followed the method suggested by Sarma (2008) and considered three basic dimensions namely banking penetration, availability of the banking services and usage of banking system to investigate the determinants of financial inclusion.

In a very significant study on financial inclusion status of various countries across the globe, Demirguc-Kunt and Klapper (2012) measured financial inclusion using the Global Findex database. In this study they used four indicators for measuring financial inclusion. The usage of formal accounts, savings behavior, sources of borrowings and use of insurance products for health and agricultural insurance.

Beck, Demirguc-Kunt and Peria (2007) identified a new set of banking sector outreach indicators, specifically access to and use of banking services at cross-country level. In this study outreach of the financial sectors are measured in terms of physical access to banks and ATM outlets and use of banking services as measured by availing deposits and lending services. It was found that both outreach and usage indicators are positively associated with the overall level of economic development. It can be observed from the earlier literature that very few studies have investigated the determinants of financial inclusion emerging economies. Hence in this research an attempt was made to assess the status of financial inclusion and examine the determinants of financial inclusion among SAARC economies.

3. Measuring financial inclusion in SAARC nations

3.1. Main indicators of financial inclusion

To identify the factors that have an impact on financial inclusion in SAARC nations, four main indicators were considered in the prior studies (Demirguc-
Kunt and Klapper, 2012, Efobi, Beecroft and Osabuohien, 2014; Fungacova & Weill, 2015). They are formal bank accounts; savings behavior; sources of borrowing and insurance products. One of the main indicators of studying financial inclusion is ownership of account in formal financial institutions (Demirguc-Kunt & Klapper, 2012). Accordingly in this study, the number of deposit accounts and number of depositors in commercial banks were taken as dependent variables.

Table 1: Indicators used to measure financial inclusion

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Main Indicators</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Dependent Variables</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Deposit accounts (DEPACC)</td>
<td>Number of deposit accounts with commercial banks per 1,000 adults</td>
</tr>
<tr>
<td>2</td>
<td>Depositors (DEP)</td>
<td>Depositors with commercial banks per 1,000 adults</td>
</tr>
<tr>
<td></td>
<td><strong>Independent Variables</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Geographic branch penetration (BKM)</td>
<td>Number of commercial bank branches per 1,000 km²</td>
</tr>
<tr>
<td>2</td>
<td>Demographic branch penetration (BA)</td>
<td>Number of commercial bank branches per 1,00,000 adults</td>
</tr>
<tr>
<td>3</td>
<td>Geographic ATM penetration (ATMKM)</td>
<td>Number of ATMs per 1,000 km²</td>
</tr>
<tr>
<td>4</td>
<td>Demographic ATM penetration (ATMA)</td>
<td>Number of ATMs per 1,00,000 adults</td>
</tr>
<tr>
<td>5</td>
<td>Number of Mobile accounts (MA)</td>
<td>Number of active mobile money accounts per 1,000 adults</td>
</tr>
<tr>
<td>6</td>
<td>Mobile transactions (MT)</td>
<td>Number of mobile money transactions per 1,000 adults</td>
</tr>
<tr>
<td>7</td>
<td>Insurance Policies (IP)</td>
<td>Insurance corporations: Number of policies (Demirguc-Kunt &amp; Klapper, 2012)</td>
</tr>
</tbody>
</table>

Source: Authors’ compilation based on literature review

Table 1 presents an account of various variables used in the study based on the indicators employed in earlier studies (Beck et. al 2007; Demirguc-Kunt & Klapper, 2012; Efobie, et.al, 2014). In this research, number of mobile accounts and number of mobile transactions were additionally included as independent variables. These variables were not observed to be employed in the earlier studies. These variables were included since increase in usage of mobiles and mobile financial transactions are expected to increase in future in the emerging economies.

3.2. Data Source

The International Monetary Fund (IMF) Financial Access Survey data presents the information regarding the access to and use of financial services around
the world for the period 2004 to 2014. This data base was used for investigating the determinants of financial inclusion using multiple regression. In this study, all the SAARC nations (Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, Maldives and Sri Lanka) were considered.

