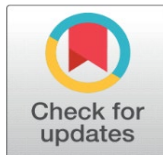
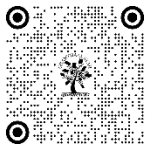


THE IMPACT OF FINANCIAL INCLUSION ON POVERTY ALLEVIATION: EMPIRICAL EVIDENCE FROM DEVELOPING COUNTRIES

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DOI

[10.29121/shodhkosh.v4.i2.2023.2923](https://doi.org/10.29121/shodhkosh.v4.i2.2023.2923)

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

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ABSTRACT

Financial inclusion consists of the different efforts and the initiatives which are considered for the improvement of the lives of the poverty-stricken population. The production of the products and services which improves the ease of accessing the products, and helps to expand upon the businesses also falls under financial integration. The study processed 64 responses from the primary quantitative data gathered from the survey conduction. With the help of survey analysis through SPSS, the identification of the views and opinions of the general public regarding such a concept can be known.

Keywords: Financial Integration, Financial Inclusion, Financial Improvement, Social Growth, Quality Of Life, Developing Countries

1. INTRODUCTION

Financial inclusion or FI is a major effort that has been useful for improving the equilibrium of the financial services, regarding their availability within the population of the nations. According to the findings by Singhania & Saini (2021), emerging countries such as India, Brazil, Argentina, and others, have integrated significant measures as a part of their government schemes for increasing the financial services to ease the lives of the public. On the other hand, as stated by Aracil, Gómez-Bengoechea & Moreno-de-Tejada (2022), such an aspect has also been used for the improvement of the lives of the poverty stricken population, and to uplift their quality of life.

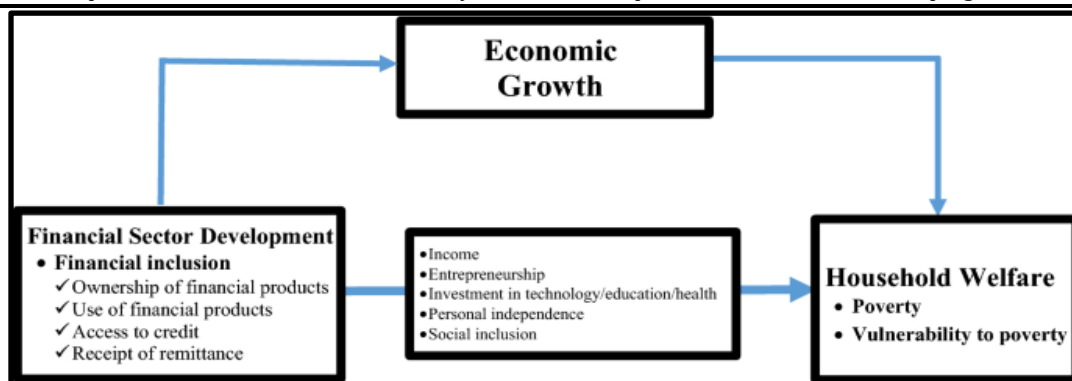


Figure 1: Relationship between economic growth and welfare of the household

(Source: Lee, Lou & Wang, 2021)

As suggested by Ahmad et al. (2022), due to the fact that poverty is a global issue, the integration of the pleasures for eradicating such a situation is handled by the nations of the developing countries. According to the comments by Lee, Lou & Wang (2021), with the help of FI, the low-income households have the capacity of obtaining the minimal financial services. The purpose of the study has been to identify the impact of FI on the reduction of poverty and improvement of poverty alleviation.

AIM

The aim of the study is to perform an extensive evaluation regarding the impact of financial inclusion for the alleviation of poverty.

OBJECTIVES

The objectives which have been developed for the study are as follows:

R01: To investigate the factors related to the growth of poverty in the developing countries

R02: To examine the beneficial impact of financial inclusion on poverty alleviation for developing countries

R03: To evaluate the strategies taken for improving the poverty alleviation in the developing countries

R04: To analyse the social outcomes of people's lives with the integration of poverty alleviation in the emerging countries

2. LITERATURE REVIEW

CRITICAL ASSESSMENT OF THE FACTORS RELATED TO THE EXPANSION OF POVERTY IN THE DEVELOPING COUNTRIES

The growth of poverty has been a major crisis observed in the developing countries due to the lack of job opportunities and decline in the livelihood of the population (Mhlanga, Dunga & Moloi, 2020). On the other hand, as per the thoughts by Ratnawati (2020), the financial conflicts occurring within the familial sector have also caused a rise in poverty within the countries. As depicted by Inoue (2019), in India, the drastic increase in the rate of rising population has been determined as a strict cause of financial constraints, and the rise in poverty. On the contrary, as per the notions by Chang, Iqbal & Chen (2021), in Brazil, poverty has increased due to the unequal distribution of land and property. Therefore, the financial conditions related to several complex social and economic factors have been seen to cause a growth of poverty in the developing countries.

