Abstract of Doctoral Dissertation

Title: The Role of Financial Inclusion in Achieving Key Sustainable Development Goals (SDGs) in Developing Countries

Doctoral Program in Economics
Graduate School of Economics
Ritsumeikan University

スマンタ クマール サハ
SUMANTA KUMAR SAHA

This research focuses on the impact of financial inclusion on three key Sustainable Development Goals (SDGs): poverty reduction (SDG-1), economic growth (SDG-8), and gender equality (SDG-5) in developing countries. The primary objective is to empirically examine how financial inclusion influences these SDGs. Chapter 1 provides background information, research objectives, summary results, and the link between financial inclusion and the selected SDGs in developing countries.

Chapter 2 provides a comprehensive review of relevant literature on the impact of financial inclusion on the selected SDGs. Previous studies have shown that financial inclusion can provide new opportunities to financially excluded individuals in various ways. For instance, Chliova et al. (2015) demonstrate that access to finance can benefit poor people by stimulating income, encouraging savings, smoothing consumption, and supporting business growth. Similarly, Kara et al. (2021) find that households use financial services to fulfill their financial needs, own houses, establish businesses, and invest in skill development and education. These findings suggest that by enabling financially excluded individuals to utilize such opportunities, financial inclusion can promote economic growth and reduce poverty and gender inequality in developing countries.

Chapter 3 discusses data and methodological issues. This research constructs a novel composite financial inclusion index (FII) based on Sarma (2012). The index combines six financial access indicators collected from the Financial Access Survey of the IMF. The index is used to investigate the impact of financial inclusion on the three SDGs in developing countries during 2004-2019 using annual panel data. Data for the analysis have been collected primarily from the World Development Indicators (WDI) of the World Bank.

Chapter 4 applies dynamic and static panel estimation techniques to analyze the impact of financial inclusion on two different poverty levels. Previous studies have found that women and people with lower income, wealth, and financial literacy often face discrimination in accessing financial services. This research expands the analysis of poverty by examining how unequal access, various inequalities, education level, and institutional quality influence poverty reduction through financial inclusion. The

results reveal that financial inclusion can reduce poverty in developing countries, particularly if disadvantaged groups such as women and the poor are given more opportunities to utilize financial services. Furthermore, the impact of financial inclusion is influenced by various factors, including inequalities in accessing financial services, women's participation in decision-making, financial literacy levels, and institutional quality. If these factors encourage the utilization of financial services, financial inclusion can substantially reduce poverty.

Chapter 5 employs the two-stage system generalized method of moments (GMM) method to analyze the impact of financial inclusion on economic growth. The results indicate that financial inclusion has a significant positive effect on economic growth in developing countries. The findings suggest that the increased economic activity of lower-income individuals, induced by financial inclusion, contributes to economic growth.

Chapter 6 applies an instrumental variable approach and follows the framework proposed by Kim (2021) to analyze the impact of financial inclusion on gender inequality. Building on the work of Duflo (2012), the research argues that financial inclusion policies can reduce poverty and increase income, which disproportionately benefits women. The findings suggest that, despite the discrimination faced by women in accessing financial services, financial inclusion can still alleviate gender inequality in developing countries, primarily through the economic development channel. Specifically, the results confirm that economic growth and poverty reduction through financial inclusion enable lower-income households to allocate more resources toward women's health and education, ultimately helping to reduce gender inequality.

Chapter 7 analyzes the impact of financial inclusion in Bangladesh and finds that financial inclusion helps attain high economic growth and lower poverty and gender inequality in the country. The research also finds that although Bangladesh has made significant progress in financial inclusion over the last decade, the overall level of financial access in Bangladesh still lags behind most other neighboring South Asian countries.

The research suggests that policymakers in developing countries can rely on greater financial inclusion to combat poverty and gender inequality and boost economic growth. To achieve this, policymakers should make financial services more accessible to disadvantaged groups such as women and the poor. Additionally, the research proposes that policymakers work to enhance financial literacy and institutional quality, as these factors can enhance financial inclusion's impact on the three selected SDGs. Given the scope for expanding financial services to untapped customers in developing countries, the study recommends that financial institutions grow their business by offering customized financial services that meet the need of the users.