

Fintech and Inclusive Growth: Evidence from 25 Asian Developing Countries

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Rationale

Reality

- Increased income inequalities in developing countries (UN, 2020)
- 54% of people of developing nations have capability or knowledge to open a bank account (borgenproject, 2020)
- Increasing use of fintech fostering financial inclusion and inclusive growth
- Increasing engagement of Asian developing countries with FI adopting new fintech facilities

Economic Factor

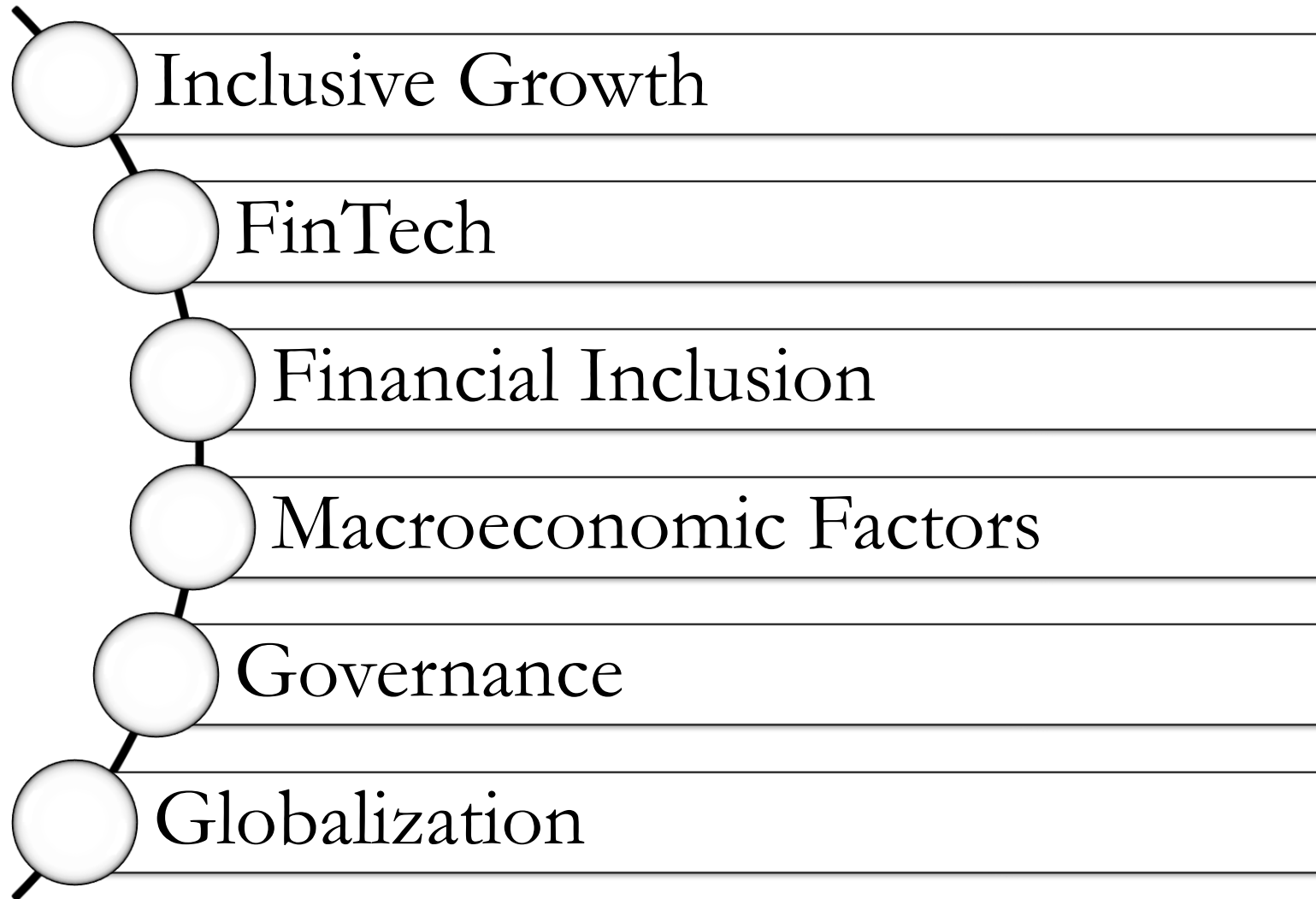
- Demographic Dividend vs Development

Goals

- SDG: GOAL 1: Financial Inclusion & Poverty; GOAL 5: Financial Inclusion & gender inequality; GOAL 10: Reduced Inequalities

Rationale

- Unveiling the image of inclusive growth accelerated through fintech and financial inclusion in Asian developing countries beyond country specific lens.



