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Sustainable Development through Financial Inclusion: The Use of Financial Services and Barriers in Quetta-Pakistan

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Abstract

For sustainable development, financial services including interest, deposits, E-commerce, and access to finance should be available to everyone in the society, especially to the marginalized groups. This research is utilizing a questionnaire to identify the level of financial inclusion, use of financial services, and barriers in Quetta-Pakistan. The results suggest that access to a bank account, awareness, and level of satisfaction with banking services is high showing efficient performance by banks, but the utilization of these services is very low. It is also observed that people are availing only basic services. The banking sector failed to provide other services like interest, credits, insurances, e-commerce, and investment. Even the deposit function was availed because of mandatory conditions from the employer for salary. The level of financial resilience is low. The highest self-reported barrier to the use of bank account was illiteracy, language problems, and religious reasons. This research has a policy implication for industry participants and the government to play an important role in increasing the level of financial inclusion.

Keywords: Financial Inclusion, Financial Awareness, Financial Resilience, Banking services.

Introduction

A well-functioning financial system serves a critical and important purpose by offering savings, provides credit, remittances, and risk management to people with a wide range of needs (Demirguc-Kunt, Honohan, & Beck, 2008). Inclusive financial systems allow broad access to financial services without a price and other barriers to their use and benefit poor people and other marginalized groups (Demirguc-Kunt & Klapper, 2012). In absence of inclusive financial systems, the poor will rely on their savings to become entrepreneurs, invest in their education, and manage major expenses like marriage and buying assets which can lead to persistent income inequality and slower economic growth (Demirguc-Kunt, Klapper, & Singer, 2017).

Financial inclusion refers to the provision of financial services to every single person in an economy (Barot, 2017). It is defined by many authors in different ways. Damodaran (2012) defined financial inclusion as the availability of financial services to the poor at an affordable cost. In the era of rapid economic growth, governments need to provide easy access to basic financial services for people including banking services. According to Bhanot, Bapat, and Bera (2012) financial inclusion is the process of ensuring access to financial services (e.g. savings, insurance, remittances, investment, and risk management) and provision of timely and adequate credit to vulnerable groups of society at an affordable cost. Every country is working on its banking structure and measures are taken to enhance the banking system, but the provision of these services is difficult for the poor because they cannot afford the cost of such services. Thus timely financial services at an affordable cost are the essence of financial inclusion (Damodaran, 2012).

Recent studies using household data has proven that access to basic financial services like savings, payments, and credit can make a substantial positive difference in improving poor peoples' lives (Dupas & Robinson, 2013). Access to finance is the main obstacle in growth for Small and Medium Enterprises (SME) and micro-businesses. Thus, financial sector reforms that promote financial inclusion in a country have become an increasingly important development agenda for policymakers and government institutions around the world (Demirguc-Kunt et al., 2017).

The importance of an inclusive financial system is widely recognized by policymakers. Sarma (2010) pointed out that financial inclusion is seen as a policy priority by governments in many developed and developing countries as an inclusive financial system is desirable for many reasons: first and most importantly it facilitates efficient allocation of financial resources. People who need finance for certain purposes can get it cheaper than informal sources. Secondly, access to formal financial services can improve the lives of the poor, and lastly, an inclusive financial system can help reduce the growth of informal sources of finance like moneylenders who provide finances more expensive than formal financial institutions (Sarma, 2010). Thus, an inclusive financial system improves efficiency by providing opportunities for secure and safe savings and facilitating a whole range of financial services.

There is a link between financial development and economic development but a high level of financial development does not necessarily indicate alleviation of poverty in a country (Rewilak, 2017). In addition to financial development, emphasis should be on expanding the accessibility to finance and financial services which can play an important role in eliminating poverty from a country (Mirakhor & Iqbal, 2012). Developing economies believe that making proper financial products and improving access to basic financial services to all members of society should be the goal. This can be accomplished through enhancing access to quality financial services like availability of credit, mobilization of savings, providing insurance, and risk management products. Only then it can facilitate sustainable growth especially for the poor (Mohan, 2006).

The main objective of this study is to measure the level of financial inclusion and to find out the barriers and factors affecting the access and use of formal financial services in Quetta. As the number of people having a formal bank account is low in Pakistan, it is important to study the level and factors affecting the utilization of formal financial services. This is an important topic as the United Nations Sustainable Development Goal also calls on the importance of the issue and calls on all countries to take steps in this regard.

In the following section, we will briefly discuss the prior literature followed by data and method. Toward the end of the paper, we will present results and recommendations drawn from the paper.

Literature Review

Financial inclusion has been the most important challenge for policymakers around the world. Governments of different countries have been working on it for a long time. Reforms in financial sectors that tend to promote financial inclusion are the principal agenda of international development for policymakers and institutions worldwide (Ardic, Heimann, & Mylenko, 2011).

