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Financial Inclusion Towards SDG Target 8.10: An Evaluation

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ABSTRACT

This paper attempts to evaluate the state of Financial Inclusion in Bangladesh by reviewing implementation of Sustainable Development Goal (SDG) Target 8.10. Key indicators of SDG Target 8.10 are number of Commercial Bank Branches per 100,000 adults, number of ATMs per 100,000 adults and ratio of adults (above 15 years) having a bank account with any financial institution. To perform this study, data have been collected from SDG Tracker Bangladesh and Global index. It is found that Bangladesh is implementing SDG Target 8.10 with great effort from both private sector and the government. Private sector is playing a lead role in establishing more commercial bank branches and Automated Teller Machines (ATMs). Results point out that Bangladesh is performing above the targeted value for SDG indicator 8.10.1 (Number of Commercial Bank Branches and ATMs per 100,000 adults). Bangladesh has also made a significant improvement in the proportion of adults having a bank account with Banks or other financial institutions. The government is also encouraging ICT based banking services to increase the level of financial inclusion. From the findings of the paper and various initiatives of the government, it can be expected that Bangladesh will implement SDG Target 8.10 before 2030 with great success

Keywords: *Financial Inclusion, SDG Target 8.10, Evaluative Study, SDG Tracker, Bangladesh*

INTRODUCTION

Financial Inclusion is the process of providing banking services (either formal banking services or informal banking services) to the all class of people of the society. Usually Banking Services remain

concentrated in the urban areas because of industrialization, more fund collection and profit-making motive. As a result, people of the rural areas remain unbanked. It will not be possible to enjoy economic flourishing without providing banking service to the

people of all class of the society (Choudhury 2014).

To make a sustainable economic growth, Universal Financial Access is a must. Keeping this perspective in mind Sustainable Development Goals (SDGs) were formulated by United Nations (UN) in 2015. To build a planet with prosperity and equity, the United Nations (UN) came up with the initiation of Sustainable Development Goals (SDGs) in 2015. SDGs will help to ensure a world with no poverty, no pollution, equity, education, economic growth as well as technological advancement for everyone. There are 17 goals and 169 targets in SDGs which will be accomplished by 2030.

SDG Target 8.10 is to improve the capacity of the domestic financial institutions for providing banking services to unbanked people at a very reasonable cost. Various kinds of Digital Financial Services (DFS) and ICT based financial services can be offered to increase financial inclusion at a very reasonable cost (World Bank 2016). Banks, Non-Banking Financial Institutions (NBFIs) and Insurance Companies will play a vital role in implementing this target. This target (8.10) includes following indicators:

- i) Branch of Commercial Banks
- ii) Number of Automated Teller Machine

- iii) Proportion of adults (above 15 years) having a bank account.

As a developing country, number of initiatives have been taken to ensure financial services for all. Introduction of Mobile Banking, Agent Banking and 10 Taka account opening program for the farmers and the marginalized people are key instruments for increasing financial inclusion. Researches show that Mobile Banking service is contributing more in financial inclusion because of growing economic need and high usage of mobile phones (Islam & Tareq 2016). Number of people under financial inclusion is increasing in Bangladesh. Very few studies have addressed whether Bangladesh is on track in implementing SDG Target 8.10. In this study, performance of Bangladesh in implementing SDG Target 8.10 will also be evaluated.

LITERATURE REVIEW

Financial Inclusion has become a slogan for poverty reduction as well as economic evolution. After the formulation of SDGs in 2015, this concept got much popularity for bringing people under the formal financial or banking services. Many Scholars have examined about the financial inclusion and its impact on economy.

Chibba (2009) examined the effect of Financial Inclusion in Poverty Reduction. He outlined that Financial Inclusion may function as a Poverty reduction Factor. He concluded that Private sector can contribute more in increasing the level financial inclusion. Khalily (2016) stated that Positive attitude of the government and increased level of financial literacy are contributing more in increasing financial inclusion across Bangladesh. Diniz et al (2012) found that ICT based banking services are more effective in providing financial services to the unbanked people. They argued that ICT based financial services are cost effective mode of financial inclusion. They urged for more financial literacy as it may make people conscious.

