Financial Inclusion, Globalization and Economic Empowerment: Insights from Asian countries

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DECLARATION OF AUTHENTICATION

I, Kinza Sahar, MBA Student in the Department of Management Sciences, Bahria University, Islamabad, certify that the research work presented in this thesis is to the best of my knowledge my own. All sources used and any help received in the preparation of this dissertation have been acknowledged. I hereby declare that I have not submitted this material, either in whole or in part, for any other degree at this or any other institution.

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ABSTRACT

Financial inclusion in Asian countries still facing difficulties in this regard, including inadequate infrastructure, regulatory problems and socioeconomic obstacles, which limit the availability to financial services for the population of such countries. In response to these challenges, this study examined relationships between financial inclusion (FI), globalization, and economic empowerment in Asian countries. This research addresses the gap by examining how financial inclusion influences economic empowerment, fostering Globalization, and stimulating the integration of Asian economies into the global financial system. The study employs a dynamic panel data methodology, using Generalized Method of Moments (GMM) estimation, to analyze data from 13 Asian countries spanning from 2004 to 2024. The results suggested that financial inclusion significantly contributes to economic growth and enhances human development, measured through the improvements in education, health, and income level. Further, the study revealed that foreign direct investment (FDI) plays a pivotal role in driving financial inclusion, while inflation reduces its positive effects on economic empowerment. This research emphasizes the needed to develop such policies that enhance financial access, particularly in underdeveloped areas of Asia. The study also highlights the role of Banks Services in fostering inclusive economic development. Furthermore this study also highlights the influence of inflation and social well-being (HDI) in strengthening the effects of financial inclusion on economic empowerment and globalization. This contribution provides valuable insights for policymakers aiming to leverage financial inclusion as a tool for sustainable economic development and integration into the global economy to Asia as well.

KEY WORDS:

Asian countries, Financial Inclusion, Economic Empowerment, Globalization, GMM mode,

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CHAPTER 1

1. INTRODUCTION

1.1 Background

Access and effective use of financial services is said to be financial inclusion. Financial services include a range of facilities such as ATM's Access, Bank Branches, and Deposit with Bank means. It also includes the said facilities provided to consumers in well effective way and the regulation of these services also come under financial inclusion. So this is the most basic understanding that financial inclusion starts from having a bank balance or transaction account in bank or in other financial institutes to deposit, receive and send money (Singer, Demirguc-Kunt, Van Oudheusden, & Klapper, 2015).

Financial inclusion emphasizes utilization of financial services at low cost and effective manners. Financial Inclusion plays an important role in Economic growth and Globalization that substantially affect the social well-Being (Gir´ on et al., 2021; Lannquist & Tan, 2023).In previous studies, they find out that an easy access to financial services can help in upgrade of economic empowerment and reduces the low income level.

The easy accessibility and application of formal financial services to people and business that have been locked out of the financial system in the past is said to be financial inclusion. It has proven to be an important element in the inclusive economic development over the last several decades. Financial inclusion helps people to access basic services like Save money for future, to get loans, and to get insured, and empowers them and creates entrepreneurship (Ozili, 2021). Through including the marginalized groups in the mainstream financial framework, there is a likely economic empowerment of people through the provision of increased access to resources, which, in turn, can assist in securing better jobs and higher income, as well as socio-economic mobility (Khan, 2024).

Moreover, the issue of financial inclusion has increased more and more popularity as a device of globalization. It has a close connection with the greater contribution in the global

economy, enabling the foreign direct investment (FDI), Remittances, and access to Import/Export from Global Market (Basnayake et al., 2023). The more countries enhance their financial structure, and avail more financial services, the more they are creating a promising environment to international trade and investment which leads to international incorporation. It has been found out that financial inclusion can improve the investment capability of a country in foreign capital, thus joining the domestic economy to the larger globalization progression (Jima et al., 2023).

Although previous studies analyze the issue of Financial Inclusivity a way of Enhancing economic empowerment and addition of global market, none have accomplished to look at the outcomes of this factor on economic empowerment and globalization especially in the context of the Asian economies. This literature gap is large, as the organized, economic, and social conditions of the Asian countries are varied. The relationship between FI, economic empowerment and globalization is fundamental to the context of how financial services influence the economic empowerment in this area.

This research investigate that how financial inclusivity impacted economic empowerment and globalization in Asian countries through the arbitrating influences of inflation and Human development index that is representation of social well-being. The study repeat empirical contexts in other geographical areas but use them in Asia, considering the particularities of the related factors that make the connection between FI, the economic results, and global incorporation.

Economic empowerment, financial inclusion and globalization are highly interrelated and in most instances in Asian nations, and it is a multilayered relations that drives development and sustainability in the region. Financial Awareness, which is the availability and usage of cheap financial Facilities, is instrumental for economic empowerment by giving individuals and companies, in specific, those at the lowest economic tier, a chance to engage in entrepreneurship, savings, and investments (Basnayake et al., 2024). These effects are further enhanced by globalization which is attracting foreign direct investment (FDI) by integrating economies thus affecting financial stability. (Zaidi et al., 2024).

The present study attempts to investigate the impact of financial awareness on economic growth stringently managing salient macroeconomic determinants at global, income level and regional levels. The literature is still in a state of flux empirically with a lack of clarity on the scale, scope, and way forwards of the impact on financial inclusion. An evident contradiction appears: the small number of researches that focus on country-specific backgrounds, developed or developing, provides inconsistent and even confounded results, which excludes a healthy, universal policy course. Moreover, the lack of an extensive empirical study that outlines the function of financial inclusion in economic development in a global perspective, thus allowing conducting a broad comparative policy analysis, is an apparent gap in the research. It is the need to fill this gap that forms the major driving force behind this study.