SIGNIFICANCE OF FI ON POVERTY ALLEVIATION FOR DEVELOPING COUNTRIES

The inclusion of FI and its aligning measures have been necessary for the reduction of poverty, and improving the notions of poverty alleviation. As per the views of Lee, Lou & Wang (2021), the development of financial wellbeing of the public has been related to the contribution of greater resilience within the household. In addition to such, as suggested by Mhlanga, Dunga & Moloi (2020), the generation and capturing of economic opportunities have also been made plausible with the integration of the economic means. Therefore, FI helps in the expansion of economic and financial stability within the developing countries.

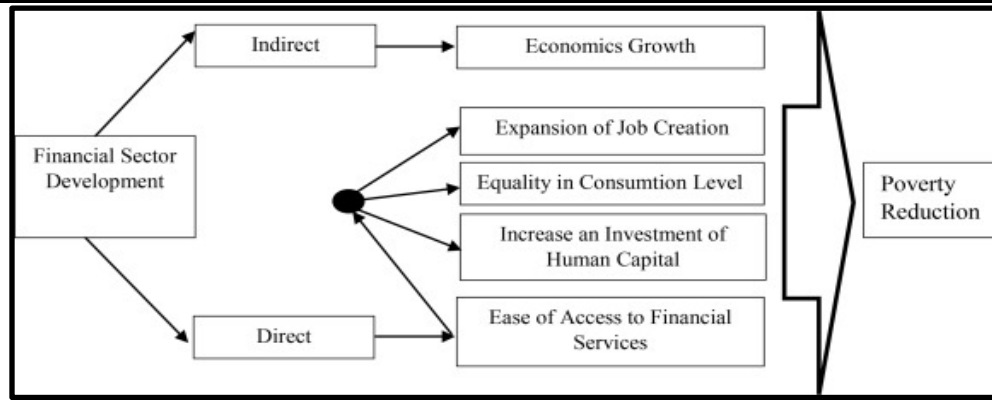


Figure 2: Relationship between the financial sector and reduction of poverty

(Source: Aracil, Gómez-Bengoechea & Moreno-de-Tejada, 2022)

Figure 2 examines the direct and indirect relationship occurring between the financial periphery of a nation, and the improvement of poverty alleviation.

STRATEGIES TAKEN FOR IMPROVING THE POVERTY ALLEVIATION IN THE DEVELOPING COUNTRIES

Countries with an emergent market are being provided with affordable financial products for improving their financial stronghold. According to the workings by Wang & He (2020), helping in the business build-up, creation of job opportunities, and increased investment in the human labour have been taken into consideration by the government to decrease the population stuck behind the line of poverty. As per the views of Eze & Alugbuo (2021), in Nigeria, the vulnerable groups such as the financially weaker sections of the population have been provided with insurance and equity products at decreased cost. On the other hand, according to the comments by Polloni-Silva et al. (2021), in Argentina, the provision of banking services to the rural sections is being provided for indulging in improved financial strength and poverty reduction. Hence, in the developing countries, there is the inclusion of an extensive number of measures for the betterment of the financial lives of the weaker sections.

3. METHODOLOGY

The methods and the strategies which are taken into consideration during the collection and the interpretation of the information falls under the research methods (Pandey & Pandey, 2021). The study has proceeded with the positivism research philosophy, where factual information has been obtained from the sources and the interpretation of the same has been done as per the occurring situations. Descriptive research design has been integrated for examining the obtained evidence in an extensive manner, and with in-depth interpolation. With the help of the deductive research approach, the identification of the patterns and the relationships occurring between the variables have been noted. Through the collection of the primary quantitative information from the 64 respondents of the survey, the response had been examined with the aid of the software of SPSS. In such a manner, the integration of the various variables related to the FI and poverty alleviation, have been determined.

4. FINDINGS

The interpretation of the data achieved from the 64 respondents was run, based on the demographic and the variable related questions developed for the survey. *[Refer to appendix 1]*

HYPOTHESIS DEVELOPMENT

H1: There is a strong connection between poverty rates and FI

H2: There is a linkage between the distribution of income and FI

H3: There is an association between basic essentials and FI

H4: There is a relationship between social outcomes and FI

DEMOGRAPHIC ANALYSIS

| What is your age? | | | | |
|-------------------|-------|-----------|---------|--------------------|
| | | Frequency | Percent | Cumulative Percent |
| Valid | 1 | 40 | 62.5 | 62.5 |
| | 2 | 24 | 37.5 | 100.0 |
| | Total | 64 | 100.0 | |