Aina and Oluyomb (2014) studied the state of financial inclusion in Nigeria. Their analysis focused on access and use of bank accounts, insurance, and mobile money. They found that access to bank account is very high and the majority of respondents operate a saving account. Bank account ownership penetration was found to be 1.4 accounts per person including inactive accounts which were found to be very low. Furthermore, most of the respondents in Nigeria use their accounts between 1 and 5 times in a month but nearly one-quarter of accounts (24.01%) were inactive in receiving deposits while 6.91% were inactive for withdrawal in a month. The most popular non-cash payment methods were found to be ATM/Debit card and wire transfer/online payments. Around sixty percent of those who save were found to use a bank account, 32.5% saved with cooperative societies while 26.25% used daily contributors and rotational savings schemes. The use of mobile money and insurance services were found to be very small among account holders. In Nigeria, the most important self-reported barrier to the use of a bank account was found to be a lack of necessary documents (Aina & Oluyombo, 2014).

Demirgüç-Kunt and Klapper (2012) studied the state of financial inclusion in Africa. They found that despite rapid financial sector growth, micro-businesses and people still lack financial access in Africa. In their study, Demirguc-Kunt and Klapper (2012) analyzed the data from Global Findex and Enterprise Survey Data and concluded that African countries still lag behind other developing countries in financial access which is, reportedly, due to cost, distance, and documentation requirements. It was found that less than one-quarter of the adults in Africa have accounts in formal financial institutions. The most cited reason for it was “lack of enough money” as a barrier for opening an account. There was a huge gender gap as men tend to have more bank accounts than women in Africa (Demirguc-Kunt & Klapper, 2012). The barriers to financial inclusion are reported to be lower as per capita GDP increases. Saving behavior, credit, and insurance were also not satisfactory in Africa. Most people borrow from informal ways and also save in community savings. Moreover, micro-business and SMEs also face financial constraints in Africa. About 84% of African SMEs use internal financing to finance their ventures. Financing through banks are reported to be about just 8%. It was recommended that the conditions of financial inclusion can be made better by removing physical, administrative and financial barriers in Africa.

Another study was conducted by Devlin (2005) in Great Britain where the author studied causes of financial exclusion. It was found that demographic characteristics are the main barriers to financial inclusion. Moreover, certain types of financial exclusion were discussed like access exclusion (no access to financial services), condition exclusion (where individuals are excluded from financial services due to conditions attached to the product offering), price exclusion (exclusion due to high cost of financial services) and marketing exclusion (overlooking of certain groups by the marketing activities of financial services firms). According to Devlin (2005), non-use of financial services may be due to the various types of exclusion mentioned, but it may also be due to voluntary non-use which is known as self-exclusion. It was observed that low income, less educated, and urban residents were not targeted by financial institutions because of less profitability of these segments, and the inability of these groups to use technologies was also found to be a reason presented for financial exclusion. Financial exclusion is influenced by some factors and not all variables are important to be explanatory factors in all cases. The most consistent and significant influence on financial exclusion was found to be employment status, household income, and housing tenure followed by marital status, age and the level of academic qualification attained, whereas ethnicity and social class were found to be having a less prevalent impact on financial exclusion (Devlin, 2005).

Methodology

The first measure used in the study was the level of financial inclusion. There are four dimensions of financial inclusion to find out the level of financial inclusion. These include Access to Financial Services, Awareness of Financial Services, Utilization of Financial Services, and Financial Resilience. All four dimensions are discussed below:

Financial Access is the ability to use available financial services and products from formal institutions. Apart from one ability, Financial Access also refers to barriers and hindrances in availing financial services e.g. hurdles in opening and using a bank account (Serrao, Sequeira, & Varambally, 2013). These barriers may include the cost of opening a bank account, physical distances from residence or workplace, or even over documentation. According to Aina and Oluyombo (2014), access to formal financial services in developing economies is important for economic growth and reducing inequality among citizens.

Financial Awareness is a combination of awareness, skill, knowledge, behavior, and attitude necessary to make sound and important financial decisions and ultimately achieve individual financial welfare (Hung, Yoong, & Brown, 2012). Financial literacy refers to individuals' ability to gain important knowledge and skills to make conscious decisions with possible financial consequences and being able to manage personal finances in changing circumstances (Widdowson & Hailwood, 2007). To be included in the mainstream financial system, an adult must be aware of certain financial services available to them. In this study, we used important financial services available in the country and included them in the questionnaire. Thus, enlisted thirteen services ranging from savings, loans, insurance, easy paisa, etc. Financial awareness is measured by using Likert scale having 5-point scale starting from not aware to very aware.

Financial Utilization is another important measure of financial inclusion. Financial utilization measures are the depth and extent of available financial services. It also refers to how often and for how long one uses financial products (Serrao et al., 2013). It is believed that by utilizing financial services, the level of financial inclusion can be improved. According to Demirguc-Kunt, Klapper, Singer, Ansar, and Hess (2018) having an account is the first and important step to be financially included but to fully benefit from an account, people need to be able to use it conveniently and safely. We used a five-point Likert scale to measure the level of financial utilization in our questionnaire.

