RESEARCH PAPER

Determinants of Financial Inclusion in South Asia: An Empirical Evidence

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PAPER INFO	ABSTRACT
	Currently, financial inclusion is considered a key mediator in achieving economic output. The primary aim of the current research is to construct a financial inclusion index and examine the different factors that affect financial inclusion in the context of South Asian countries. The time period of the study is 1980 to 2017. The financial inclusion index is used as a dependent variable that is computed based on access and usage of financial services. Independent variables include GDP per capita (GDPP), age dependency ratio (AGE), urbanization (URBAN), information and communication technology (ICT), and rule of law. A fixed effect model is used for regression analysis. Regression results indicate that, in South Asian countries except for urbanization, all the other variables play a significant role in the process of financial inclusion. Thus, governments of these countries should chalk out such policies which can provide the modern technology related to information and communication, improve the rule of law conditions, and increase the GDP per capita.

Introduction

The economic boom relies upon financial savings and these savings are positively related to economic literacy concerned with financial inclusion. The main purpose of financial inclusion is to take previously unbanked people into the banking and economic system. The mere act of opening a bank account does not imply financial inclusion. Financial inclusion, in a wider sense, is the process of ensuring that all parts of the population have access to financial services, including financial literacy. Financial literacy refers to an increase in public awareness of the banking and non-banking services offered through the formal financial sector.

Easy access to financial customer services allows obtaining credit facilities, expanding one's business, and inducing increased statements and reactions to financial shocks (Allen *et al.,* 2014). Similarly, access to agricultural financing is an effective tool for combating poverty and raising rural population earnings in underdeveloped countries. In developing countries, financial services are scarce. Low-cost debts and fewer documentation requirements may also make financial services access easier for the public to assess (Allen *et al.*, 2015). According to a

reliable survey, about 2 billion people are unable to utilize formal financial services. In South Asia Further, the survey unfolds that more than 50% of adults do not have a bank account with them.

Financial inclusion in Pakistan is at a bare minimum. Only 10% of adults have financial institution bills from a formal financial institution. Fifty-six per cent of adults have never used a formal or informal economic product and thirty-six per cent of adults keep the handiest four per cent of adults have saved their wealth at formal financial institutes, those facts show a totally low degree of economic inclusion in Pakistan. Financial cycles, spiritual religion, gender inequality, and the growing informality of the banking zone are all reasons for low financial inclusion (Ramiz-Ur- Rehman, 2017). On the other hand, Bangladesh's financial inclusion is also tiny. Thirty-one per cent of citizens only have formal financial institution accounts. Unbanked individuals account for 45 per cent of the population. The fee for economic services is excessive, and vulnerable rule of law, underneath improvement and better income inequality are the primary barriers to financial inclusion in Bangladesh (Uddin *et al.*, 2017).

The study is unique in that it is the first to construct financial inclusion index for South Asia countries rather than using Sarma's approach. The principal component analysis will be used considering the time span from 1980-2017. Further new determinant i.e., urbanization is also considered a determinant of financial inclusion. The current research paper is divided into five sections and they are organized in the following manner. The literature review related to financial inclusion is provided in the 2nd section. The material and methods are described in the 3rd section. The results & discussion have been presented in the 4th section. Lastly, the 5th section contains concluding remarks& policy implications.

Literature Review

Several papers analyzed financial availability and access, as well as issues and rules. Trinh and Margin (1995) stated that in lower-income nations like Vietnam and Cambodia, researchers investigated factors that influence financial knowledge and its effect on financial enclosure. Asare *et al.*, (2005) obtained data from World Global Financial Enclosure (International Findex) database 2006 and investigated the features that affect financial savings (economic inclusion) in Africa. The results of the multinomial version revealed that female business persons have lower financial ability than trained male entrepreneurs. Mojica (2006) tested how humans select to finance from casual credit score marketplaces by employing multinomial logit as well as relative threat ratio via the usage of survey information. James *et al.*, (2007) assessed the financial offerings vendors' impact on agricultural overall enactment in Kenya. The outcomes show that using manager banking amenities has a much greater influence on acre production margins than using further services providers.