3.3. Research Methodology

In this research, the status of financial inclusion among SAARC nations was assessed using secondary data from World Bank Global Findex Database (2014) through descriptive statistics (percentage analysis).

Secondly, multiple regression models were used for identifying the variables that determine the financial inclusion in SAARC countries by considering access to and usage of banking services. To check for multicollinearity, variance inflation factor (VIF) was checked as an indicator of multicollinearity. In previous research studies, various recommendations are made for acceptable level of VIF - a value of 10 has been accepted as the maximum level of VIF (Hair, Black, Babin, Anderson & Tatham, 2006; Kennedy, 1992). The reciprocal of the tolerance is the VIF, if it is greater than 5, this indicates potential multicollinearity problem (Rogerson, 2001). In this study all VIF values are less than 4 and so it can be concluded that the further tests can be applied without any issues regarding multicollinearity. In this study two regression equations were employed to determine the financial inclusion outreach. In the first regression equation, ownership of deposits accounts in commercial banks was considered as dependent variable and seven other indicators were considered as independent variables. In the second equation, number of depositors from commercial banks was included as dependent variable along with seven independent variables. The details of the variables utilized in the following two regression models are depicted in table 1:

Model: 1

\[ \text{DEPACC} = \alpha + \beta_1 BAA + \beta_2 BKM + \beta_3 ATMA + \beta_4 ATMKM + \beta_5 MA + \beta_6 MT + \beta_7 IP + \varepsilon \]

Model: 2

\[ \text{DEP} = \alpha + \beta_1 BAA + \beta_2 BKM + \beta_3 ATMA + \beta_4 ATMKM + \beta_5 MA + \beta_6 MT + \beta_7 IP + \varepsilon \]

4. Status of financial inclusion in SAARC countries

According to Demirguc-Kunt, Klapper, Singer & Oudheusden, (2015) about 46 percent adults have accounts, 13 per cent people have saving habits and only 6 per cent adults have borrowed amount from formal financial institutions. In SAARC nations, 46 per cent of adults have an account in 2014, which saw an increase from 32
per cent in 2011. The core indicators of financial inclusion in SAARC countries are shown in the following Table 2. The core indicators include use of bank accounts, access to financial institution account, savings, credit, insurance products, and use of account in the recent past and usage of digital payments among the SAARC nations. It can be observed that in many SAARC countries the status of many financial indicators has improved during 2011-2014. It is also important to note that the penetration of insurance products and use of digital payments is presently very low in SAARC countries. This provides an opportunity for banking systems to extend their services to reach more people among SAARC countries.