Resilience is the ability to resist any sort of disturbance in regular activities and recover quickly (Hall, 2017). Financial Resilience is a capability to carry on in life despite any uncertainties that come up along the way. To be resilient people should have access to several institutions which are the main pillars of economic growth (Van Oudheusden, Klapper, Demirguc-Kunt, & Singer, 2015). Financial resilience is the ability to resist any uncertainty that impacts one's income or asset (O'Neill, 2011). When people have access to formal institutions, they tend to manage unexpected circumstances properly. Access to a formal financial system enables people to manage their risk properly by providing them opportunities to borrow and save for unexpected events (Berry, Ryan-Collins, & Greenham, 2015). To find out how financially resilient people in the Quetta were towards unexpected expenses like health emergencies, joblessness, etc., this survey asked respondents that whether or not it would be possible to come up with an amount equal to 1/20 of the gross national income of Pakistan (Rs. 8305) within the next month. The main sources of funding were also asked in the survey.

Quality of Banking Services (QBS) has been stated as a major driving factor in financial inclusion (Sharma, 2014). QBS is an effective predictor of performance and customer commitment. This is evident from research by Al-Hawari and Ward (2006) who found a positive relationship between the quality of automated service offered by a bank and the level of customer satisfaction. To be financially included; people must be satisfied with the services provided to them by financial institutions. We measured QBS by using 5-point Likert scales questions ranging from strongly disagree to strongly agree.

One of the main objectives of the study was to find out the barriers faced by people for not having an account. This is the measure of the financial exclusion of people. According to Sinclair (2013), financial exclusion is the inability to access necessary financial services i.e. the inability of some social groups to access the financial system. Financial exclusion can be voluntary or involuntary. Reasons for voluntary self-exclusion are reported as no need to open an account, cultural and religious reasons. The involuntary self-exclusion is reported as insufficient income and high risk, discrimination, contractual framework and prices, and product features of financial services (Demirguc-Kunt et al., 2008). We used 5-point Likert scale questions in the survey for the reasons of not having a bank account.

Some factors affect the access and use of financial services by people like income, employment, education, etc. In the survey, questions were asked to find whether some factors, which include education, employment, income, bank charges, bank employment behavior, and religious reasons, affect people's access and use of financial services. Likert scale was also used for this section.

Data collection and sampling procedure

The data used in the study were collected employing a structured questionnaire (self-completed/interviewer completed/structured interview). The questionnaire was adapted from the research conducted on financial inclusion by Sharma (2014) and the Global Findex dataset (2015). The reason for choosing a questionnaire was that it is a systematic and standardized method of collecting quantitative data. Besides, this method is convenient and a large amount of data can be gathered for analysis. The design of the questionnaire is such that various dimensions of financial inclusion can be quantified with the help of different scales of measurement.

With the use of primary data, the research aimed to identify the level of financial inclusion, reasons for financial exclusion, and how much people are financially resilient in Quetta. It also aimed to find out the impact of satisfaction with banking services on financial inclusion/exclusion. A total of 293 data was collected from the survey of 384 questionnaires which were distributed in different areas of Quetta city. The response rate was 76.3%. The response rate was slightly low because the study is new in Quetta's context and most of the people were hesitating to provide information about the financial institution in which they have an account. The hesitation was because of the recent scam with ATMs by certain scammers which caused people to lose huge amounts of money in different cities of Pakistan. But overall, the response rate was satisfactory.

It was the main aim of the study to find out the state of financial inclusion in Quetta because access to formal financial services is very important for economic growth and social inclusion. Hence, the target population for the research was all adults residing in Quetta. The total population of Quetta is 22,756,99 ("Population of Baluchistan Census 2017," 2017). The number of adults with 18 and above age in Quetta was not known. Because the population frame is unknown, the non-probability sampling technique is used. Since the sampling area and sample size are large, and because of security issues researcher was not able to go to certain areas in Quetta. Therefore, a convenience sampling method was used to collect data from respondents. To calculate the appropriate sample size for the study that can be used to generalize the finding to the whole population, Corchran (2007) equation was used to calculate the sample size. This equation is useful when the population is unknown and it is expected to be large (Israel, 1992). According to Corchran (2007) equation, it was found that to get a good sample at least 384 responses should be collected from Quetta. Thus, we used a sample size of 384.

Data Analysis and Interpretation

The data collected to find out the level of financial inclusion was analyzed through different statistical techniques like tabulation, graphs, and factor analysis. Descriptive analysis of the data was conducted to find out the status of financial inclusion, barriers faced by people for not having access to mainstream financial institutions and not having an account at a bank, the effect of factors on access/use of financial services in Quetta and level of satisfaction with banking services. This includes the percentage calculation of the answers as to how many people have awareness and access to mainstream financial services, how many people frequently utilize the accounts owned, how much financially resilient they are and level of satisfaction with banking services. The results are discussed below.