1.2 Research Gap

Literature on financial inclusion is completely focusing on the effect of financial inclusion on economic empowerment and reduction of poverty (Osuma 2024), Moreover, the previous Studies includes the role of Automated Teller Machines (ATMs) and Digital Financial Services (DFS) to analyses financial inclusion, especially in countries e.g. Sub-Saharan countries. Research has highlighted the significant impact of digital financial inclusion on boosting economic growth, alleviating poverty, and tackling regional disparities in access to financial services (Osuma, 2024; Ayadi et al., 2022).However, while these studies offer some valuable understandings, there is a strong gap present in the literature mainly when it comes to examining the same variables in the context of Asian countries. Asia has diverse kind of financial systems, socio-economic conditions, and development strategies, which may yield different insights into the link between financial inclusion and wider economic results (Zhang, 2021; Choi & Park, 2020).

Additionally, while much of the research conducted in Sub-Saharan Africa highlights poverty alleviation as the primary outcome of financial inclusion, this study redirects the focus towards economic empowerment and globalization. So to bridge the gap as the

previous studies in lacking of empirical studies that lack of empirical studies that examine the effect of financial inclusion on both economic empowerment and globalization in Asian countries altogether (Akin & Ojo, 2023). The inflation effects act as a controlling variable is also investigated see the impact on financial inclusion on economic system (Mody & Jha, 2022).

Moreover, there is not any extensive study showing interaction role of social Well-Being is also lacking behind in respect of financial with respect of Asian countries. HDI assists as a fundamental measure of social well-being, about indicators like education, life expectancy, and income levels. Understanding how financial inclusion influences HDI in Asian countries can offer a more inclusive view of its wider social impact. This gap in the literature highlight the importance for a study that discovers the multi-layered effects of FI on economic Empowerment, globalization, and social well-being under HDI (Pandey & Kumari, 2023; Sethy, Moharaj, & Meher, 2025).

This study focuses on Asian countries and integrating controlling variable inflation and HDI, aims to fill these gaps and contribute to the existing literature by replicating and adapting the methodologies used in studies focusing on Sub-Saharan Africa, particularly (Osuma 2024), to the Asian context.

1.3 Problem Statement

Financial inclusion (FI) has come to be an important element in supporting economic development and improving individual empowerment, especially in developing regions like Asia. The study is going to access the financial services such as Banking services availability, Smooth Account opening procedures and Availability of automated teller machines, it is hypothesized that it eventually enable individuals to invest in key areas like better education, healthcare, and entrepreneurship, thereby improving economic empowerment (Ozili, 2021). However, there are many studies that expands the research to check the function of financial inclusion to improve income level and to reduce poverty

but the gap is still there as there is not extensive study done on financial inclusion on economic empowerment and globalization. Mainly in Asian countries.

Although an extensive studies done in financial inclusion in region like Asia is there, but the interaction between financial inclusiveness and globalization (through foreign direct investment (FDI)) is not studied well. Financial systems play a vital role in incorporating domestic economies into the global financial network, yet the direct connection between global markets and FI a country's participation still has been under studied (Basnayake, Naranpanawa, Selvanathan, & Bandara, 2023). However, inflation act as a macroeconomic control variable here, which is rarely incorporated in studies discovering these dynamics, even though its important effect on both economic growth and financial inclusion. The interaction between FI, economic empowerment, and globalization with respect to potential altering effect of inflation has not been satisfactorily studied in present literature (Jima, Mengistu, & Raza, 2023).

Further, Human Development is measured as for social well-being, that's act as essential dimension of understanding the overall effect of financial awareness. Previously studies concluded the interation of financial inclusion and inflation has positive influence on HDI, especially in Asia (Sethy, Moharaj, & Meher, 2025).

This research is to bridge the gap by studying by examining the Asian countries cross country analysis of financial inclusion, globalization and economic growth across 13 Asian countries including Pakistan, India, China, Japan, Mongolia, Maldives, Iran, Korea, Afghanistan, Bangladesh, Bhutan, Sri Lanka And Nepal. Moreover, this study mainly focuses on the role of banking sector with different services provided by banks to analyze financial inclusion. These services includes Access to Automatic teller machines ATM's, Depositor with Bank and Commercial bank Branches. The ongoing study provide the deep understand through which we can able to find that which one of the Financial service impacted the most on enhancing financial inclusion in this Region.

1.4 Research Objectives

The main aim of this research is to finds the relationship between **financial inclusion (FI)**, **globalization** and **economic empowerment** among **Asian countries**. Specifically, the study aims to:

1. **To investigate the Influence of Economic Empowerment on financial inclusion in Asia.**
2. **Role of Financial Inclusion in Promotion of Globalization**.
3. **Investigate the relationship between Financial inclusion and inflation**
4. **To examine the relationship between financial inclusion and Social Well-being**.

1.5 Research Questions

The objectivity of this research is to examine the research questions derived from research objectives, are as follow:

Q1:How does economic empowerment influence financial inclusion and improve individual and community economic outcomes, such as income and employment, in Asian economies?

Q2:What role does financial inclusion play in promoting globalization through foreign direct investment (FDI) and participation in global financial markets?

Q3:How does inflation affect the efficiency of financial inclusion in fostering economic growth and supporting globalization?

Q4:To what extent does financial inclusion contribute to social well-being, as measured by the Human Development Index (HDI), including education, life expectancy, and income levels?