Table 2: Core Indicators on Financial inclusion-2014 (Proportion of Population of Age 15+)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Afghanistan</th>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>India</th>
<th>Nepal</th>
<th>Pakistan</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of bank accounts (Percentage of adults with an account at a formal financial institution)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account to all adults,2011</td>
<td>9.0</td>
<td>31.7</td>
<td>33.7</td>
<td>35.2</td>
<td>25.3</td>
<td>13.03</td>
<td>68.5</td>
</tr>
<tr>
<td>Account to all adults,2014</td>
<td>10.0</td>
<td>29.1</td>
<td>27.7</td>
<td>52.8</td>
<td>33.8</td>
<td>8.7</td>
<td>82.7</td>
</tr>
<tr>
<td>Access to financial institution Account (% of age 15+)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has debit card, 2011</td>
<td>4.7</td>
<td>2.3</td>
<td>NA</td>
<td>8.4</td>
<td>3.7</td>
<td>2.9</td>
<td>10.0</td>
</tr>
<tr>
<td>Has debit card ,2014</td>
<td>1.7</td>
<td>5.2</td>
<td>NA</td>
<td>22.1</td>
<td>6.7</td>
<td>2.9</td>
<td>24.9</td>
</tr>
<tr>
<td>ATM is the main mode of withdrawal( % with an account), 2011</td>
<td>NA</td>
<td>2.8</td>
<td>17.2</td>
<td>18.4</td>
<td>11.8</td>
<td>NA</td>
<td>15.4</td>
</tr>
<tr>
<td>ATM is the main mode of withdrawal (% with an account), 2014</td>
<td>NA</td>
<td>7.5</td>
<td>51.3</td>
<td>33.1</td>
<td>13.9</td>
<td>32.4</td>
<td>24.3</td>
</tr>
<tr>
<td>Savings (% of age 15+)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saved at a financial institution, 2011</td>
<td>2.8</td>
<td>16.6</td>
<td>NA</td>
<td>11.6</td>
<td>9.9</td>
<td>1.4</td>
<td>28.1</td>
</tr>
<tr>
<td>Saved at a financial institution, 2014</td>
<td>3.6</td>
<td>7.4</td>
<td>22.6</td>
<td>14.4</td>
<td>16.4</td>
<td>3.3</td>
<td>30.9</td>
</tr>
<tr>
<td>Credit (% of age 15+)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowed from a financial institution, 2011</td>
<td>7.4</td>
<td>23.3</td>
<td>NA</td>
<td>7.7</td>
<td>10.8</td>
<td>1.6</td>
<td>17.7</td>
</tr>
<tr>
<td>Borrowed from a financial institution, 2014</td>
<td>3.6</td>
<td>9.9</td>
<td>4.2</td>
<td>6.4</td>
<td>11.9</td>
<td>1.5</td>
<td>17.9</td>
</tr>
</tbody>
</table>
## Insurance (% of age 15+)

| Personally paid for health insurance, 2011 | 0.09  
|-------------------------------------------|-------
| Personally paid for health insurance, 2014 | 2.10  
| Purchased agricultural insurance(% of working in agriculture, age 15+), 2011 | NA    
| Purchased agricultural insurance(% of working in agriculture, age 15+), 2014 | NA    
| 10.77 | 0.00  
| NA | NA  
| NA | NA  
| NA | NA  
| NA | NA  
| 0.00 | NA  
| NA | NA  
| NA | NA  
| 6.6 | 2.16  
| NA | 2.62  
| NA | 8.06  

## Use of account in the past year (% age 15+)

| Used an account to receive wages | 2.5  
|--------------------------------|-------
| Used an account to receive government transfers | 0.4  
| Used a financial institution account to pay utility bills | 0.6  
| 1.6 | 0.7  
| 6.4 | 1.1  
| 4.0 | 3.6  
| 2.4 | 3.4  
| 2.4 | 0.0  
| 1.4 | 1.8  
| 1.4 | 0.4  
| 7.1 | 5.3  
| 5.3 | 1.1  

## Other Digital payments in the past year (% age 15+)

| Used a debit card to make payments | 1.7  
|----------------------------------|-------
| Used a credit card to make payments | 1.0  
| Used the internet to pay bills or make purchases | 1.1  
| 1.0 | 0.2  
| 10.1 | 0.0  
| 10.1 | 0.8  
| 10.7 | 3.4  
| 10.7 | 1.2  
| 2.6 | 0.1  
| 2.6 | 0.4  
| 1.0 | 0.1  
| 1.0 | 1.8  
| 10.4 | 2.8  
| 10.4 | 1.6  


There are three main indicators widely studied in SAARC nations, such as account ownership at formal financial institutions, formal savings and borrowings from financial institutions.

### 4.1. Bank Accounts

The first indicator can be defined as ownership of a bank account at formal financial institutions. It can be said that account at formal financial sector serves as an entry point into the formal financial sector and opening/having a bank account is considered as the starting point to have relationship with a bank (Bapat, 2010; Demirguc-Kunt and Klapper, 2013). According to the Global Findex database 2014, it can be clearly observed that among the SAARC nations, Sri Lanka has highest per cent of account ownership in the financial intuitions, as shown in Figure 1. In the Indian context, there is a growth rate in account penetration in year 2014, 52.8 per
cent of adults have a bank account. It is up from 35.2 per cent in 2011. In Pakistan the account penetration has been decreased from 13.03 per cent to 8.7 per cent.