Sultana and Khan (2016) assessed the impact of mobile banking services in promoting financial inclusion. They commented that mobile banking services are getting remarkable success in Bangladesh to provide financial services to marginalized people. Kamal & Mondal (2016) conducted a study on the role of Financial inclusion in the Socio-economic development of Bangladesh. They argued that Financial inclusion through mobile banking is giving a boost in the economy by

improving socio-economic life of countryside people. They outlined that cheap service cost is one of the dominant reasons of financial inclusion in Bangladesh.

From the above-mentioned literatures, it can be observed that different authors have investigated the key factors of financial inclusion. Effect of financial inclusion on the economy is also well explained. In Bangladeshi perspective, Financial inclusion is increasing and improving the socio-economic condition as well.

OBJECTIVES

The purpose of this study is to appraise the performance of Bangladesh in ensuring Universal Financial access of its citizens. As mentioned earlier, SDG Target 8.10 outlines the development of the capacity of domestic Financial Institutions for ensuring financial services for all. Some Specific Objectives of the Study are:

- i) To assess the establishment of number of Commercial Bank Branches per 100000 adults for providing formal banking services to the clients (as per SDG Indicator 8.10.1 (a))
- ii) To measure the number of Automated Teller Machine (ATMs) per 100000 adults as a proxy of the extent of

formal banking services to remote corner of the country (as per SDG Indicator 8.10.1 (b))

iii) To analyse the percentage of adults (above 15 years) having a bank account with any Financial Institution as a proxy for financial inclusion. (as per SDG Indicator 8.10.2)

METHODOLOGY

This paper is an evaluative study on SDG Target 8.10. Quantitative data have been used in this study. Data have been collected from Secondary Sources which include SDG Tracker (Bangladesh), World Bank Open Data, IMF Data Library, Global Findex Database and Monthly report of Bangladesh Bank.

(Fig no. 1 Conceptual Framework of the Study (Author's Compilation))

DATA EVALUATION

Result of the implementation of SDG Target 8.10 is evaluated in this section based on respective indicators.

i) Number of Commercial Bank Branches per 100,000 adults:

To get access to the formal financial services, a convenient bank branch plays a vital role. Commercial Banks of an economy lead the financial sector in many ways. Commercial Banks also play a

significant role in financial inclusion. As per SDG Target indicator 8.10.1 (a), branch of commercial banks for every 100,000 adults is one of measurement of Sustainable Financial Inclusion. The following graph shows the unit of Number of Commercial Bank Branches per 100000 adults.

(Fig 2: Number of Commercial Bank Branches per 100,000 adults in Bangladesh)

From this we can observe that Bangladesh is doing impressively well. First Line shows the current performance whereas the second line shows the targeted value. For this indicator, targeted value is 9 in the year 2020. The existing value is close to 9. So, clearly Commercial Banks are leading the financial inclusion with a very positive motive. Commercial Banks are working with the government in providing financial services to the unbanked people. Clearly, it can be stated that Bangladesh is well on track in implementing SDG Indicator 8.10.1 (a) by 2030.

ii) Number of Automated Teller Machines (ATM) Per 100000 adults:

To get access to the formal financial services, an alternative to branch bank is installation of ATMs in the convenient places. As per SDG Target indicator 8.10.1 (b), number of ATMs for every 100000 adults is one of measurement of Sustainable

Financial Inclusion. The following graph shows the unit of the number of Automated Teller Machine (ATM) per 100,000 adults. (Fig3: Number of Automated Teller Machine (ATM) per 100,000 adults in Bangladesh)