1.6 Significance of the Study

The significance of the study is to explore the role of financial inclusion (FI) in regards of economic empowerment, globalization, and social well-being (measured by HDI) among

Asian countries. Financial awareness is an important component of economic growth, yet the extent to which it effect the globalization and economic empowerment, particularly in the Asian context, has not been sufficiently examined. While much of the research on FI has concentrated on Sub-Saharan Africa, studies such as those by (Adeoye et al. 2024), (Osuma 2024) and (Abdulai & Issahaku 2024) established that how FI positively impact economic growth and financial integration among different regions. This research extends this work by focusing on Asian economies mainly, where the financial systems and socio-economic conditions are markedly different.

The role of FI in promoting globalization be the conclusions of this study contribute to understanding, particularly through different variable such as foreign direct investment (FDI) used for globalization. Previous research, like (Wang & Sibt-e-Ali 2024), has discussed that how financial inclusiveness enhances economic Growth, and this study examine whether the same be the case with Asian countries. By focusing on FDI and the overall addition of Asian countries into global financial markets, the research is going to offer important understandings into the role of financial inclusion in making the globalization process works.

Additionally, this study be analysis on the controlling variable of inflation in all this dynamics in the relationship between financial inclusivity, Globalization and Economic empowerment. Studies like (Adaramola & Dada 2020) have investigated that how inflation can creates a change in economic growth, and this study explore its effect on the efficiency of financial inclusion on both economic growth and globalization.

Finally, by linking FI to HDI that represents the social well-being among communities, the research contribute to the growing body of study that highlights the broader social impacts of financial inclusiveness among Asia. As (Adeoye et al. 2024) and (Musa et al. 2024) have studied, financial inclusion influences not just economic growth but also broader social indicators like education and healthcare. This study add to the knowledge on how financial inclusion can be a tool for refining social well-being (human development) in the background of Asian countries.

1.7 Scheme of the Study

The scheme of study done is break down into sections as follow: section 1 is consisted on Introduction, section 2 will be going to discuss the literature review, section 3 is about the methodology being adopted for investigation and model used, section 4 states the discussion and findings from the result we get after running model on variables and section 5 will be discussing conclusion, suggestions and future recommendation for further studies. Moreover in last section of this thesis contains references.

Chapter 2

2. Literature review

2.1 Financial Inclusion Gaps across Asian Countries: An Overview of Access Indicators

Financial inclusion is referring to a mechanism that make sure the easiness of accessibility, availability and use of the recognized financial system for all people of an economy. An inclusive financial system has several qualities which means it facilitates effective allocation of dynamic resources and thus can help smoothly to decrease the cost of capital (Sarma & Pais, 2011). Moreover, access to appropriate financial services can significantly improve daily management of finances. An inclusive financial system can help in releasing the growth of informal sources of credit (such as money investors) that are often found to be unfair. Thus, an all-inclusive financial system enhances efficiency and wellbeing by giving opportunities by facilitating a whole range of efficient financial services for secure and safe practices of saving (Sarma & Pais, 2011).

The significance of an inclusive financial system is extensively recognized in the policy circles and recently financial inclusion has become a policy importance in many countries. Initiatives for financial inclusion have come from the financial regulators, the governments and the banking industry. Legislative procedures have been initiated in some countries (Sarma & Pais, 2011).

Financial inclusion among Asian countries shows substantial differences, as evidenced by major access indices. A key metric, commercial bank branches per 100,000 individuals, denotes presence of physical accessibility to formal financial facilities. In many Asian countries where economies are growing, bank branches are Mostly Located in metropolitan areas, resulting in insufficient service for rural residents (Mustifa, 2022). The number of automated teller machines (ATMs) per 100,000 adults shows significant

differences, with limited availability in rural areas, hence resulting in restricted access to cash and financial activities (Le, Tu Chuc Anh, & Taghizadeh-Hesary, 2021).

Another important metric that say that the number of depositors with commercial banks per 1,000 adults, shows that the populations active engagement in formal financial systems. Although improvements in account ownership, to be excluded or inactive, especially women, low-income demographics, and those with lower educational attainment (Mustifa, 2022). Access gaps are normally worsened by socio-economic and cultural impediments, such as less financial knowledge and societal resolutions, which obstruct the implementation of both traditional and digital financial facilities.

Financial insertion can also be influenced by main economic and globalization developments. Foreign direct investment (FDI) is linked to improvements in financial setup and service availability, since increased FDI inflows often increase the growth of banking networks and capital accessibility (Basnayake, Naranpanawa, Selvanathan, & Bandara, 2024). Income level, is act as an indicator of economic empowerment, by influences people's capacity to save, invest in assets, and take part in recognized financial markets. Countries having people those have above average incomes typically display enhanced financial inclusion, whereas lower-income or below average income people come across structural and affordability hurdles (Mustifa, 2022).

The use of these proxies bank branches, ATMs, depositors, foreign direct investment, income levels, and inflation offers an inclusive analysis of financial inclusion inconsistencies among Asian countries. Realizing these disparities is fundamental for formulating targeted policies that enhance access, enables economic empowerment, and guarantee the justifiable circulation of globalization's advantages across people (Basnayake et al., 2024; Mustifa, 2022).

2.2 An observed Indication on Financial Inclusion as a key component to foster of Globalization in Asia

In recent times the open access study concludes that financial inclusion considerably plays a vital role in the advancement of globalization in Asian countries. Empirical evidence from 27 Asian nations spanning 2004 to 2019 shows that inclusion metrics, such as the number of ATMs and commercial bank branches per 100,000 adults, positively impact economic growth, a crucial element in promoting trade openness and global economic integration (Saha, 2025). An analysis of ASEAN countries from 1990 to 2019 indicates that financial inclusion and globalization substantially enhance gross domestic product growth, implying that inclusive financial systems and global market engagement mutually reinforce each other (Sharif, Mehmood, Tariq, & Haq, 2024).