Results and Discussion

The following sections summarize the demographic characteristics of the respondents. The majority of the respondents in this survey are young between 21-30 years old (58.7%). According to the Pakistan Bureau of Statistics, in 2018 the total percentage of adults between ages 20 to 29 in Balochistan was 12.67% (Labour Force Survey 2017-18, 2018). Hence the total number of adults with this age group is more than other age groups. Gender-wise, the numbers of male respondents were slightly more than female respondents i.e. 52.9% of respondents were male whereas 47.1% were female. According to Labour Force Survey 2017-18 (2018), in Balochistan, the total population of males is above females i.e. 54.26% and 45.74% respectively. Therefore, our survey is quite representative of national surveys.

Approximately 46% percent of the respondents' income level was less than PKR 20, 000 and 19.5% of respondents had income between PKR 20,000 to PKR 30,000. So, in the study, most of the respondents were having a low income.

Furthermore, in the survey, most of the respondents were jobholders. The percentage of government job holders was 28.7% and private job holders were 28.3%, whereas 13.7% percentage of business owners participated in the survey.

Reasons for not having Bank Account

From the reasons, the most agreed reason for not having a bank account is because of involuntary self-exclusion. The reasons insufficient income and high risk, discrimination, contractual framework, and prices and product features of financial services are part of involuntary self-exclusion (Demirguc-Kunt et al., 2008). The most reported reasons are low education, language problems, and non-availability of bank branches with 64.8%, 63.87%, and 60.8% respectively. Although the respondents included in our survey are educated but probably, they are not financially literate. Normally it is perceived that having a higher education is correlated to have a bank account, but this research shows that even the educated class does not necessarily understand the banking system without proper financial education. Another reason is that government schools (where most people get an education) in Pakistan are in Urdu medium which causes people to have much difficulty in understanding English. This is also evident from the second most agreed reason which is language problems where 63.87% of the survey participants agreed. They perceive that because the banking system is exclusively run in the English language and all the documents are in English which makes them unable to communicate and utilize the full services provided by banks. Although in banks, the customer relationship officers can communicate with most of the individuals, people still face difficulty in understanding and using banking services. Banks also provide Urdu language option in their vouchers and ATMs, but people still hesitate using banking services because of language. The most probable cause of this problem can be the fact that Urdu is not the first language of people in Quetta. In Quetta Pashto, Baluchi, Bruhi, and Hazargi languages are widely spoken. So that's why they encounter language barriers for opening an account. The third most agreed reason for not having a bank account is the non-availability of bank branches. Although banks have tried their best to open their branches in every possible area of Quetta city still people need to walk 1 or 2 kilometers to reach a bank. This is evident from the fact that 29.1% of the overall respondents reported the banks as near i.e. 20 minutes and half an hour of distance in walking, and only 9.4% responded reported branches as very near from their residential areas i.e. they do not have to walk very far to reach the banks.

Table 1. Reasons for not having a bank account

Reasons	**%**
Low Education	64.8
Not known about Banking/EasyPaisa facility	52.7
Strict rules and regulations by Bank/EasyPaisa shop	35.1
Complicated Banking System	33.3
Because of low income and saving	25.8
Unsuitable Banking Product and services	35.1
Non-availability of Bank branches/easy paisa shop	60.8
Low financial Education	40.7
High transaction cost	43.5
Timing of bank branches/easy paisa shop	55.5
Language Problems	63.9
Religious reasons (Islamic rules and regulations)	51.8
Someone else in the family has an account	26.8
No need for financial services from financial institutions	25.9

Furthermore, respondents also agreed to the reasons for voluntary self-exclusion. These non-users have access but choose not to use financial products. Reasons for voluntary self-exclusion are no need to open an account and cultural and religious reasons (Demirguc-Kunt et al., 2008). In the survey, the most evident reason for voluntary exclusion was religion as 51.8% of respondents reported religious reasons as one of the main causes of not having a bank account. This is because in Islam profit without risk (in the form of interest) is forbidden and most people regard banks as an interest-bearing organization. So, they do not go to the bank because they think this is forbidden in Islam. Although several banks have launched their Islamic banking branches in the city, still most of the people doubt the system. Moreover, 26.84% of respondents reported that they do not have a bank account because someone else in their family already has one. Overall, 25.9% reported that they do not need any financial service. This is because they receive their salaries in cash and they use informal ways of saving, borrowing, and remittances i.e. revolving savings and informal lenders. For policymakers, these groups do not possess any problem because their lack of demand drives their non-use of financial products (Demirguc-Kunt et al., 2008).