Chatterjee and Roy (2006) studied to diagnose the factors of monetary inclusion and finance in Bangal and India by means of the usage of survey data carried out. The major determinants are discovered using a multinomial logistic model. Profits are the main driver of economic inclusion, according to the findings. Ismail and Chandler (2007) examined the factors choices for economic merchandise by using entrepreneurs for aid organizations within the Malaysia Islamic bank device. Results are based on a survey of 1858 retail customers using the multinomial

discrete preference methodology. The findings revealed that wealth, education, gender, and Islam (non-secular) all have a positive effect on the desire to save money owed.

Honohan (2007,2008) took a specific proportion of adults from the society based on the household survey data and established financial access indicator along with financial agents within the specific economy; where household survey data was not available regarding the approaching of finance, the indicator was earned through bank details of the adult and GDP per capita. Utilizing the present record of the specific year, a cross-section series was established based on the dataset. Moreover, an overview of financial inclusion has been offered by Honohan's (2007 and 2008) measure. It is possible that sort of measure remains failed to capture the shifts in future economies. Conroy (2008) Regardless of the training standard of the humans, the simple monetary offerings such as financial savings, credit score, coverage, switch, and remittance in addition to economic consultancy services and preferred at an affordable price in a hassle-free way are ensured through a properly reputed financial quarter.

Sarma and jesim (2008) argue that, with a few exceptions, the financial management and development of people in a national change in lockstep. Income, as expected, is positively related to a level of financial management. In addition to income, disparity, and literacy are central socioeconomic dynamics. Ramji (2009) studied the small businesses, marginal farmers, landless people, people who work for themselves and in the unorganized sector, city slum dwellers, refugees, tribal sections, physically challenged people, senior citizens, socially omitted sets, and girls are typically financially excluded segments. There are specific dynamics of financial exclusion which are found in exclusive countries with distinctive approaches.

Chakrabarty (2009) explored the financial management can play a fundamental function reduction of poverty in the United States, comprehensive progress, and social enclosure of the deprived units of the civilization. Financial management has obtained extended care in sight of worldwide projects closer to the inclusive boom of the rising markets. Five billion adults out of which, 2.2 billion exist in Asia, the Middle East, Africa and Latin America East nations are nevertheless out of the net of financial inclusion.

Sinclair (2011) a monstrous number of economists and associated researchers took a brilliant in the subject of financial inclusion and come up with one-of-a-kind understandings of this idea. The same is with the concept of economic inclusion. Wachira and Kihiu (2012) observed the effect of financial knowledge on the entrance to financial facilities to the usage of the national monetary get right of entry to survey statistics in Kenya in 2009. Multinomial consequences display lower monetary knowledge in the state of Kenya.

Heimann and Mylenko (2013) Financial inclusion is shipped very severely. One is the maximum severe case that is certain to be eliminated from the monetary quarter because it might be a vital element in engineering the guidelines and packages about financial inclusion. It isn't depending of marvel that the human beings playing nearly every luxury of life have a clean method to economic service and banking region.

World Bank (2014) it is gauged that approximately 02 billion people are not part of the financial inclusion. While there are many troubles in growing nations. However, big inaccessibility to finance groups is a key difference in growing and advanced international locations. Amidzic *et al.*, (2014) pointed out the flaw of the previous indicator and changing aspects of finance, covering the whole area and population shift or increase, utilization of finance in terms of submission and provision, cost of utilization of financial resources and solution of financial rifts and offered a financial indicator as a composite indicator. Statistical weights are used to form every measure after settling down the measure through the identification of it statistically. The weighted geometric mean is followed by the aggregation technique. This approach picks a factor analysis method to fix the variables involved in each aspect which is considered the flaw of this approach because fully usage of all present data for each economy is not possible through this approach. Moreover, applying several weights for each dimension signifies the value of one measure against the other.