From a macroeconomic perspective, financial globalization strengthens competition in the banking sector, encouraging financial institutions to extend services to underserved groups such as low-income households and small enterprises. Empirical evidence suggests that economies more integrated into global markets exhibit higher levels of financial access due to regulatory harmonization, institutional reforms, and adoption of global best practices (Beck et al., 2007; Sarma & Pais, 2011). Moreover, globalization accelerates the diffusion of financial technologies, including mobile banking and digital payments, which significantly lower geographic and informational barriers to financial inclusion (World Bank, 2021).

Our interconnected globe is transforming due to globalization, creatingan atmosphere of difficulties and opportunities as well. On one hand, increased commerce, technical advancement, and capital influx have facilitated economic growth, alleviating poverty for numerous individuals (Cabral et al., 2016). Conversely, not all individuals have equally profited from this global interconnectedness, resulting in heightened economic inequality (Autor et al., 2008; Mills, 2009; Firebaugh and Goesling, 2004). An inequality in income level denotes the disproportionate allocation of income within a society, leading to

pronounced disparities between the affluent and the impoverished, hence creating socioeconomic divides (Asteriou et al., 2014).

The advantageous effects of financial inclusion are improved in environments characterized by vigorous institutional quality, where regulatory frameworks, capital mobility, and financial openness are well established. Financial inclusion in these cases not only improves domestic economic performance but also improve the nation's awareness for commitment in global markets (World Development Perspectives, 2025). Moreover, taking about macroeconomic progress, financial inclusion promotes human capital development, necessary for globalization. In Asian panel with many countries, increased financial awareness is related with improvements in Human Development index, with foreign direct investment (FDI) serving as a complementary aspect that stimulates commitment in global financial flows (Xiao & Tao, 2022).

Furthermore, data from the least developed Asian nations indicates that improved financial inclusion uplifts national savings, therefore attracting foreign investments and endorsing integration into global financial institutions (Le, Tu Chuc Anh, & Taghizadeh-Hesary, 2021). These findings shows that financial inclusion, mainly as assessed through banking structure, penetration of depositor, and availability of ATM services, these all plays a huge role in functions of domestic economic empowerment and as a promoter for greater commitment of Asian economies in globalization.

2.3 Financial Inclusion and Economic Empowerment

Financial inclusivity considered as an easy access to and utilization of financial facilities, is important for development of economic empowerment and continuous development in Asian economies, with significant literature highlighting its beneficial impact on economic growth, globalization, and human development index (Thathsarani et al., 2021).

Evidence from past studies indicates that financial inclusion evidently inspires economic growth via mechanisms such as amplified credit distribution, savings mobilization, and improved resource effectiveness, with more evident effects noted in developing Asian regions (Basnayake et al., 2024; Hussain et al., 2024).

Financial inclusion grows these developments by providing facilities to past unbanked demographics at compressed transaction expenses (Hasan & Lu, 2023). Moreover this demonstrate that financial inclusion helps in poverty reduction and diminishes income inequality by allowing at risk households to stable the use, investment in education and entrepreneurial activities, and alleviate financial risks, especially in South and Southeast Asia (Park & Mercado, 2015; Ratnawati, 2020). In addition to economic pointers, financial inclusion develops human development results, including income levels, life expectancy, and education, mainly in Bangladesh, India, and Pakistan (Chowdhury & Chowdhury, 2023; Li et al., 2022).

One of the vital factor in economic growth is financial inclusion (Adedokun & A˘ga, 2023). A positive relationship have been established in several studies between economic growth and financial inclusion (Van et al., 2021; Wasim et al., 2022; Chehayeb & Taher, 2024). To say precisely, due to increased access to financial inclusion can have great impact on investment opportunities (Daud 2023) that directly have impact on economic growth in a region.

A study done on 21 Asian countries from 2004 till 2019 examine the empirical relationship between financial inclusion and economic growth. Study further divide its sample into developed and underdeveloped countries reveals that the effect of financial inclusion is positive impact on developing countries as compare to its effect on developed countries. These studies giving the insight to policy makers to design the policies that make effective and improved financial system without any biasness (Hussain et al., 2024).

2.4 The Impact of different banking facilities on Financial Inclusion

The accessibility of banking facilities such as bank branches, ATMs, deposit accounts, and digital channels plays a very vital role in influential levels of financial inclusion across developing economies. Previous studies consistently show that physical access to banking branches plays strongly influences individuals' chances of holding and using formal financial accounts. For example, (Allen et al. 2012) highlight that closeness to bank branches and simplified papers work requirements significantly increase account ownership at banks and usage, elaborating that accessible bank branch networks reduce blockage to entry into the organized financial system. Likewise, (Kendall et al.2010) states that bank branch density and institutional reach are very basic determinants of financial inclusion, especially in rural and geographically expanded populations where participation is hinder due to limited access.

The role of ATMs act as very complimentary role in giving banking facility, it is also highlighted across multiple studies. (Arora 2012) states that ATM Accessibility is a central component of the "physical access" aspect of financial inclusion because ATMs provide reduce the need for frequent branch visits and low-cost transaction services. This is reinforced by empirical evidence from India demonstrating that ATM and debit card consumption is significantly improves the easiness and frequency of financial transactions in banked households (Nandru, Anand, & Rentala, 2015). These findings stated that ATMs contribution is a greater usage of financial services by giving easy accessibility, less travel time, and making it in realtime withdrawal of payment and other payment activities.