There has been a decrease in the number of unbanked individuals worldwide. In 2014 the number was 2 billion worldwide (Demirguc-Kunt et al., 2015), while in 2018 it has decreased to 1.7 billion. According to Global Findex data (2018) in high-income economies, the number of unbanked has decreased where nearly all of the unbanked adults reside in developing countries, and about half of these individuals belong to seven developing economies i.e. Bangladesh, China, India, Indonesia, Mexico, Nigeria, and Pakistan.

The most cited reason for not having a bank account around the world was not having enough money to use an account where 59% of unbanked cited this reason in 2014 (Demirguc-Kunt et al., 2015) and about 66.66% of unbanked individuals cited this reason in 2018 (Demirguc-Kunt et al., 2018). Cost and distance were also cited as the main reasons. Aina & Oluyombo (2014) found that the highest self-reported barrier to the use of a bank account is the lack of necessary documents in Nigeria. Similarly in Africa, the most cited reason for not having a formal bank account is lack of enough money where 80% of adults reported this reason (Demirguc-Kunt & Klapper, 2012). But religious reasons were cited only by 5% and 6% of these individuals in 2014 and 2018 respectively. Most of these individuals belong to Muslim countries because interest is forbidden in Islam and they think of banks as interest centric institutions. In these countries, banking products compatible with the principles of Islamic finance should be introduced which can be a source of increasing account ownership. So, it is evident that worldwide involuntary self-exclusion from mainstream financial services is the main cause of financial exclusion. This is also evident in Quetta city.

Extent of financial inclusion

A set of indicators were used to determine the extent of financial inclusion by their level of awareness about different banking services and EasyPaisa service. The results are indicated as follows:

Table 2. Level of Financial Awareness

Services	**Level of Awareness (%)**					
	Not aware	**Poorly aware**	**Fairly aware**	**Aware**	**Very aware**	**Total**
Savings	13.4	16.5	19.6	33	17.5	100
Loans	19.9	21	18.2	25.4	15.5	100
Internet Banking	24.1	20.6	17.2	23	15.1	100
Mobile Banking	23.4	19.2	18.9	22.7	15.8	100
Credit cards	17.9	10.3	16.5	28.5	26.8	100
Debit cards	24.4	12	11.7	32.6	19.2	100
Mortgage	40.2	21	20.6	13.1	5.2	100
Depositing/Withdrawing Cash	9	10.3	20	32.4	28.3	100
Cheque Book	5.5	6.6	17.6	32.1	38.3	100
Overdraft	40.2	14.8	20.6	17.5	6.9	100
Insurance	22.3	15.8	22	25.1	14.8	100
Automated Teller Machine (ATM)	5.8	6.2	15.1	26.5	46.4	100
EasyPaisa	12	10	17.2	35.4	25.4	100

The process of financial inclusion in a country begins by creating awareness of the existing financial institutions, availability of financial products and services, and benefits that one gets from their use (Sharma, 2014). Bhanot, Bapat, and Bera (2012) found that income, financial information from various channels and awareness of Self-Help Groups (SHGs), and education are influential factors leading to inclusion. From the present research, the data revealed that people are not very much aware of the term financial inclusion, but they were aware about mostly financial services provided by the banks and EasyPaisa shops.

From the above table, it is evident that people indicated their general awareness about some financial services, specifically which are common. In Quetta, a high percentage of awareness was indicated about most of the services i.e. savings, loans, internet banking, mobile banking, credit cards, debit cards, checkbooks, ATMs, depositing/ withdrawing cash, and EasyPaisa. This is because banks are giving much information about their services and their usage. An increase in awareness of ATMs can be because of the number of ATMs increased day by day in almost every area of the city and the bank issues an ATM card at the opening of their bank account. Internet and mobile banking are also provided to everyone who has internet access and can perform online transactions. It is interesting to note that banks have succeeded to increase the awareness among people, so the extent of financial inclusion, for some services, was found to be high in Quetta city.

However, the least percentage of awareness was reported for the services which are not common in the city i.e. mortgage, overdraft, and insurance. This is because most people have low income and services like mortgage and insurance are not according to their needs. So, from the above data, it is evident that respondents in Quetta city were very aware of most of the financial services provided by banks and EasyPaisa and banks have managed to provide more knowledge to the people in the use or access of the above services.

In the research, it was found that banks play an important role in the promotion of financial inclusion in Pakistan by giving awareness about financial products and services. This is because the banking sector dominates the financial sector in Pakistan with 90% of financial sector assets (SBP, 2015). This is also evident in our neighboring country. In India, the Reserve Bank of India promoted the "no-frills account", with help of commercial banks, intending to increase financial inclusion but in some areas like Indore district only 23% of people had no-frills accounts which means the extent of financial inclusion is less in the area (Sharma, 2014). Ramji (2009) found that awareness about financial inclusion drive (zero minimum balance account) was very low in Gulbarga, India. So, using only a bank account is not a good indicator of financial inclusion but, it is also important to know what percentage of the population is aware of the availability of financial products and services.