First Line shows the current performance whereas the second line (red line) shows the targeted value. The unit of ATMs per 100000 adults was 6.79 in 2015 which experienced a significant improvement in 2017 where its value becomes 9.08. It outlines that Commercial Banks are setting up more and more ATMs as an alternative to Branch Banking to give customers quick and cost-effective services. For this indicator, targeted value is 7 in the year 2020. The existing value in 2017 is above 9. It indicates that Bangladeshi Commercial Banks and other Financial institutions are providing more and more convenient banking facilities to their clients' using ICT. it can be stated that Bangladesh is well on track in implementing SDG Indicator 8.10.1 (b) by 2030.

iii) Proportion of Adults (above 15 years) having an account with Bank or any Financial Institutions or with a mobile money service provider

Financial Inclusion can be measured by the percentage of people having a bank account

with any bank or financial institutions. Accountholders of the bank will be engaged with the Financial transaction which will contribute in the economic growth. Financial Inclusion can also be extended with the help of Mobile Banking Services, Agent Banking, Microfinance and Internet Banking. The following graph shows the ratio of adults (above 15 years) having a bank account with any financial institution. (Fig 4: Proportion of adults (above 15 years) having a bank account)

Since 2014, there is a growth in the percentage of people having any formal bank account for getting financial service. Ratio has been increased from 41% (2014) to 50% (2016) just in 2 years. This remarkable increase in the ratio has become possible because of the steady state growth of Mobile Banking and Introduction of Agent Banking. Agent Banking was in full-fledged operations in 2016. Mobile banking and Agent Banking are contributing a lot in financial inclusion of Bangladesh.

CONCLUSION

Providing formal banking or financial services to every adult citizen of the country is one of the most required tools for being a financially sound nation. This concept has been included in the Sustainable

Development Goals (SDGs) for strengthening the Financial ecosystem of the country. This paper is intended to evaluate the extent of implementation of SDG Target 8.10 in Bangladesh. SDG Target 8.10 outlines to increase capacity of the domestic financial institutions for ensuring universal financial access for all. In the context of Bangladesh, implementation of SDG Target 8.10 is impressive. In comparison with the targeted value, first indicator of SDG Target 8.10 is already accomplished by Bangladesh. Commercial Banks are playing the lead role in this accomplishment. Second indicator of the SDG Target 8.10 is the proportion of adults having a bank account. Results show that Bangladesh is making a decent growth in bringing people under financial inclusion as the rate of adults having a bank account is 50% in 2016. As a middle (lower) income country, it is not possible to give formal banking service to the unbanked people because of higher operating cost and lower income opportunity. Interestingly, it became possible to overcome the business cost benefit analysis with help of ICT Tools. Considering the Social cost benefit analysis, our government has launched ICT based mobile banking services in 2012. But it came into full-fledged operation from

2014. Bangladesh Bank, the central Bank of Bangladesh, oversees the mobile banking services. Considering the market scenario, Bangladesh Government has also introduced 'Agent Banking'. Agent Banking service is given via using ICT tools. To implement SDG Target 8.10 and SDG Indicator 8.10.2 specifically, the government of Bangladesh is mainly focusing on Cellular based banking service, Internet based banking and so on. ICT based banking along with Formal banking will make it possible for Bangladesh to attain the above-mentioned SDG Target and SDG Indicator on or before 2030.