Deposit taking services also exercise an important influence on financial inclusion. Researchers from China states that individuals are more likely to save and borrow formally when accessible deposit and credit facilities are available through banking institutions (Fungáčová & Weill, 2015). Studies from developing regions similarly show that households often rely on informal borrowing when branches, ATMs, and formal deposit points are unsatisfactory, emphasizing gaps that banking infrastructure must fill to stimulate inclusion (Efobi, Beecroft, & Osabuohien, 2014).

In the Asian context, essential factors such as literacy, low income level, and lack of awareness repeatedly work together with banking infrastructure to define financial inclusion outcomes. Research from India underlines that despite the presence of banking branches, individuals may remain excluded if affordability, financial literacy, and usage ease are not addressed (Chattopadhyay, 2011; Chandran, 2010).

Overall, the literature proves that bank branches, ATMs, and deposit account infrastructure serve as chief enablers of financial inclusion by dropping transaction costs, providing safe access points, and intensifying the outreach of financial services. These facilities stay essential in the Asian region, where financial inclusion depends deeply on both physical organization and the aptitude of individuals to use existing services effectively.

2.5 The influence FI (financial inclusion) of HDI (human development Index)

Research in South Asian nations demonstrates that financial inclusion is a vital catalyst for human development, improving education, health, living conditions and enhancing social well-being. Empirical evidence from South Asia indicates that access to formal financial services improves individuals' ability to invest in productive activities, stabilise consumption, and mitigate financial risks, thereby elevating essential elements of the social Well-being including income, life expectancy, and education (Ullah et al., 2023). The research demonstrates that financial inclusivity have positive and important influence on the Human Development Index (HDI), suggesting that when individuals obtain access to banking services such as savings accounts, credit, and electronic transaction capabilities, they are more equipped to finance education, access healthcare, and accumulate assets, thereby enhancing their overall well being.

Human development (HD) is an important goal for all countries, representing a common measure of progress that includes health, education, and the overall well being of individuals. The contribution of higher levels of human development is not only important

for improving the quality of life but also for adopting sustainable and comprehensive growth on a global scale. As countries struggle to improve their human development indices, financial inclusion (FI) develops as a key driver of this progress, including underdeveloped and developing nations. Financial inclusion plays an helpful role in growing opportunities, particularly for marginalized and poor populations, by providing them formal financial systems, which, in turn, contributes in economic empowerment, better living standards, and poverty reduction (Banerjee and Newman 1993). Elimination from the formal financial system rests one of the main hurdles to advancing human development. Financial exclusion is often called the denial of access to essential banking services for individuals from poor classes (Leyshon and Thrift 1995). Such elimination take away low income and marginalized societies of opportunities to contribute in formal financial activities, thereby regulating their ability to improve their socioeconomic status.

The authors further highpoint that strategies targeted at enlightening inclusion such as increasing banking availability, reducing account opening and maintaining costs, and growing ATM's in undeveloped areas plays a vital role in increasing human development outcomes in South Asia (Ullah et al., 2023). So the findings suggest that financial inclusion not only in support of economic empowerment for HDI but also accelerate broader social empowerment, it makes unprivileged groups to contribute more fully in economic activities. Thus, improving financial access is a serious opportunity through which Asian countries can raise human development levels and attain long term comprehensive growth.

2.6 Empirical Studies

Recent empirical studies examining financial inclusion (FI) as the dependent variable reveal a consistent trend: elevated national income and human development correlate positively with increased access to banking services (branches and ATMs) and enhanced depositor participation, whereas macroeconomic instability, indicated by inflation, tends to diminish inclusion. Cross country analyses utilising supply side indicators from the

IMF Financial Access Survey (FAS) and demand side indicators from the World Bank Global Findex demonstrate that GDP per capita and income level are strong, positive predictors of branch density, ATM penetration, and the number of depositors, as increased income enhances both the demand for financial services and the commercial feasibility of expanding physical infrastructure (IMF, 2024; World Bank, 2021). Panel studies that explicitly model financial inclusion (utilising branches, ATMs, and depositors as observed metrics) demonstrate that an increase in GDP per capita correlates with expansions in bank branch and ATM networks, as well as elevated depositor rates, after accounting for country fixed effects (Le, Tu Chuc Anh, & Taghizadeh Hesary, 2021; Azimi, 2022).

To measure human development, an index is used called Human Development index that is made upof constituents (education, health, and per capita income), demonstrates a positive and strong correlation with financial inclusion (FI). Empirical studies demonstrate that elevated levels of education and health outcomes enhance individuals' ability and inclination to utilise formal financial services, while a higher Human Development Index (HDI) contributes to the sustainability of market entry and outreach services for providers; thus, nations with superior HDI scores generally exhibit increased ATM and branch density along with greater depositor participation (Hayat, 2024; Abdelghaffar, 2023). Numerous recent research indicate mutually reinforcing dynamics: enhanced financial inclusion (FI) leads to improved human development outcomes through savings, credit for health and education, and risk management, while elevated Human Development Index (HDI) promotes greater inclusion (Azimi, 2022; Hayat, 2024).

Inflation and macroeconomic instability typically serve as barriers to financial inclusivity. A study examining the relation between monetary conditions and inclusion indicates that elevated inflation diminishes the real yield on deposits and erodes confidence in formal savings vehicles, potentially decreasing depositor engagement and deterring banks from investing in costly branch expansion into higher risk or lower income regions (Oanh et al., 2023; Azimi, 2022). Certain dynamic panel studies identify short term feedbacks

between inclusion and inflation (e.g., deposit shocks diminishing inflation); however, the predominant cross country evidence indicates that it is crucial to control for inflation when modelling financial inclusivity as a function of economic improvement and social well-being variables (Oanh et al., 2023).

