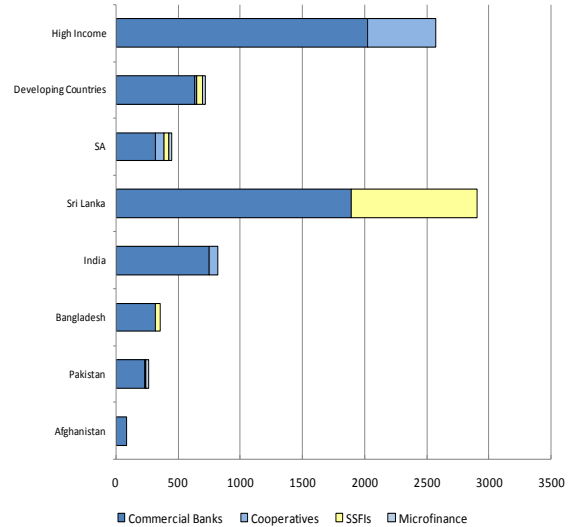
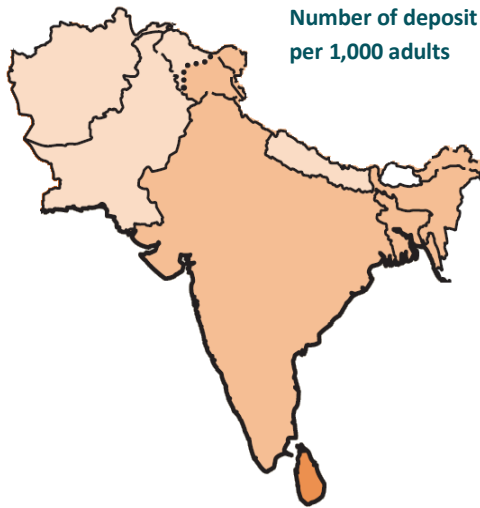


DEPOSIT SERVICES & FINANCIAL INCLUSION

Deposit Account Penetration. In South Asia (SA) there are 317 bank accounts per 1,000 adults, compared with 635 bank accounts per 1,000 adults in developing countries. There is a wide variation among countries in the region in terms of deposit account penetration, from 83 bank accounts per 1,000 adults in Afghanistan, to 1,892 bank accounts per 1,000 adults in Sri Lanka. Average deposit size per capita is much higher in SA (at 157 percent) than in developing and high-income countries.

SA's median growth rate in the number of accounts per 1,000 adults was negligible. India was the only SA country where the growth rate was significant at 10 percent. Most deposits are held in commercial banks in all reporting SA countries. Sri Lanka, however, has a significant proportion of deposit accounts in specialized state financial institutions (SSFIs). Pakistan is the only SA country to have reported any deposit accounts in microfinance institutions (MFIs).



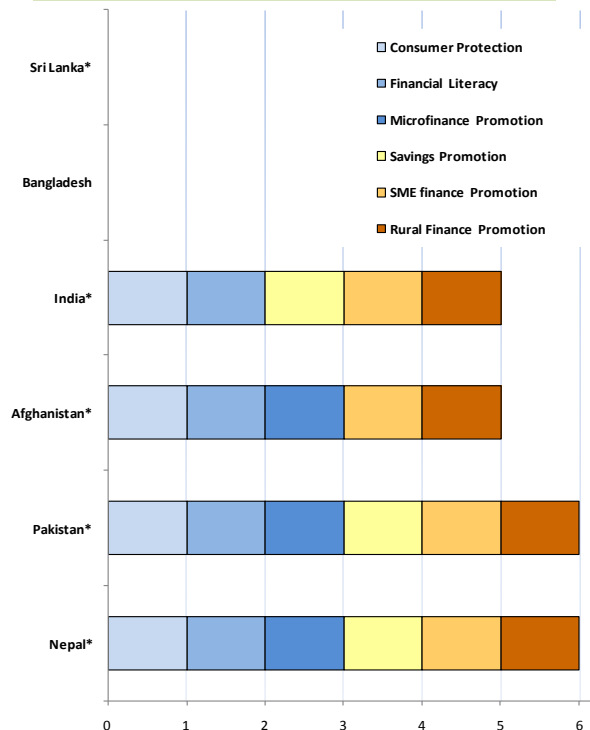
Financial Inclusion Mandates—Role of the Main Financial Regulator. Most SA regulators report being responsible for almost all of the six areas of the financial inclusion agenda, with the exception of Sri Lanka and Bangladesh. Pakistan and Nepal are responsible for all six areas.

The two financial inclusion topics where only three regulators report being responsible for them are microfinance promotion and savings promotion. India does not report being responsible for microfinance promotion, while Afghanistan does not report being responsible for savings promotion.

Where the main financial regulator has a strategy document for financial inclusion, more topics tend to fall under the regulator's purview and there are more resources dedicated to carrying out those mandates.

The average number of reforms in SA in 2008-09 was 6.2 out of a maximum of 10, which is the highest average of all regions.