According to the above-mentioned literature review, there are numerous studies that assess the strength of financial enclosure. Most literature examines determinants of financial management at the national and regional levels, such as Klapper and Demirguc Kunt (2015) and Aterido, *et al.*, (2011). Allen *et al.*, (2015) and Park *et al.*, (2015) looked at together individual and country-level financial inclusion factors. To analyze at the financial enclosure, particular literature usage directories with various methods. Financial inclusion is measured through excuse possession, financial literacy, insurance and savings.

Material and Methods

This section contains model specification, variables and data, and econometric methodology.

Variables and Data

The study included four countries: Afghanistan, Bangladesh, Pakistan, and Maldives across the south Asian countries, because data is available only for these countries. The time frame of the study consists of 38 years (i.e., 1980 to 2017). There are three international organizations from where the data are taken.

- World Development Indicators (WDI)

WDI categorizes the countries based on GDP per capita. The study used the data of GDP per capita from WDI.

- Worldwide Governance Indicators (WGI)

The Worldwide Governance Indicators (WGI) project compiles and publishes data on both aggregate and individual governance indicators. In both developed and developing countries, aggregate indicators blend the opinions of many businesses, citizen, and expert survey respondents. WGI the variable rule of law data was gathered.

- Global Financial Development (GFD)

The Global Financial Development Database is a large financial dataset based on three factors.1. urbanization 2. Age dependency ratio 3. Information and communication technology.

The list of the South Asian countries is as follows.

Table 1
List of South Asian Countries

Pakistan	Maldives
India	Bhutan
Afghanistan	Sri Lanka
Bangladesh	Nepal

Data are available only for the following four countries.

Table 2
List of Selected Countries

Pakistan	Afghanistan
Bangladesh	Maldives

The financial inclusion indicator is used to assess a country's financial sector's inclusiveness. This indicator is established as a multidimensional index that is used to capture the information about various factors of financial inclusion like provision of backing services availability, usage, and banking penetrations of the banking sector.

Model Specification

In empirical literature, there are many determinants of financial inclusion. On the basis of proposed determinants, the econometric model becomes as follows:

$$FII_{it} = \beta_0 + \beta_1 GDPP1_{it} + \beta_2 LAW_{it} + \beta_3 URBAN_{it} + \beta_4 AGE_{it} + \beta_5 ICT_{it} + \varepsilon_{it} \quad (1)$$

Where i is used for cross-sections (i.e., countries) and t denotes the time.

FII_{it} = Financial inclusion indicator.

$GDPP_{it}$ = GDP per capita.

LAW_{it} = Rule of law.

$URBAN_{it}$ = Urbanization.

AGE_{it} = Age dependency ratio.

ICT_{it} = Information and communication technology.

This econometric model will be estimated for 4 south Asian countries i.e., for Pakistan, Afghanistan, Bangladesh, and Maldives

Econometric Methodology

The time series data has the values of one or more variables over time in time series statistics (e.g., level of financial inclusion in a specified country for several

years). However, the values of one or more variables are collected for several sample units, or entities, at the same time in cross-section data (e.g., level of financial inclusion in many countries for a given year i.e., 2015). The same cross-sectional unit (for example, a family, a company, or a state) is polled over time in panel data. In a nutshell, panel data has both spatial and temporal dimensions.

$$FII_{it} = \beta_0 + \beta_1 GDPP1_{it} + \beta_2 LAW_{it} + \beta_3 URBAN_{it} + \beta_4 AGE_{it} + \beta_5 ICT_{it} \qquad (2)$$

Researchers may apply Pooled Least Square, Fixed Effect Model or Random Effect Model as per the conditions revealed.

Results and Discussion

This section is mainly divided in two sections i.e. descriptive statistics and empirical results.