2.7 Theoritical support

Financial inclusion is theoretically supported by several interrelated economic and development theories that explain how expanded access to formal financial services contributes to economic performance and human development outcomes. According to Financial Intermediation Theory, financial institutions play a crucial role in mobilizing savings, reducing information asymmetry, and efficiently allocating capital to productive investments, thereby fostering economic growth and social welfare (Beck et al., 2007; Allen et al., 2012). Expanding access to banking services through increased bank branches, ATMs, and depositor accounts enhances the depth and outreach of the financial system, which is a core dimension of financial inclusion. This mechanism is further reinforced by Endogenous Growth Theory, which argues that long-run economic growth is driven by internal factors such as financial development, investment in human capital, and innovation rather than exogenous technological progress alone (Banerjee & Newman, 1993). Financial inclusion supports this process by enabling households and firms to access credit and savings instruments that promote entrepreneurship, capital accumulation, and productivity, thereby generating persistent growth effects (Sarma & Pais, 2011; Van et al., 2021). Closely related, Human Capital Theory emphasizes that access to financial services allows individuals to invest in education and health, smooth consumption, and manage risks, leading to improvements in human development indicators such as life expectancy, education, and income levels, which are captured by the Human Development Index (HDI) (Chakraborty & Abraham, 2021; Chowdhury & Chowdhury, 2023). In addition, Institutional Theory highlights that the effectiveness of financial inclusion initiatives depends on the quality of institutions, governance, and

regulatory frameworks, as strong institutions enhance trust in financial systems, attract foreign direct investment (FDI), and promote broader financial participation (Ali et al., 2019; Demirgüç-Kunt et al., 2017). Modernization Theory further explains that as economies grow and structurally transform, financial systems deepen and modernize, leading to greater availability of formal banking infrastructure and higher financial participation among the population (Beck et al., 2008; Sethi & Acharya, 2018). However, macroeconomic instability, particularly inflation, can weaken these positive effects, as explained by the Inflation–Financial Access Trade-off Theory, which suggests that high inflation erodes real incomes and savings, discourages formal financial participation, especially among low-income households (Mody & Jha, 2022; Emara & El Said, 2021). Finally, Dynamic Adjustment Theory provides a strong methodological justification for employing a System GMM framework, as financial inclusion and development indicators adjust gradually over time and are influenced by their past levels, making it necessary to control for persistence, endogeneity, and unobserved heterogeneity in dynamic panel settings (Arellano & Bond, 1991; Blundell & Bond, 1998). Collectively, these theoretical perspectives establish a robust conceptual foundation linking financial inclusion indicators, macroeconomic factors, and human development outcomes, thereby supporting the empirical strategy and variable selection adopted in this study.

2.8 Conceptual Framework

The conceptual framework of this study is grounded in existing literature and seeks to explore the determinants of financial inclusion. It illustrates the relationship between globalization and economic empowerment as independent variables, and financial inclusion as the dependent variable, while controlling for the effects of inflation and the Human Development Index (HDI).

Independent Variables:

- **Globalization:** Represents the integration of a country into the global economy, facilitating access to international markets, technologies, and financial services.
- Economic Empowerment: Captures the capacity of individuals and communities to participate effectively in economic activities, improving access to resources and financial decision-making.

Dependent Variable:

- **Financial Inclusion:** Refers to the accessibility and usage of formal financial services by individuals and businesses, enabling economic participation and growth.

Control Variables:

- **Inflation:** Considered as a macroeconomic factor that can affect individuals' access to and use of financial services.
- **Human Development Index (HDI):** Reflects social and economic development, influencing the level of financial inclusion across different regions.

The framework suggests that globalization and economic empowerment positively influence financial inclusion by expanding access to financial services and enabling economic participation. At the same time, the control variables—inflation and HDI—are included to account for external economic and social factors that may affect financial inclusion, ensuring a more accurate understanding of the relationship between the independent variables and the dependent variable.

In essence, the framework proposes that while globalization and economic empowerment drive financial inclusion, macroeconomic conditions and human development levels may strengthen or weaken this relationship.

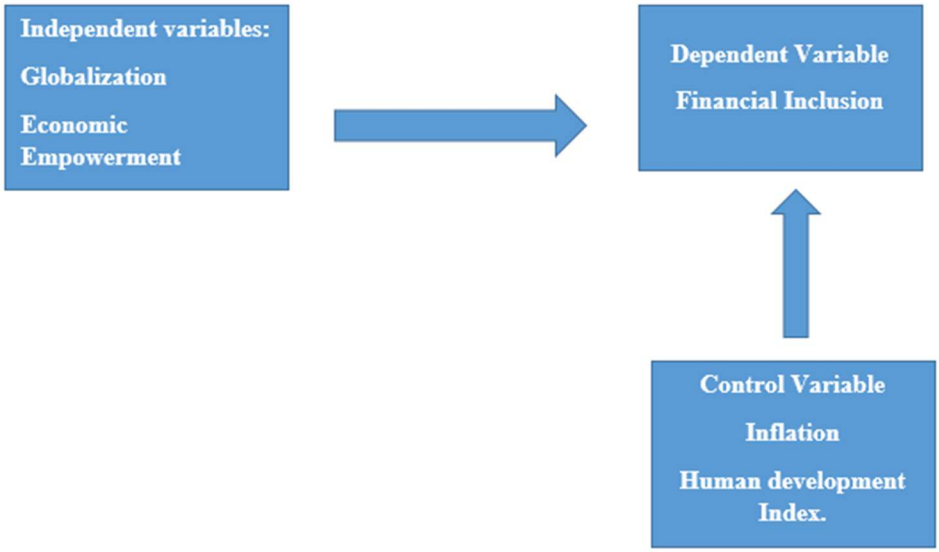

Figure 1: Conceptual Framework diagram.