Utilization of financial services

To assess the accessibility of financial services, a questionnaire comprised of certain questions about the level of utilization of banking and EasyPaisa services. This is because only being aware is not enough to be financially included, people must be able to use the financial services provided. The result of the survey is shown as follows:

Table 3. Level of Utilization of Financial Services

	Level of utilization (%)					
Services	**Never**	**Occasionally**	**Considerably**	**Almost always**	**Always**	**Total**
Savings	41.2	15.1	21.6	10.3	11.7	100
Loans	69.8	10.3	14.4	3.1	2.4	100
Internet Banking	54.6	12.7	12	10	10.7	100
Mobile Banking	55	10.7	12.4	10.7	11.3	100
Credit cards	50.5	8.6	11.3	18.6	11	100
Debit cards	43	9.3	10.7	18.9	18.2	100
Mortgage	75.5	12.1	6.9	3.8	1.7	100
Depositing/Withdrawing Cash	26.9	7.2	18.6	24.1	23.1	100
Cheque Book	23.7	9.6	23	20.3	23.4	100
Overdraft	66.6	11.7	13.1	5.9	2.8	100
Insurance	69	9.3	11.4	4.8	5.5	100
Automated Teller Machine (ATM)	25.9	4.1	10.7	18.6	40.7	100
EasyPaisa	38.1	10.3	19.9	19.9	11.7	100

According to Walle, Schueth, and Khan (2017) active users in Pakistan, using only basic banking activities, increased 6 percent, from 31 percent to 37 percent, between 2015 and 2016. Overall, 43% used bank accounts for bill payments, 18% used to receive their wages and only 1% used accounts for loan activity because there are strong cultural and religious biases against interest payments among many Muslim Pakistanis leading to a lack of acceptance of credit and interest, and 1% for insurance activity in 2017 (Walle, 2017). The same pattern is noticed in the research in Quetta city. From the financial services provided, most of the respondents indicated that they have never used most of the services i.e. savings, loans, internet banking, mobile banking, credit cards, debit cards, mortgage, overdraft, and insurance. However, cash deposit and withdrawal, checkbook, and ATMs and EasyPaisa service were reported to be fairly used. The reason for this usage is the respondent's occupation. Because most of the organizations provide salary through the banking systems and people must have a bank account for the receipt of their salaries, they use these services most frequently. This is as per the World Bank report where it is stated that Globally 46% of adults in the developing country reported having used their accounts only for receipt of payment from a private-sector employer (Demirguc-Kunt et al., 2018).

Lack of usage of banking services is also evident in some developing countries where financial inclusion is low. Sharma (2014) found that a large number of households in the Indore district have access problems to banking services as only 20% of people have easy access to loans and use it. A similar problem was observed in Africa where only 23% of the population has an account in the bank and indicators of financial use show a positive but imperfect correlation with indicators of financial depth (Demirguc-Kunt & Klapper, 2012).

The financial system hasn't attracted the general public for the use and the benefits of the given services. People can use the above services to obtain many benefits and they can efficiently use their savings hence will be included in the mainstream financial sector. So, it can be said that the level of financial inclusion (in term of utilization) in Quetta is not satisfactory as the respondents in the survey has avail only very basic of the financial services and failed to avail other essential services like credit, insurance, etc.

Level of Financial Resilience

Another factor that is very important for financial inclusion is financial resilience. Being included in the mainstream financial sector, people can tolerate any financial emergency. According to Matin, Hulme, and Rutherford (2002), there are high levels of insecurity and risk for the poor which arise because the flow of income and expenditure do not coincide. So, being financially included in vulnerable groups can coup up with financial risks. To measure financial resilience, certain questions were asked in the survey about how financially resilient people were. The results are as follows:

Table 4. Level of Financial Resilience

Financial Resilience (%)						
	Very possible	**Somewhat possible**	**Not very possible**	**Not at all Possible**	**Don't know**	**Total**
Suppose that you have an emergency and you need to pay approximately Rs.8305. How possible is it that you could come up with Rs.8305 within the next month?	13.4	14.4	33.9	29.8	8.6	100

Financial Resilience (%)						
	Very possible	**Some-what possible**	**Not very possible**	**Not at all Poss-ible**	**Don't know**	**Total**
Is saving is the main source of money that you would use to come up with Rs.8305 within the next month?	15.8	23.7	23.7	32	4.8	100
Is family, relatives or friends are the main source of money that you would use to come up with Rs.8305 within the next month?	14.4	16.2	29.2	33.7	6.5	100
Is a loan from an employer is the main source of money that you would use to come up with Rs. 8305 within the next month?	37.7	18.5	22.6	17.5	3.8	100
Is borrowing from a formal financial institution is the main source of money that you would use to come up with Rs.8305 within the next month?	42.6	17.9	21.3	16.2	2.1	100
Is an informal private lender is the main source of money that you would use to come up with Rs.8305 within the next month?	41.2	21	15.5	17.5	4.8	100
Any other source?	39.5	8.9	21.6	14.8	15.1	100