Figure 3: Age of the respondents

From the above image, it can be identified that the total number of respondents for the study has been 64, of which 40 of them belonged to the age bracket of 18 to 25 years, and the latter belonged from 26 to 45 years. Hence, it can be assumed that the conclusion of the survey was reached by the younger section of the population.

| What is your gender? | | | | |
|----------------------|-------|-----------|---------|--------------------|
| | | Frequency | Percent | Cumulative Percent |
| Valid | 1 | 12 | 18.8 | 18.8 |
| | 2 | 38 | 59.4 | 78.1 |
| | 3 | 14 | 21.9 | 100.0 |
| | Total | 64 | 100.0 | |

Figure 4: Gender of the respondents

From the overhead figure, 12 of the participants had chosen the first option of male, and 38 have ticked off female. 14 participants had preferred not to reveal their gender. Hence, the majority of the participants who approached for the survey were females.

| What is your educational qualification? | | | | |
|---|-------|-----------|---------|--------------------|
| | | Frequency | Percent | Cumulative Percent |
| Valid | 1 | 26 | 40.6 | 40.6 |
| | 2 | 14 | 21.9 | 62.5 |
| | 3 | 24 | 37.5 | 100.0 |
| | Total | 64 | 100.0 | |

Figure 5: Educational qualification of the respondents

The above image illustrates that the maximum number of respondents were undergraduates, which aligned with the age bracket of 18 to 25 years of age. 14 pollees from 64 were graduates and 24 of them were post graduates. Therefore, the examination of the questions was based on the knowledge of mainly the undergraduate students.

VARIABLE RELATED ANALYSIS

| Descriptive Statistics | | | | | | | | | |
|------------------------|-----------|-----------|-----------|-----------|----------------|-----------|------------|-----------|------------|
| | N | Minimum | Maximum | Mean | Std. Deviation | Skewness | | Kurtosis | |
| | Statistic | Statistic | Statistic | Statistic | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| IV1 | 64 | 7.00 | 13.00 | 9.7500 | 2.06252 | .258 | .299 | -1.044 | .590 |
| IV2 | 64 | 10.00 | 12.00 | 10.6250 | .82616 | .806 | .299 | -1.047 | .590 |
| IV3 | 64 | 6.00 | 9.00 | 7.3125 | 1.36713 | .331 | .299 | -1.760 | .590 |
| IV4 | 64 | 7.00 | 10.00 | 8.4063 | 1.00347 | .266 | .299 | -.965 | .590 |
| Valid N (listwise) | 64 | | | | | | | | |

Figure 6: Descriptive analysis of the variables

The aforementioned figure 6 examines that the total number of respondents were 64, as designated by N. Various statistical functions related to the frequency of the answers obtained were measured with the help of minimum, maximum, mean, median, mode, skewness and kurtosis. The value of standard deviation amongst the variables had produced the maximum value of 2.06 related to the poverty rates and the element of FI.

| Correlations | | | | | |
|--------------|---------------------|--------|--------|--------|--------|
| | | IV1 | IV2 | IV3 | IV4 |
| IV1 | Pearson Correlation | 1 | .354** | .456** | .303* |
| | Sig. (2-tailed) | | .004 | .000 | .015 |
| | N | 64 | 64 | 64 | 64 |
| IV2 | Pearson Correlation | .354** | 1 | .232 | .541** |
| | Sig. (2-tailed) | .004 | | .065 | .000 |
| | N | 64 | 64 | 64 | 64 |
| IV3 | Pearson Correlation | .456** | .232 | 1 | .534** |
| | Sig. (2-tailed) | .000 | .065 | | .000 |
| | N | 64 | 64 | 64 | 64 |
| IV4 | Pearson Correlation | .303* | .541** | .534** | 1 |
| | Sig. (2-tailed) | .015 | .000 | .000 | |
| | N | 64 | 64 | 64 | 64 |

Figure 7: Correlation test

The test of correlation is useful for the measurement of the relation between the aligning variables of the study. A positive value of the coefficient of correlation or r indicates the positive relationship with the associated variable, and vice versa. The above figure 7 illustrates that the value of r is positive in each of the cases. From such an aspect, it can be identified that there is a positive relationship between FI with poverty rates, income distribution, and basic essentials for the poor and improved social conditions.

| Model Summary ^a | | | | | |
|----------------------------|--------------------|----------|-------------------|----------------------------|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | 1.000 ^a | 1.000 | 1.000 | .000 | 1.917 |

Figure 8: Model summary of the variables

Figure 8 identifies that the value of standard error of estimate is 0.000, which signifies that there is a lack of random error in the statistical data. With the rise in such a value, there is a decrease in the accuracy of the values. Therefore, the responses for the study were deemed to be highly accurate.