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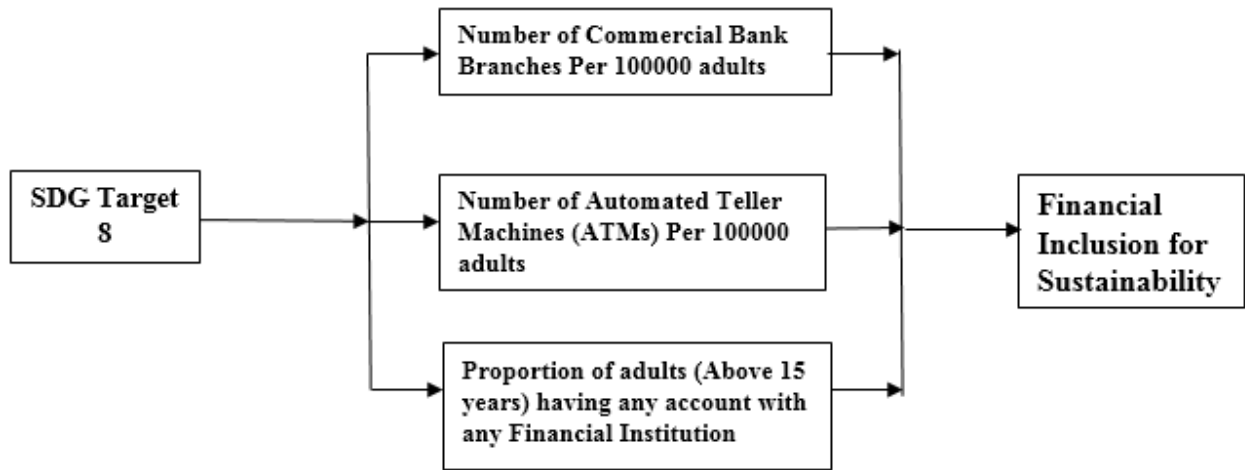


Fig no.1 Conceptual Framework of the Study (Author’s Compilation)

8.10.1.a – (a) Number of commercial bank branches per 100,000 adults

Data Source: IMF & Unit : Number



Fig 2: Number of Commercial Bank Branches per 100,000 adults in Bangladesh

(Source: SDG Tracker Bangladesh)

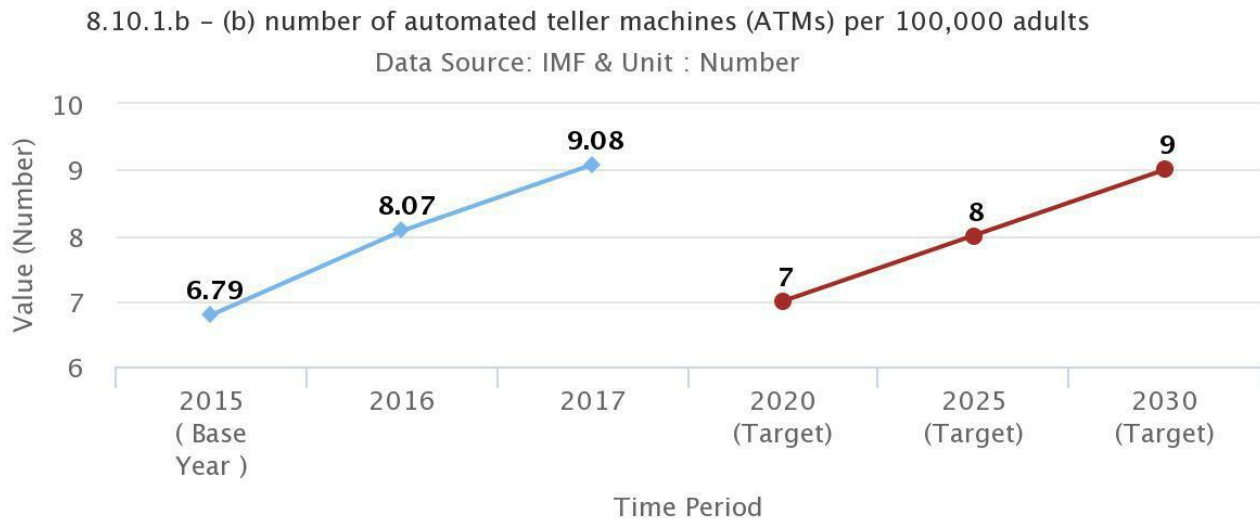


Fig 3: Number of Automated Teller Machine (ATM) per 100,000 adults in Bangladesh (SDG Tracker Bangladesh)

8.10.2 – Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile-money-service provider



Fig 4: Proportion of adults (above 15 years) having a bank account (SDG Tracker Bangladesh)