Descriptive Statistics

In the below figure there is a relationship between PCA and Sarma index.
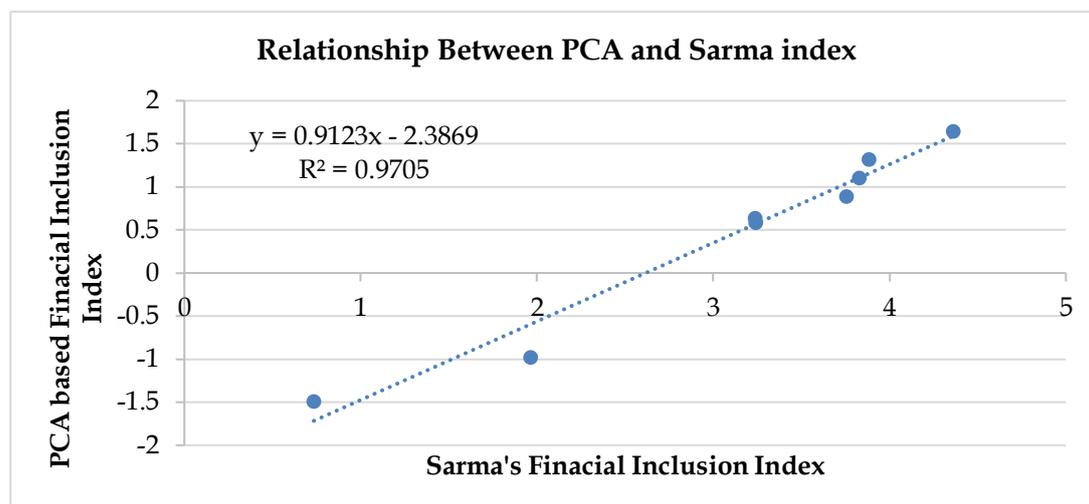

Figure 1: Comparison between PCA and Sarma's Index

The ranking of countries based on both approaches are quite similar. In addition, financial inclusion indexes based on these methods are highly correlated.

Table 3
Ranking of Countries w.r.t. Sarma's and PCA Index

Time	Country Name	Sarma's Index	PCA Index
2004	Afghanistan	2.084	-2.274
	Bangladesh	25.489	-0.611
	Pakistan	25.595	-0.706
	Maldives	46.004	0.526
2017	Afghanistan	7.125	-2.124
	Pakistan	42.827	-0.055
	Bangladesh	48.590	1.234
	Maldives	78.398	2.692

Researchers prefer PCA approach over Sarma approach because PCA technique is superior to Sarma's (2008) technique in various means. Firstly, it is built on the weights that are specified by the writer whereas our method is free of that weight. Index is calculated using the PCA method, which accounts for disparity in the specified set of different variables and evolves the specific index in those ways that it can clarify the supreme variations in the certain set of explanatory variables. Secondly, only Sharma approach could be used in cross-section data (2008). If you have panel data with t years, you will have to relate Sarma's methods t times in a row that is a lot of work.

As a result, in the circumstance of Sarma's skill, huge panel data and time series rises tiredness, while in the situation of PCA method, it surges competence and point of freedom. Thirdly, Sarma's technique calculates the index by comparing current country with the countries having smallest and largest dimension value. And the reference country changes over the period, so index value Sarma's cannot be employed for growth dynamics or time series analysis. Finally, even for one time, Sarma's technique is difficult to apply, whereas PCA technique is built-in in all software and produces results on single click.

In table 3, firstly, the study discussed the trend of Sarma's index in 2004 and 2017. Afghanistan the value of index is 2.084 in 2004 and in 2017 Afghanistan the value of index is 7.125 so that in 2017 there is more financial inclusion, Bangladesh value of index 25.489 in 2004 and in 2017 Bangladesh value of index 42.827 so that there is more financial inclusion in 2017, Pakistan value of index 25.595 in 2004 and in 2017 Pakistan value of index 48.590 so that there is more financial inclusion in 2017, Maldives value of index 46.006 in 2004 and in 2017 , Maldives value of index 78.398 so that there is more financial inclusion in 2017 .As the value of index increases its mean there will be a more financial inclusion in that country. Maldives value of index is highest. So researchers find out that over the 4 countries in Maldives people are more the part of financial inclusion.

