

## The Nexus Between Financial Inclusion and Economic Development in East Asia

W. Thanuja Dhananjaya<sup>1</sup>, L. A. S Perera<sup>2</sup>

Department of Finance, University of Kelaniya, Sri Lanka<sup>1,2</sup>  
[Thanujadhana99@gmail.com](mailto:Thanujadhana99@gmail.com)<sup>1</sup>, [shanakala@kln.ac.lk](mailto:shanakala@kln.ac.lk)<sup>2</sup>

### Abstract

**Introduction** - This research mainly focusses on find the Nexus relationship between financial inclusion and economic development in East Asian countries from selected countries. From this try to find is there any long run cointegration or is there any causal relationship between financial inclusion and economic development and give the suggestions to policy makers, researchers, and other interested parties.

**Design/ Methodology** - This study is developed two hypotheses and according to past research chooses 5 variables to measure the financial inclusion (independent variable) and human development index use as the dependent variable to measure the Economic Development. Using financial access survey and world bank indicators collected the data from year 2004 to 2021 and these data tested using Panel ARDL Co-integration Test and Pairwise Dumitrescu Hurlin Panel Causality Test.

**Findings** – According to MG test results. The coefficient of -0.09706 with a standard error of 0.02216 is statistically significant and negative. It suggests that there is a long-term equilibrium relationship between financial inclusion indicators and economic development. According to Granger causality test result three out of five variables are significant. Accordingly, HDI is homogeneously cause to number of commercial bank branches, outstanding loans & deposits from commercial banks.

**Conclusion** - According to cointegration results, East Asian countries have a long run cointegration between financial inclusion and economic development. And according to granger causality test results, East Asian countries have a causal relationship between financial inclusion and economic development.

**Key words** – Financial Inclusion; Economic Development; Nexus Relationship; East Asia; Human development; East Asia.