

FINANCIAL INCLUSION AND ITS IMPLICATIONS FOR INCLUSIVE  
GROWTH

By

Rutaba Irfan (01-297162-011)

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## **ABSTRACT**

Financial inclusion has recently been emphasized as an important policy option aimed at alleviating poverty, minimizing social exclusion and enhancing economic growth. There is no proper definition of the term and thus most researchers think that 'financial inclusion is the easy availability of all banking services at an affordable cost, a reasonable time and the right amount for all people in need and that should also be available in the appropriate ways'. No study has been performed on Asia measuring impact of financial inclusion on growth. Financial inclusion in the past has always been measured on the basis of two components, access and usage of financial services and neglecting the role of barriers in the way of financial inclusion. Our contribution to the research is the addition of the component of barriers in the model. There is no universally accepted model available to measure financial inclusion. Thus our empirical focus is to derive a model which incorporates all three aspects of financial inclusion; access, usage and barriers. We have used a dynamic model and System GMM to analyze our data. Our findings show that number of bank branches, deposits per person and loan per person contribute to financial inclusion and should be viewed as proxies to measure financial inclusion, while religion and education have no impact on financial inclusion in Asia. We also suggest that financial inclusion is not a monolithic phenomenon and should be studied in a multi-layered fashion, ranging from having a bank account to making full use of modern financial instruments

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