| ANOVA ^a | | | | | |
|--------------------|------------|----------------|----|-------------|-------------------|
| Model | | Sum of Squares | df | Mean Square | Sig. |
| 1 | Regression | 15.437 | 4 | 3.859 | 1.255 |
| | Residual | .000 | 59 | .000 | .000 ^b |
| | Total | 15.437 | 63 | | |

Figure 9: ANOVA test of the variables

The above figure examines that the value of significance for the data has been identified to be 0.000. Such a sig value focuses on the fact that the hypotheses developed for the study are confirmed.

| Coefficients ^a | | | | | | | | |
|---------------------------|------------|-----------------------------|------------|---------------------------|-------|------|---------------------------------|-------------|
| | | Unstandardized Coefficients | | Standardized Coefficients | | Sig. | 95.0% Confidence Interval for B | |
| | | B | Std. Error | Beta | | | Lower Bound | Upper Bound |
| 1 | (Constant) | -7.068 | .000 | | .015 | .000 | -7.068 | -7.068 |
| | IV1 | .295 | .000 | 1.231 | 1.245 | .000 | .295 | .295 |
| | IV2 | .364 | .000 | .607 | .125 | .000 | .364 | .364 |
| | IV3 | .045 | .000 | .126 | 1.315 | .000 | .045 | .045 |
| | IV4 | .545 | .000 | 1.106 | .112 | .003 | .545 | .545 |

Figure 10: Coefficients of the variables

The above figure identified that all the variables and their associated hypothesis were proved, as the value of significance was 0.000 or less than 0.05.

| Reliability Statistics | | |
|-------------------------------|---|------------|
| Cronbach's Alpha ^a | Cronbach's Alpha Based on Standardized Items ^a | N of Items |
| .734 | .4.080 | 4 |

Figure 11: Reliability test

With the value of Cronbach's alpha as 0.734, there is the prevalence of an internal consistency occurring with the elements.

| KMO and Bartlett's Test | | |
|--|--------------------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .294 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 129.482 |
| | df | 6 |
| | Sig. | .000 |

Figure 12: Validity test

From the overhead figure 12, the value of df or degree of freedom has been noted to be 6, which suggests that there are 6 possible logically independent situations which may occur in the data set.

5. DISCUSSION

Thus, the findings identified that there has been a positive relationship occurring between the rate of poverty, the inculcation of the basic necessities, the social architecture, and the income distribution with the FI. As dictated by Lopez del Valle (2020), the construction of fiscal policy in Argentina has been designed as the economic stance taken by the government for the reduction of the poverty rates. Along with such, in the thoughts and beliefs by Kelikume (2021), informal economy and poverty reduction in Africa has been inculcated through FI as a form of social architecture. Through such a measure, the nation has generated the capacity to see an improvement in the reduction of poverty, from 54% in 1990 to 41% in 2015 (Kelikume, 2021). As per the point of view of Churchill & Marisetty (2020), FI has seen to contribute to poverty reduction in India by the methodical management of the income distribution and entangling entrepreneurship within the population. As viewed by Ye, Chen & Li (2022), the integration of financial technology has acted as a driver of poverty alleviation in China where the growth factor in poverty reduction has been associated through a rise in the working opportunities.

6. CONCLUSION

Thus, the study identified that through economic growth, bridging the gap between the financial classes of people, and providing sufficient financial services, the decline in poverty can be noted. With the improvement of the working architecture by the governments of the nations, the determination of the factors and the tactical development of the social and financial aspect of the population can be formed. The study focused on the positive association occurring between FI with the provision of basic amenities to the public, the distribution of income, the rates of poverty and the social concepts of the society. With the aid of such a statistical evaluation through the responses from the 64 participants, the view and the opinions of the public domain regarding the core topic of the study had been performed.

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Appendix 1: Questionnaire

1. What is your age?
2. What is your gender?
3. What is your educational qualification?
4. Financial inclusion can reduce poverty.
5. Financial inclusion can reduce income inequality.
6. Financial inclusion provides credit and financial services to the poor.
7. Financial inclusion is negatively associated with poverty rates because higher access to financial services by lower-income groups.
8. Investing productive activities as well as through interest earned from savings occurs with financial inclusion.
9. There is the enhancement based on the deposit as source of credit with financial inclusion.
10. Improvement of income distribution occurs due to financial inclusion.
11. Providing proper access to food is generated with the usage of financial inclusion initiatives.
12. Basic essentials to the households and families belonging to the below the poverty line is enabled with financial inclusion initiatives.
13. Financial inclusion measures help in delivering lasting social outcomes that reduce poverty and improve people's lives.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

None.

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