In table 3, now discuss the trend of PCA index in 2004 and 2017. Afghanistan the value of index is -2.274 in 2004 and in 2017 Afghanistan the value of index is -2.124 so that in 2017 there is more financial inclusion, Bangladesh value of index -0.611 in 2004 and in 2017 Bangladesh value of index -0.055 so that there is more financial inclusion in 2017, Pakistan value of index -0.706 in 2004 and in 2017 Pakistan value of index 1.234 so that there is more financial inclusion in 2017, Maldives value of index 0.526 in 2004 and in 2017 Maldives value of index 2.692 so that there is more financial inclusion in 2017 .As the value of index increases its mean there will be a more financial inclusion in that country. Results are same through Sarma's index and PCA index because in 2017 there is more financial inclusion. Maldives value of index is highest. So, researchers find out that over the 4 countries in Maldives people are more the part of financial inclusion. In the subsequent section of descriptive study, the calculations are made on south Asian countries.

Following table 4 exhibits the descriptive statistical manners and correlations of the series having period of 1980-2017 (37 years). Financial inclusion indicator calculated by applying PCA technique on three extents (i.e., accessibility, penetrations, and use) of financial, ICT represents the Information & communication technology, and it is also generated by using PCA technique. GDPP represents Real

Gross Domestic Product Per Capita, AGE embodies Age dependence ratio, LAW embodies Rule of Law then finally URBAN represents Urbanization.

Table 4
Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis
Sarma's Index	3.270	3.495	4.362	0.734	0.925	-0.957	2.982
PCA Index	0.615	0.769	1.705	-1.486	0.899	-0.833	2.516
GDPP	7.166	6.886	8.967	5.809	1.040	0.850	2.187
AGE	4.159	4.177	4.627	3.462	0.332	-0.340	2.329
LAW	2.576	3.114	4.016	-0.756	1.386	-1.329	3.441
ICT	2.934	3.125	4.417	-0.110	1.024	-1.124	4.241
URBAN	3.438	3.523	3.673	3.114	0.178	-0.596	1.804

For Sarma's index the average financial inclusion in south Asia is 3.270 and the median is 3.495. The minimum financial inclusion is 0.734 and maximum financial inclusion is 4.362 for Sarma's index. The standard deviation is 0.925, skewness is -0.957 and kurtosis is 2.982 for Sarma's index. And for PCA index the average financial inclusion in South Asia is 0.615 and the median is 0.769. The minimum financial inclusion is -1.486 and maximum financial inclusion is 4.362 for PCA index. The standard deviation is 0.899, skewness is -0.833 and kurtosis is 2.516 for PCA index. The average GDP in South Asia is 7.166 and the median is 6. 886. The minimum GDP is 5.809 and maximum GDP is 8.967. The standard deviation is 1.040, skewness is 0.850 and kurtosis is 2.187.

The average age dependency ratio in South Asia is 4.159 and the median is 4. 177. The minimum age dependency ratio is 3.462 and maximum age dependency ratio is 4.627. The standard deviation of age dependency ratio is 0.332, skewness is -0.340, and kurtosis is 2.329. The average age rule of law in South Asia is 2.576 and the median is 3. 114. The minimum rule of law is -0.756 and maximum rule of law is 4.016. The standard deviation of rule of law is 1.386, skewness is -1.329, and kurtosis is 3.441. The average ICT in South Asia is 2.934 and the median is 3. 125. The minimum ICT is -0.110 and maximum ICT is 4.417. The standard deviation of ICT is 1.024, skewness is -1.124 and kurtosis is 4.241. The average Urbanization in South Asia is 3.438 and the median is 3. 523. The minimum Urbanization is 3.114 and maximum Urbanization is 3.673. The standard deviation of Urbanization is 0.178, skewness is -0.596, and kurtosis is 1.804.

Correlation Analysis

Subsequent correlation matrixes are constructed and shown in table 5 to show the relationships among financial inclusion & the independent variables.

Table 5
Correlation Matrix

	Sarma's Index	PCA Index	GDPP	AGE	LAW	ICT	URBAN
Sarma's Index	1.000						
PCA Index	0.987	1.000					

GDPP	0.786	0.774	1.000				
AGE	-0.872	-0.881	-0.847	1.000			
LAW	0.875	0.858	0.665	-0.778	1.000		
ICT	0.658	0.594	0.699	-0.645	0.442	1.000	
URBAN	0.924	0.895	0.740	-0.789	0.862	0.669	1.000

The correlation between the financial inclusion index (FII) generated by the PCA technique and the financial inclusion index generated by Sarma (2008) technique is very strong.

