The Impact of Financial Inclusion on Economic Growth, Poverty, and Inequality in Selected Asean Countries: The Role of Financial Innovation

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Eradicating poverty, reducing inequality, and sustainable economic growth are Sustainable Development Goals (SDGs) on which financial inclusion is said to play a key role on. Access to formal financial services can reduce poverty by facilitating savings and allowing the poor to tak up income generating opportunities. Such access can also increase economic growth through facilitating the free flow of funds from savers to borrowers and efficiently allocating the funds to productive investments. While there have been many theories of how financial inclusion brings positive effects, some researchers believe that the benefits of financial inclusion have been exaggerated and other researchers found that the benefits of financial inclusion may be different for all countries. This research aims to investigate the impact of financial inclusion on poverty, inequality, and economic growth in the ASEAN region, and how financial innovation may moderate its impact.ASEAN is a region with one of the world's most outperforming emerging economies. But even with the high economic growth rates, it is still plagued by issues such as poverty and inequality. A potential reason for this situation may be due to a lack of financial inclusion which can prevent people from accumulating capital or investing in education or business. In order to increase financial inclusion, new financial products and innovative distribution methods need to be developed to cater to the underserved populations. This process is known as financial innovation, which can drive financial inclusion as it allows for the creation of more suitable and accessible financial products for the poor and rural people. Some research has looked into how financial innovation impacts economic growth, poverty, and inequality. However, it is still unknown how financial innovation may moderate the impact of financial inclusion on poverty, inequality, and economic growth. To better understand the effects of financial inclusion and financial innovation, this study plans to merge the finance-growth theory and innovation-growth theory. Secondary data from World Bank's World Development Indicators and PovcalNet, and IMF's Financial Access Survey from 2004 to 2018 will be used. This research will use panel data analysis using Fully Modified Ordinary Least Squares (FMOLS) and Dynamic Ordinary Least Squares (DOLS) models to avoid endogeneity and serial correlation problems. This research may be expected to provide a method to increase the effects of financial inclusion on poverty, inequality, and economic growth through financial innovation.

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