The main financial regulator is responsible for the following financial inclusion topics:



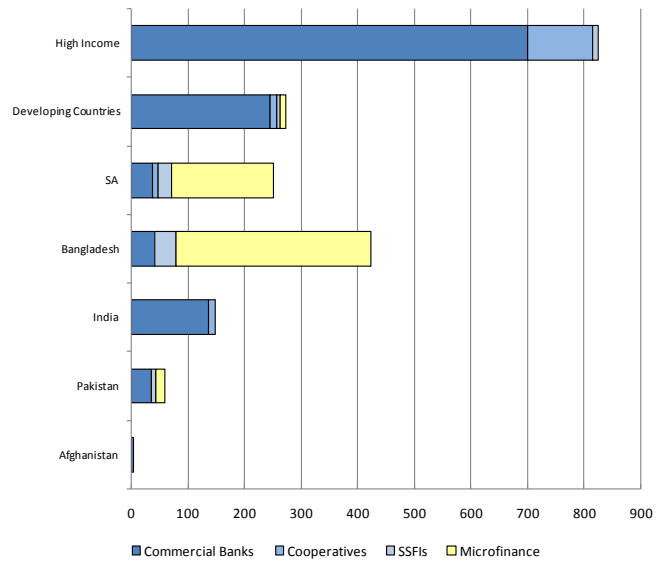
* main financial regulator has a financial inclusion strategy document

CREDIT SERVICES & CONSUMER PROTECTION

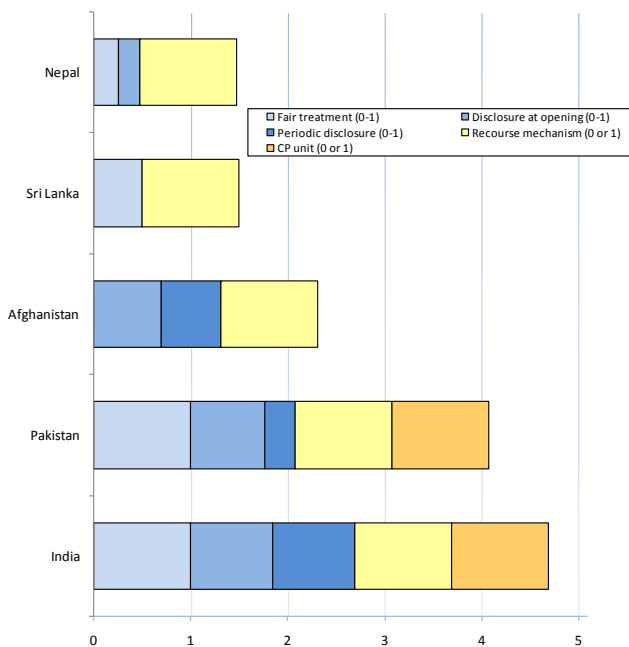
Access to Credit. In SA there are 38 bank loans per 1,000 adults compared with 245 bank loans per 1,000 adults in developing countries. There is a wide variation among countries in the region in terms of loan account penetration, from 137 bank loans per 1,000 adults in India to only 3 bank loans per 1,000 adults in Afghanistan. Nonbank financial institutions (NBFIs) target lower income segments, but limited data do not allow for a comprehensive assessment of the role of NBFIs. The change in the number of accounts on average in SA was negative 10 percent, which is a much greater negative percent change than in developing countries. The number of loans per 1,000 adults increased only in India at 11 percent.

The volume of loans as a percentage of GDP decreased by 11 percent on average in the SA region, which is less than the average decrease for all developing countries. Volume of loans decreased in all SA countries, except for India where it increased by 7 percent. Most reported loan accounts are held in commercial banks in SA countries, except for Bangladesh, which holds the largest proportion of its loan accounts in MFIs. The ratio of the volume of loans to individuals to total volume of loans in commercial banks (at 23 percent) is lower in the SA region than the averages for both developing and high-income countries.

Number of loan accounts per 1,000 adults



Consumer Protection: From Legislation to Enforcement



Consumer Protection Regulations in South Asia. The recent financial crisis highlighted the importance of effective consumer protection and adequate levels of financial literacy for the sustainability of the entire financial system.

Basic consumer protection requirements are on the books in most SA countries. Eighty-three percent of SA countries (5/6) have laws and regulations addressing at least some aspects of financial consumer protection. Sixty-seven percent have some sort of fair treatment legislation restricting unfair selling practices. On average, SA countries require the least periodic disclosure requirements surveyed by *Financial Access 2010* out of every region, and the least disclosure requirements on account opening after Sub-Saharan Africa.

Enforcement mechanisms are weaker than legislative requirements. Only three SA countries require financial institutions to implement procedures for resolving customer complaints, and five SA countries have at least one dispute resolution mechanism. Onsite inspection is the only compliance monitoring mechanism that exists in more than half of SA countries, while enforcement actions are a little more commonly taken.

Institutional structures are the weakest. Only two SA countries—India and Pakistan—have financial regulators that are responsible for some aspect of financial consumer protection and have a dedicated unit to work on these issues.