

The Impact of Digital Financial Inclusion on Sustainable Development in Asian Region: The moderating effect of Country-level Governance

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Abstract

Introduction: Digital financial inclusion aims to offer affordable and convenient financial services via digital means, particularly to underserved populations, fostering their integration into the formal financial system. On the other hand, sustainable development focuses on meeting current societal needs without jeopardizing the ability of future generations to meet their own, seeking a balance between economic growth etc. The aim of this research is to explore how the integration of digital financial inclusion initiatives influences sustainable development in the Asian region while examining the potential moderating role of country-level governance on this relationship.

Methodology: This study uses deductive approach and quantitative methods to analyze the data. Data were gathered from 13 countries in the Asian region (Afghanistan, Bangladesh, China, India, Indonesia, Japan, Malaysia, Nepal, Pakistan, Singapore, Sri Lanka, Thailand and Vietnam) as the sample from 2011 to 2021. The dependent and independent variables were sustainable development and digital financial inclusion, respectively. The GDP Growth rate was used to evaluate sustainable development. To measure the level of digital financial inclusion, online account ownership (%) and the percentage of making or receiving a digital payment were used. The moderate variable and control variable were Government effectiveness and Real interest rates, respectively. Descriptive statistics, correlation and panel regression were used to analyze the data.

Findings: The study found that there are disparities between developed and developing countries among the selected samples in the digital financial inclusion measurements which emphasizing the imperative need for tailored economic policies. The main finding of the study is there is a positive impact of the level of digital financial inclusion (made or received a digital payment) on sustainable development in the Asian region. However, the effect of governance as a moderating impact was not significant with both the indicators of the DFI.

Conclusion: The research outcomes underscore critical implications for policymakers, stakeholders, and practitioners striving to advance financial inclusion and sustainable development in Asian countries. Collaborative efforts between governments, financial institutions, and technology providers are essential to broaden the reach of financial services, particularly among underserved communities.

Keywords: Digital Financial Inclusion, Sustainable Development, Country- Level Governance, Real Interest rates