World Bank provides a framework to find how financially resilient people are. This is an important part of financial inclusion as when people have a safe place to save money and have access to credit when it is needed, then they are better able to manage financial risk (Demirguc-Kunt et al., 2015). World Bank framework was used in the survey and people were asked how possible was for them to come up with Rs. 8305 (1/20 of GNI). From the survey, only 13.4% of the respondents reported that they can come up with Rs. 8305 (an indicator from World Bank to be financially resilient) within the next month. This shows that most of the respondents face difficulty in coping with any financial emergency. According to Global Findex data of 2014, globally 76% of adults reported that it would be possible to come up with 1/20 of GNI of their respective country, while the percentage declines in 2017 as 54% of adults reported that it would be possible to come up with the said amount (Demirguc-Kunt et al., 2018). This indicates that globally people have somehow increased their financial resistance to unforeseen situations. The ability to come up with the funds while one is in an emergency is not a function of income level. For example, in Ethiopia (low-income economy) 57% of the people said that they can come up with the emergency funds which is the same share as China (upper-middle-income economy) (Demirguc-Kunt et al., 2018). Cultural differences across economies impact the type of emergency people perceive or whether people are inclined to say that it is possible to come up with emergency funds (Demirguc-Kunt et al., 2018).

Furthermore, certain questions were asked about the source of money to come up with the said amount. These questions were important because the financial sector can play a very important role in an emergency. It can provide financial assistance to people dealing with any financial emergency. The most obvious sources reported by respondents were a loan from an employer, borrowing from a financial institution, informal private lender, and other sources i.e. 37.7%, 42.6%, 41.2%, and 39.5% respectively. People can borrow from a formal financial institution to deal with emergencies. The possible reason for these sources is that most of the respondents are employed and associated with an organization. So, emergency organizations do provide loans to their employees. They can also receive a loan from a bank against their salaries known as advance salaries in Pakistan. So, they can get the said amount from formal financial institutions. However, most people choose other informal ways like informal private lenders, employers, and family and friends. This is for the reason that there is less, or no documentation and interest involved, and people can get loans easily. Furthermore, 15.8% and 14.4% of the respondents also indicated their savings and family and friends to be a source from where they can arrange the said amount of money. They are mostly those respondents who have low incomes or are not employed in any institution. The level of financial resilience can also be assessed in some developing countries. In Australia, 35.7% of adults were financially secured and 64.3% faced some level of financial stress in 2015 (Muir et al., 2016). While in 2017 it improved to 31.2% financially secure and 56.3% felt some level of financial stress (Marjolin, Muir, & Ramia, 2017).

In the era of high financial risk, inflation, low income, and high costs of living, the need for appropriate, accessible, and affordable financial products becomes essential especially for low-income households and vulnerable groups. With the low level of financial resilience, it becomes important to find ways to increase access to appropriate and affordable financial products and services. Financial guidance and counseling are also important to increase the level of financial resilience.

Level of Satisfaction

Quality banking services have been stated as a major driving factor in financial inclusion (Sharma, 2014). To be financially included, people must be satisfied with the services provided to them by financial institutions. By asking certain questions, the level of satisfaction of people with banking services was analyzed. The results are as follows:

Table 5. Level of Satisfaction

Statements	**Total (%)**
Services provided by your bank/easy paisa shop.	49.5
Distance to the bank/easy paisa is a cost incentive.	35.5
Confidentiality about customer account information.	50.5
Bank/easy paisa employee’s attitude and behavior.	37.9
Financial institution’s interest in your problem.	21.9
Reasonable interest on a loan.	7.2
Education is given by the banks for you to be compatible with the bank services.	33.8
Competitive banking products/schemes.	27.4
Bank/easy paisa branch timings.	44.7
Bank/easy paisa charges.	32.2
Banking/easy paisa procedures like documentation and identification.	40.4
Quick access to your deposit/loan account.	41.3
Availability of ATM.	53.6
Insurance services.	18.7

Statements	Total (%)
Mobile banking services.	31.2
Internet banking services.	30
The flexible term on small saving.	21.2
Maximum Interest on savings.	18.7
Overall satisfaction with bank services.	49.2

The above data revealed that the services provided by financial institutions are reported to be satisfactory. Respondents who used financial services were happy with the quality of services being provided.

Respondents presented their overall satisfaction with the overall banking services, like confidentiality, employees behavior, banks interest in customers problems, interest on loans, the education given by the banks, compatible products, bank charges, procedures, access, mobile banking, internet banking, and availability of ATMs and other factors like distance and timings of the banks.