CHAPTER 3

3. Methodology

The dynamic panel system GMM used in the study because it offers better effectiveness by using additional moment conditions, which decreases associated preference or biasness within a finite sample. GMM also have control on endogenity and also talks about unobserved heterogeneity. Both the level and differenced equations are leverages by system GMM, which increases precision and strength when estimating panel models (Kukenova & Monteiro, 2008). Table 1 presents the outcome, as well as the explanatory and control variables adopted for the study.

3.1 Estimation technique

A method called GMM (Generalized Method of moment) developed by Hansen (1982), is a extensively used estimation technique in econometrics. The Generalized Method of Moments (GMM) model is brilliant in use for handling endogenous data, especially in panel datasets, because instrumental variables (like lagged variables) is being used to study endogeneity from unobserved heterogeneity, measurement error, omitted variables, and dynamic feedback, and give consistent estimates. GMM is mainly being advantageous in conditions involving endogeneity, unobserved heterogeneity, and dynamic panel data. GMM an essential tool due to its flexibility and efficiency for economic modeling, particularly in macroeconomic data and panel data analysis (Hansen, 1982; Arellano & Bond, 1991).

Following the empirical method used in Osuma (2025), ymy study can apply the Generalized Method of Moments (GMM) for valuation. The GMM model accounts for endogeneity and unobserved heterogeneity in data, making it ideal for dynamic macroeconomic relationships. It allows for more reliable coefficient estimates, especially where independent variables (e.g., income level, FDI) may correlate with past or current

error terms. Using GMM strengthens the robustness of your analysis by controlling for omitted variable bias and measurement errors.

The principal advantage of GMM is its capacity to address endogeneity and measurement error issues commonly seen in economic data. In numerous models, particularly dynamic models, explanatory variables exhibit correlation with the error term. For example, in a model analyzing the impacts of globalization and economic empowerment on financial inclusion, reverse causality or omitted variable bias may arise. GMM mitigates these issues by employing valid instruments (variables that correlate with the endogenous explanatory variables yet remain uncorrelated with the errors), so guaranteeing consistent estimates even when conventional approaches falter. The Generalized Method of Moments (GMM) enhances efficiency by employing numerous instruments for each endogenous variable, surpassing the efficacy of simpler instrumental variable techniques (Blundell & Bond, 1998; Blundell, Bond & Windmeijer, 2000).

Furthermore, GMM is particularly appropriate for dynamic panel data models, in which the dependent variable is contingent upon its historical values (lagged variables). Financial inclusion may be affected not just by present levels of globalization and economic empowerment but also by their historical values. Employing lagged dependent variables as instruments for GMM addresses the dynamic characteristics of the data, resulting in more robust and reliable results (Blundell & Bond, 2000).

In addition , generalized method of moment proficiently work on large and small sample size by using system GMM and difference GMM methods, particularly when data exhibits persistence over time, as is common in macroeconomic and financial datasets (Blundell & Bond, 1998; Blundell, Bond & Windmeijer, 2000). The distinction between these methods lies in the way they treat the lagged dependent variables, with system GMM generally offering better performance in the presence of persistent panels.

To explain equation (1), the equation indicates that the Zit instrument is not linked with the error term i.e. μit. This is an important condition for an instrument to be valid in the

GMM frame work. So this is being suggest that the Zit gives valid instruments for endogenous variables.

$$E[Zit\ \mu it] = 0 \quad \text{and} \quad E[Zit\ \mu it] = 0 \tag{1}$$

The GMM function is written below:

$$\mathrm{Q}(\theta) = \left(\frac{1}{N}\sum_{i=0}^{N} Zit\ \mu it\ \right) \quad W\ \left(\frac{1}{N}\sum_{i=0}^{N} Zit\ \mu it\ \right) \tag{2}$$

To explain the GMM Function here θ is indicating the parameters (β and α) to be calculated, Weighting matrix is being denoted by W and N is number of observations. The Factor θ are those that minimize Q(θ).

This Research follows the empirical model of (Abdulai and Issahaku, 2024), but interpret for the unique interaction between Economic Empowerment (Income Level) and Globalization (foreign direct investments) FDI in financial inclusion. Equation (3) explains the notations of the variables.

$$FI[Z_{it}I_{it}] \tag{3}$$

Where FI represents financial inclusion, which is formed from proxies i.e. Automated Teller Machines (Per 100,000 Adults), Depositors With Commercial Banks (Per 1,000 Adults) and Commercial Bank Branches (Per 100,000 Adults), The independent variable denoted as Zit proxies by FDI and Income Level, while Iit is the control variables proxied by INFL and HDI. The expansion of equation (3) to include the independent variable is specified as:

$$FI_{it} = \beta_0 + \beta_1 INCM_{it} + \beta_2 FDI_{it} + \mu_{it} \tag{4}$$

Equation (4) is further expanded to incorporate the dependent and control variables. Equations (5), (6) and (7) present the baseline equation for ATM, Depositor's and Bank Branches respectively.

$$ATM_{it} = \beta_0 + \sum_{j-1}^{P} \gamma j ATM_{i(t-j)} + \beta_1 INCM_{it} + \beta_2 FDI_{it} + \beta_3 INFL_{it} + \beta_4 HDI_{it} + \mu_{it} \quad (5)$$

$$DPST_{it} = \beta_0 + \sum_{j-1}^{P} \gamma j DPST_{i(t-j)} + \beta_1 INCM_{it} + \beta_2 FDI_{it} + \beta_3 INFL_{it} + \beta_4 HDI_{it} + \mu_{it} \quad (6)$$

$$BRNCH_{it} = \beta_0 + \sum_{j-1}^{P} \gamma j BRNCH_{i(t-j)} + \beta_1 INCM_{it} + \beta_2 FDI_{it} + \beta_3 INFL_{it} + \beta_4 HDI_{it} + \mu_{it} \quad (7)$$

Where: $\sum_{j-1}^{P} \gamma j BRNCH_{i(t-j)}$, $\sum_{j-1}^{P} \gamma j DPST_{i(t-j)}$ and $\sum_{j-1}^{P} \gamma j ATM_{i(t-j)}$ represent the summation of lagged values of ATM, BANK_BRANCHES and DEPOSITER's with banks to run system GMM estimation, μit value is the unobserved individual specific effects and error term in the equation is εit. Other studies, such as (Mustafa, 2019; Omankhanlen, 2011; Tsaurai, 2018), have noticed both direct and inverse relationships between FDI and Inflation.