Source: World Bank Global Findex Data Base, 2014; *Data for Maldives not available

Figure 1: Ownership of Bank Accounts in SAARC Nations

4.2. Savings

The second indicator to focus was on saving behavior of adults in SAARC nations. Savings behavior helps the individuals to make possible to smooth consumption, make investments in children’s education and marriage purposes and to start a business and manage the uncertainty risk in the future (Demirguc-Kunt and Klapper, 2013). It is clear that in the view of savings behavior in SAARC nations, Sri Lanka got highest per cent of individual savings behavior among the SAARC nations with 30.9 per cent as can be seen from Figure 2. The second largest nation in the saving behavior context was Bhutan which got 22.6 per cent. In India only 14.4 per cent of individuals have savings in the formal financial institutions in year 2014.
4.3. Borrowings

Most of the people need to borrow money from formal financial institutions other than informal financial sector. Borrowing from the formal sector enables individuals lead a smooth day-to-day life, invest in small business and offer better education to their children. The Global Findex data base 2014 reveals that Bangladesh has the highest position with 23.3 per cent individuals who have borrowed from formal financial institutions in 2011 as can be seen in Figure 3. Interestingly, the borrowing behavior in Bangladesh reduced to only 9.9 per cent in 2014. The second highest nation is Sri Lanka with 17.7 per cent in 2011 while it only marginally increased to 17.9 per cent in 2014. In Indian context, there is a decreased status in borrowings from formal financial institutions. It was 7.7 per cent in 2011 and 6.4 per cent in 2014. Overall, it can be seen that the borrowing behavior among SAARC nations has decreased in Afghanistan, Bangladesh, India and Pakistan while it increased in Bhutan, Nepal and Sri Lanka.

Source: World Bank Global Findex Data Base, 2014 *Data for Maldives not available

Figure 2: Savings Behavior of Adults in SAARC Nations

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5. Regression analysis results and discussion

The results of two regression models for SAARC nations (Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, Maldives and Sri Lanka) are presented in Table 3. In the first regression model, the ownership of deposit account was considered as dependent variable. The results reveal that ATMKM ($\beta=0.45$, $t=4.13$, $P<0.001$), BA ($\beta=0.37$, $t=4.13$, $P<0.01$), MA ($\beta=-0.39$, $t=-4.02$, $P<0.001$) show significant association with access to bank account in SAARC nations. The results of bank account ownership indicate that Adjusted $R^2$ is equal to 0.61. This indicates that 61 per cent of variance in access to bank account as determined by the access to financial services is explained by the independent variables. The Durbin-Watson value is 0.75, which is less than 2. It indicates that an association of correlation among independent variables existence is acceptable.

In the second regression model, the number of depositors from commercial banks was considered as the dependent variable. It can be seen from Table 3 that ATMA ($\beta=0.46$, $t=-4.84$, $P<0.001$), ATMKM ($\beta=0.83$, $t=-7.28$, $P<0.001$), MA ($\beta=-0.21$, $t=-2.10$, $P<0.05$) show significant impact on usage of banking services in SAARC nations. The Adjusted $R^2$ in this model was 0.59 indicating that 59 per cent of variance in number of depositors is explained by the independent variables considered.

Source: World Bank Global Findex Data Base, 2014; *Data for Maldives not available

Figure 3: Borrowing Behavior of Individuals in SAARC Nations
for the research. Overall, it can be noted that all the independent variables excepting branch geographic penetration, mobile transactions and penetration of insurance products have shown significant impact on the dependent variables. This indicates that more efforts are needed to enhance financial inclusion in SAARC countries by encouraging usage of mobile banking transactions and provide insurance protection for people among these countries.