Quality of the banking services is an effective predictor of their performance and customer commitment. This is evident from research by Al-Hawari and Ward (2006), who found a positive relationship between the quality of automated service offered by the bank and the level of customer satisfaction with that bank. Van Der Wiele, Boselie, and Hesselink (2002) also found a positive relationship between customer satisfaction and organizational performance indicators. Levesque and McDougall (1996) argued that in retail banking customer satisfaction is driven by several factors including service quality dimensions. Research by Jamal and Naser (2002) indicates that customer satisfaction is based not only on the judgment of customers towards the reliability of the services but also on customers' experiences with the service delivery process. Banks can maintain their customers and can attract a vast number of people towards banks by providing them quality services. This is also important for people to get financially included. Provision of quality services will cause more and more inclusion of people in mainstream financial sector, hence increasing the overall percentage of financial inclusion.

Conclusion

To find out the level of financial inclusion and a guide to achieving higher financial inclusion in Quetta, the study investigated the access and use of different financial services that are available in the city, along with the level of financial resilience. Furthermore, the effects of factors on the access/use of financial services were examined in the study. The barriers of not having a bank account were also identified.

Access to bank accounts was high as 82.2% of people reported having bank branches/EasyPaisa shops in the area where they reside, where 29.1% reported the distance of the banks and their homes to be near, and 20.4% reported that the distance is normal (not so far). Overall, 64% of the respondents had a formal bank account/EasyPaisa service. It was evident from the research that private banks have penetrated almost every area of the city as most of the respondents (39.1%) reported that there are private banks in their areas and most of them (38.8%) also utilized private banks.

The type of accounts mostly respondents reported having was the current account (49.8%). This is because most of the respondents were job holders and they use their accounts to receive salaries. Only 16.3% of respondents had savings accounts which depict that most people use informal ways to save money. Most of the adults use their account once in a month (29.1%) and some use it twice or thrice (21.5%). Only 27% reported that they do utilize other products provided by banks.

This percentage is very low which indicates that bank accounts are only used to receive salaries from employers.

Of the 293 respondents, 108 reported that they do not have a bank account. They reported low education, language problems, and the non-availability of bank branches as the main reasons for not having a bank account. These are the involuntary self-exclusion. People presume that high education and knowing the English language is important to do transactions via banks because the banking system is in English and they are not able to communicate with them properly. Although customer relations officers can communicate in most languages, this is not sufficient to attract people towards the banking system. Among voluntary self-exclusion, the religious reason was reported the most (51.8%) because some people perceive that banks are interest-bearing organizations and transactions with banks are forbidden according to Islamic laws.

The process of financial inclusion begins by creating awareness of financial services. In Quetta, a high percentage of awareness was indicated about most of the services i.e. savings, loans, internet banking, mobile banking, credit cards, debit cards, checkbooks, ATMs, depositing/ withdrawing cash, and easy paisa. This is because banks are giving much information about their services and their usage. However, the least percentage of awareness was reported for the services which are not common in the city i.e. mortgage, overdraft, and insurance. From the financial services provided, most respondents indicated that they have never used most of the services i.e. savings, loans, internet banking, mobile banking, credit cards, debit cards, mortgage, overdraft, and insurance. However, cash deposit and withdrawal, checkbook, and ATMs and easy paisa service were reported to be fairly used.

From the survey, only 13.4% of the respondents reported that they can come up with Rs. 8305 (an indicator from World Bank to be financially resilient) within the next month. This shows that most of the respondents face difficulty in coping with any financial emergency. However, they can arrange this amount from their employers, financial institutions, and informal private lenders. This shows that people cannot come up with the said amount from their savings which depicts lower financial resilience of people. But they have some faith in financial institutions that will help them in their emergency.

The impact of employment and income was found to be high on use/access to a bank account. This is because people use accounts. After all, it is mandated by their organizations for receiving salaries. Overall people were found to be satisfied with the banking services they obtain, which shows that banks in Quetta are performing effectively.

Quetta is the capital of the Balochistan province of Pakistan which is the least developed among all four provinces. The level of education, income, and overall infrastructure is low in the city. To make banking services more accessible, banks should consider having their branches in some locations in the local language of people because one of the problems with the banking sector is unable to understand transactions in the English language. Although ATM services provide guidelines in the Urdu language, still people face difficulty by using them.

Account opening conditions and documentations need to be reduced like the minimum account opening amount. All banks in Quetta require their customers to submit a certain amount to get the account open. The requirement is difficult for low-income groups to open an account. So, the financial products provided by banks should be specific to the cultural and economic conditions of people residing in Quetta. In this regard, the role of Islamic banking becomes very important in financial inclusion because religion was one of the important determinants of having access/use of banking products.

Banking is not about the bank structure, but the services rendered to people. Banks should reduce their cost and increase efficiency because the focus of financial inclusion is an increase in the volume of transactions in new accounts by vulnerable groups. This may lead to incorporating micro-financing and Islamic banking with reduced costs.

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