Literature Review

Financial inclusion in reducing poverty and inequality with a negative correlation between the two.

- (Omar et al. (2020))

ICT and fintech as essential forces behind financial inclusion.

- (Jack et al. (2011), Mbiti et al, (2011), Ghosh (2018))

Deleterious impact of mobile, internet and broadband penetration on inclusive growth in Sub-Saharan nations.

- (Asongu (2017))

Relationship between financial inclusion, fintech, and income inequality and direct influence of fintech on inequality through financial inclusion.

- (Demir et al, (2022))

Long term connection between corruption, economic expansion and financial development in various countries.

- (Song(2021))

Objective

This article assesses to investigate the impact of **Fintech** through **Financial Development, Financial Inclusion and Institutional Quality** on **Human Development**, a proxy for inclusive growth.

Methodology

**Impact of
changing the
levels of fintech
and financial
inclusion on
inclusive
growth**

- **Hausman test** to determine the random effect model
- Diagnostic Tests
- Model Specifications

**Panel Data
Analysis**

DATA

- **Secondary Data:** World Development Indicators (WDI) of World Bank, Global Financial Inclusion Database (Findex) United Nations Development Programme (UNDP) & World Governance Indicators 2017 (WGI) (World Bank);
- **Measures of Inclusive Growth:** Human Development Index of the countries, value range from 0 to 1;
- **Country:** 25 Developing Economies of Asia;
- **Years of Observation:** 2014 to 2021

Description of the Variables

Variable	Source	Definition and Measurement
Panel A: Dependent Variables		
HDI	UNDP	Human Development Index value ranging from 0 to 1.
Panel B: Financial Inclusion Indicators		
Account	Global Findex	Have an account (% age 15+),
Financial Institution Account	„	Have an account at a formal financial institution (% age 15+),
Owning Debit or Credit Card	„	An owner of a debit or credit card (% age 15+)
Panel C: FinTech Indicators		
Fintech	„	Made a digital payment (% age 15+)
Findex	International Monetary Fund (IMF), Financial Development Index Database	Financial Development Index
Panel D: Control Variables		
Trade Openness	WDI 2021, World Bank	Trade (% of GDP)
Population Growth	„	Population growth (annual %)
Government Expenditure	„	General government final consumption expenditure (% of GDP)
Inflation	„	Inflation consumer prices (annual %)
GDP Growth	„	GDP growth (annual %)
Institutional quality	World Governance Indicators 2017 (WGI) (World Bank)	Regulatory Quality 2017 (WGI) (World Bank) ₈

Empirical Technique

$$\begin{aligned} & hdi_{it} \\ & = \beta_0 + \beta_1 fintech_{i,t} + \beta_2 findex_{i,t} + \beta_3 account_{i,t} + \beta_4 finacc_{i,t} + \beta_5 drcrcard_{i,t} + \beta_6 instqual_{i,t} \\ & + \beta_7 tradeopenness_{i,t} + \beta_8 popgr_{i,t} + \beta_9 govexpgdpr_{i,t} + \beta_{10} inf_{i,t} + \beta_{11} gdpgr_{i,t} + \gamma_t + v_i + \epsilon_{it} \end{aligned}$$

Where,

hdi = log of the HDI value for each country,

fintech = percentage of digital payments,

findex = Financial development index value,

account = percentage of people having an account,

finacc = percentage of people having account at a formal financial institution,

drcrcard = percentage of people owing a debit or credit card,

instqual = regulatory quality,

tradeopenness = log of ratio of total trade to GDP,

popgr = Population growth,

govexpgdpr = General government final consumption expenditure as a percentage of GDP,

gdpgr = Growth of Gross Domestic Product,

Time fixed effects and country fixed effects are denoted by γ_t and v_i respectively.

Conclusion

- Fintech has a substantial positive impacts over human development through different channels

- Financial development such as better economic condition and higher level of economic output yield human development

- Better institution quality plays significant positive role for human development

Limitations

Data Set: Country and Time

Instrumental Variable

Advance Analysis

Thank You
For Your Attention!

Any Questions