The correlation coefficient between FII (PCA Index) and GDP is positive and moderate i.e., 0.774, hence both variables are 77% associated. The correlation between the Age dependency ratio and FII (PCA) is negative and strong i.e., -0.881, hence both variables are 88% associated. The correlation between the age dependency ratio and GDP is negative i.e., -0.847, hence both variables are 84% associated. The correlation coefficient between FII (PCA) and rule of law is positive and moderate i.e., 0.875, hence both variables are only 87% associated. The association between rule of law and GDP is positive and moderate i.e., 0.665, hence both variables are only 66% associated. The correlation between Rule of law and the age dependency ratio is negative i.e., -0.778, hence both variables are only 77% associated.

The correlation between Urbanization and FII is positive and moderate i.e., 0.895, hence both variables are only 89% associated. The correlation between Urbanization and GDP is positive i.e., 0.740, hence both variables are only 74% associated. The correlation between Urbanization and age dependency ratio is negative i.e., -0.645 hence both variables are 64% associated. The correlation between urbanization and rule of law is positive and moderate i.e., 0.862 hence both variables are 86% associated. The correlation between Urbanization and ICT is positive i.e., 0.669, hence both variables are 69% associated.

The correlation between Information and communication technology and FII (PCA) is positive i.e., 0.594, hence both variables are only 59% associated. The correlation between Information and communication technology and GDP is positive i.e., 0.699, hence both variables are only 69% associated. The correlation between Information communication technology and age dependency ratio is negative i.e., -0.645 hence both variables are 64% associated. The correlation between Information communication technology and rule of law is positive. i.e., 0.442 hence both variables are 44% associated. Because a number of variables are greater than a number of cross sections, fixed effect models are appropriate for regression analysis.

Empirical Results

Prior to offering empirical consequences, the PCA approach is carried out in three ways. Firstly, the PCA approach is carried out on five financial indicators for every country separately one after the other. It means that the PCA technique is implemented four times. Secondly, the PCA technique is implemented on five financial indicators for the entire panel combined. It means that the PCA approach is applied for just one time (applying the data of all the South Asian countries at the same time). Prior to use PCA approach for the 3rd time, the five financial indicators are transformed into three dimensions as performed by the Sarma (2008); after which

the PCA method is carried out on these three dimensions. All these operations are carried out to check the robustness of the estimates.

Table 6
Aggregate Level Analysis

Variables	Sarma's Index		PCA Index	
	Stats	Prob.	Stats	Prob.
C	-0.307	0.902	-9.134*	0.003
GDPP	1.513*	0.000	0.587**	0.044
LAW	0.185*	0.000	0.284*	0.000
URBAN	1.994*	0.003	1.074	0.153
AGE	-0.097	0.632	-0.553**	0.025
ICT	0.161*	0.000	0.098**	0.045
Diagnostics				
Observations	56		56	
Adj-R2	0.987		0.981	
Redundant test	0.000		0.000	
Normality test	0.215		0.362	

*, ** and *** represents significant at 1%, 5% and 10% respectively.

If probability value is low for Redundant fixed effects test, then fixed effects technique is ideal over pooled approach.

If probability value is low for Hausman test, then preference given to fixed effects model over random effects.

If probability value is low for Normality test, then chosen model is normally distributed

The results of Table 6 shows that financial inclusion does not determine by urbanization, whereas, Age dependency ratio, rule of law Park and Mercado (2015) GDP per capita and information & communication technologies affect financial inclusion. Among all the variables only urbanization reduces financial inclusion. Though, due to rise in the application of rule of law, GDP per capita, and better usage of communication and information technology leads to an enlarged financial enclosure in south Asia.

Further, the findings show that urbanization is statistically insignificant in explaining financial inclusion and has no effect on the dependent variable in south Asia. The results are against our third hypothesis. This demonstrates that most people do not migrate from rural to urban areas, resulting in a decrease in financial inclusion. The main purpose is that financial services are readily available in urban parts, but people do not take advantage of them. The age dependence ratio has significant and negative effect on the financial inclusion; for every 1% rise in the age dependence ratio, the financial inclusion decreases by 0.553 units. Our fourth hypothesis is supported by the findings.

