

Financial Inclusion and Development: OIC Member Countries Analysis
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ABSTRACT

Financial inclusion has become one of development strategies for OIC countries based on the decision of the IDB annual meeting in 2016. The existence of an inclusive financial system is expected to improve the welfare and development, particularly for the low-income group countries. It is not surprising that most of low-income countries have low levels of financial inclusion. But in high-income countries are not always successful in creating an inclusive financial system. Therefore, this study aims to measure the level of financial inclusion among the OIC member countries and the factors that influence financial inclusion from 2010-2014. Data were collected from the World Bank and the UNDP database. The method used in this study is Sarma index to calculate financial inclusion and tobit model to analyze the factors affecting financial inclusion. The results showed that the country that has the highest financial inclusion index is Turkey, while the country that has the lowest financial inclusion index is Pakistan. The results of tobit model showed that factors that significantly affect the financial inclusion index in OIC countries in terms of socio-economic are GDP and human development index. Moreover, factor that significant affecting the financial inclusion index in OIC countries in terms of the infrastructure is the amount people that use internet. OIC member countries have to increase the level of financial literacy to increase people's knowledge about product of financial institution to enhance financial inclusion, particularly in OIC low-income group countries.

Keywords: Financial inclusion index, OIC countries, tobit model