

# Financial Inclusion in China

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## Abstract

We use data from the World Bank Global Findex database for 2011 to analyze financial inclusion in China. We study financial inclusion in China and compare it with the other BRICS countries. We observe high level of financial inclusion in China with higher use of formal account and formal saving than in the other BRICS. Financial exclusion i.e. not having a formal account is mainly voluntary. The use of formal credit is however less frequent in China than in the other BRICS. Borrowing through family or friends is the most common way of obtaining credit in all BRICS, but other channels for borrowing are not very commonly used by individuals in China. We find that higher income, better education, being a man, and being older are associated with higher use of formal account and formal credit in China. Income and education influence the use of alternative sources of borrowing. Thus financial inclusion does not constitute a major problem in China. Nevertheless, relatively low use of formal credit can create a challenge for further economic development.

**JEL Codes:** G21, O16, P34

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