This demonstrates that as the number of dependent individuals grows, the demand for financial amenities decreases because individuals do not have a source of earnings. But rule of law is important and positively affect financial inclusion, increasing the financial inclusion indicator by 0.284 units for every 1% increase in

rule of law. Our second hypothesis is supported by the findings. This demonstrates that as the law of enforcement improves, contractors' trust grows and they feel secure, allowing them to engage in more and more financial contracts.

Contractors' trust grows as law enforcement improves, and they feel safe, so they take on more and more financial contracts. GDP per capita is also statistically important and has a positive effect on financial inclusion, increasing the financial inclusion indicator by 0.587 units for every 1% increase in per capita GDP. Our first hypothesis was confirmed by the results. Financial inclusion rises in tandem with increases in GDP per capita. This shows that economic development has caused the financial inclusion to increase, so boost in the income levels of people increases the needs of financial services and the completion among the banking firms. The alternate reason of financial inclusion would be that, as per capital GDP rises, saving surges due to which individual change to financial inclusion to receive the profit against their excess funds.

Information &communication technology is also statistically important and has a positive effect on financial enclosure i.e., a one-unit increase in the use of information &communication technology increases the financial inclusion indicator by 0.098 units. The results are in accordance with our fifth hypothesis. This displays that the usage of information and communication technology decreases the rate of financial services and it also expands the entree to the financial services; both lead toward more financial inclusion. Finally, our model of financial inclusion, at the global level, explains the 76% of disparity in financial inclusion.

The redundant fixed effect model shows that the dependent variable i.e., financial inclusion indicator has unobserved heterogeneity, that's why pooled OLS cannot be applied; hence fixed effects model is preferred over Pooled OLS. On the other hand, the Hausman test reveals that the random effects model is suffering from the problem of endogeneity, and the coefficients of the random effects model will be biased. Under these circumstances, the fixed effects model is preferred. The coefficient of per capita GDP has positive and significant i.e., with raise in per capita GDP financial inclusion rises.

Coefficient of rule of law is positive and significant i.e., with improvement in rule of law financial inclusion increases. Coefficient urbanization is a positive and insignificant case of the PCA financial inclusion index. The coefficient of age dependency ratio is negative and significant in the case of the PCA financial inclusion index i.e., families with more dependent members are less financial included in the formal financial sector. The coefficient of information technology is positive and significant in both models i.e., when people use more communication technologies (mobile, telephone and internet), they are more financial included in the formal financial sector.

Conclusion and Policy Implications

The current study investigates the factors that influence financial inclusion in South Asian countries (Bangladesh, Pakistan, Afghanistan, and the Maldives). Data is obtained from *World Development Indicator* (WDI), *Worldwide Governance Indicator* (WGI) and *Global Financial Development* (GFD). The financial inclusion index is used as an explained variable that is designed using stages of entrance and usage of

financial services to per capita GDP (GDPP), age dependence ratio (AGE), urbanization (URBAN), communication and information technology (ICT) and rule of law are used as independent variables. The fixed effect model is used for regression analysis because the numbers of variables are greater than the number of cross sections. Results of regression reveal that in South Asian countries except for urbanization, the other variables like age dependence ratio, per capita GDP, communication and Information technology and rule of law have a better chance to be financially involved. The age dependency ratio prefers high financial inclusion. By using PCA the emerging economies like (Bangladesh, Pakistan, Afghanistan, and the Maldives) Maldives' value of the index is highest. So, researchers find out that over the 4 countries in Maldives people are more part of financial inclusion. The Maldives can achieve inclusive growth by integrating the weaker segments of the population into the mainstream.

Recommendations

A country's economic growth can be boosted if feeble parts of the population have tranquil access to financial services. As a result, officials should concentrate on the improvement of structural issues relating to the financial sector and pay special devotion to the development of modern financial institutions in both the financial and banking markets.

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