**Table 3: Regression results: Determinants of financial inclusion outreach in SAARC nations**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model: 1 (Dependent Variable: Deposit Account)</th>
<th>Model: 2 (Dependent Variable: Depositors)</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-eff.</td>
<td>Co-eff.</td>
<td>Tolerance</td>
<td>VIF</td>
</tr>
<tr>
<td>Co-eff.</td>
<td>t-stat.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-4.94***</td>
<td>19.43***</td>
<td>0.526</td>
</tr>
<tr>
<td>ATM_adult(ATMA)</td>
<td>0.10</td>
<td>0.46</td>
<td>0.367</td>
</tr>
<tr>
<td>ATM_Km (ATMKM)</td>
<td>0.45</td>
<td>0.83</td>
<td>0.283</td>
</tr>
<tr>
<td>Branch_adult (BA)</td>
<td>0.37</td>
<td>-0.22</td>
<td>0.701</td>
</tr>
<tr>
<td>Mobile accounts (MA)</td>
<td>-0.39</td>
<td>-0.21</td>
<td>0.633</td>
</tr>
<tr>
<td>Mobile transactions (MT)</td>
<td>0.11</td>
<td>-0.15</td>
<td>0.620</td>
</tr>
<tr>
<td>Insurance polices (IP)</td>
<td>-0.01</td>
<td>0.15</td>
<td>1.76</td>
</tr>
<tr>
<td>R²</td>
<td>0.64</td>
<td>0.62</td>
<td></td>
</tr>
<tr>
<td>Adj.R²</td>
<td>0.61</td>
<td>0.59</td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>20.6</td>
<td>18.79</td>
<td></td>
</tr>
<tr>
<td>Durbin-Watson</td>
<td>0.75</td>
<td>0.831</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** *Denotes p<0.05; ** Denotes p<0.01; ***Denotes p<0.001

**6. Conclusion**

The current research systematically attempted to explore the factors influencing financial inclusion outreach as measured by the access and usage of banking services measured by the depositors in SAARC nations (Afghanistan, Pakistan, Nepal, Bangladesh, Sri Lanka, India, and Maldives). The results indicate that several factors have significant impacts on financial inclusion outreach. The use of mobile banking transactions and the penetration of insurance products have shown substantial influence. Efforts should be directed towards promoting these services to enhance financial inclusion in SAARC countries.

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Bangladesh, Bhutan, India, Nepal, Pakistan, Maldives and Sri Lanka). Based on the analysis of data retrieved from World Bank, Global Findex database(2014), it is observed that about 46 per cent adults have accounts; 13 per cent people have saving habits and only 6 per cent adults borrow amount from formal financial institutions. Among SAARC nations, 46 per cent of adults have an account in 2014, which shows an increase from 32 per cent in 2011. The study clearly shows that there is a big disparity between having a bank account in a formal financial institution and usage of various financial services of formal banking sector. Hence, the government and financial institutions should take important measures to enable the general public increase the usage of bank accounts with respect to savings and availing of bank credit by account holders.

The results of the study highlighted the factors that have an influence on financial inclusion in SAARC nations. The evidential results show that access to bank account (ownership of deposit account; geographic penetration of ATMs; demographic penetration of bank branches & mobile accounts show significant effect. In usage of banking services, depositors from commercial banks, demographic penetration of ATMs, geographic penetration of ATMs and mobile accounts have significant association with usage of banking services. Overall results show that the demographic branch and ATM penetration; geographic ATM penetration and use of mobile accounts have significant impact on access and use of banking services and hence, can be considered as determinants of financial inclusion outreach in SAARC nations.

The results of this research contribute significantly to the growing evidence regarding the determinants of financial inclusion in the emerging economies with a specific focus on SAARC countries which received little attention in the previous literature. Data unavailability for certain countries regarding some indicators are a limitation of the data source employed for this research. Future researchers have an opportunity to analyze and compare the determinants of financial inclusion among various regional blocks across the globe (ASEAN; NAFTA; SAFTA; EU nations). This will help the policy makers in various countries to initiate measures to increase financial inclusion so as to fulfill the World Bank’s vision of universal financial access by 2020.

References