According to literature, financial inclusion also act as a social inclusion factor, that have a vital role in reporting income level or income inequality by offering advancement opportunities to unprivileged part of the population (Omar & Inaba, 2020).

3.2 Sample and Data Source

To assess the influence of financial inclusion on economic development and globalization, this research employs panel data comprising 13 Asian nations spanning a period of twenty one years, from 2004 to 2024. The nations chosen for the study are India, China, Japan, Korea, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, Maldives, Mongolia, Iran, and Afghanistan. The variables used in this analysis, as described in Table 1, were data took

from the World Development Indicators (WDI) and the Human Development Report database. These sources include extensive data on essential economic indicators, including GDP growth, foreign direct investment (FDI), inflation, and measurements of financial inclusion, such as ATM accessibility, the number of bank depositors, and commercial bank branches..

The reasoning for selecting these countries is putting enough of their efforts to enhance financial inclusion, which has been an important point in many Asian economies. Selected countries face unique problems in terms of economic disparity, infrastructure development, and social inclusion, making them ideal subjects for understanding the role of financial inclusion in fostering economic growth and regional globalization.

As per different studies that includes **Abdulai and Issahaku (2024)**, these countries have recognized the importance of inclusive financial systems that promote broader economic participation, globalization and enhance social and environmental sustainability goals closely aligned with the Sustainable Development Goals (SDGs**)**. Each country's approach to achieving financial inclusion reflects different strategies based on its own socioeconomic context, contributing to a more comprehensive understanding of how financial inclusion can impact economic development and poverty reduction in Asia.

3.3 Data Collection Methods

This study used secondary data sourced from two primary databases: the World Development Indicators (WDI) and the Human Development Report (HDR). The data spans a period of 21 years from 2004 to 2024 for 13 Asian countries. The countries included in the analysis are India, China, Indonesia, Japan, South Korea, Pakistan, Bangladesh, Iran, Maldives, Mongolia, Afghanistan, Sri Lanka And Nepal.

The proxies for financial inclusion were derived from the WDI, including variables such as Commercial Bank Branches (Per 100,000 Adults), Automated Teller Machines (Atms) (Per 100,000 Adults), Depositors With Commercial Banks (Per 1,000 Adults) (World

Bank, 2024). These indicators are widely used in the literature to measure the degree to which financial services are accessible and inclusive for various segments of the population.

To measure globalization, I used indicators such as foreign direct investment (FDI) available in the WDI database (World Bank, 2024). This reflect the extent to which countries are integrated into the global economy, a key element in understanding how globalization influences financial inclusion.

Economic empowerment was captured using variable like income levels. These data were also sourced from the WDI (World Bank, 2024). These proxies are intended to reflect how well individuals and communities are empowered economically, which is closely linked to their ability to access and use financial services.

Inflation and Human Development Index (HDI) were included as control variables in the analysis. Inflation was measured using GDP per capita from the WDI (World Bank, 2024), while HDI was sourced from the HDR (UNDP, 2024). The HDR provides more detailed and reliable data on social well being and development, which is why it was preferred over the WDI for HDI data in this study. The HDI includes factors such as life expectancy, education levels, and income, which are critical for understanding social well being in relation to financial inclusion.

The use of secondary data was appropriate for this study due to the availability of comprehensive and consistent datasets covering multiple countries over an extended period. By utilizing panel data from these reputable sources, this study was able to examine the relationship between financial inclusion, economic growth, and globalization while controlling for external factors such as inflation and social well being (HDI).

GMM is best suited for datasets with **panel structure**, where observations cover multiple entities (e.g., countries, firms, or regions) over several periods. This method works well with **dynamic relationships**, such as those involving **globalization**, **economic empowerment**, and **financial inclusion**. By utilizing GMM, you can **estimate the impact of globalization and economic empowerment on financial inclusion** while controlling for endogeneity and ensuring robust, efficient estimates despite the presence of unobserved heterogeneity across entities (Hansen, 1982; Blundell & Bond, 1998).

Table 1: Description of Variables

Variables	***Proxies***	***Identifier***	***Source***	***References***
Dependent Variable				
Financial Inclusion	Commercial Bank Branches (Per 100,000 Adults)	BANK_BRANCHES	WDI	(Ali, Nazir, Haider Hashmi, & Ullah, 2019)
	Automated Teller Machines (Atms) (Per 100,000 Adults)	ATM's	WDI	(Osuma, 2025), (Ali, Nazir, Haider Hashmi, & Ullah, 2019)
	Depositors With Commercial Banks (Per 1,000 Adults)	DEPOSITOR's	WDI	(Ali, Nazir, Haider Hashmi, & Ullah, 2019)
Independent Variables				
Globalization	Foreign Direct Investment, Net Inflows (% Of GDP)	FDI	WDI	(Sharif, Mehmood, Tariq, et al., 2024)
Economic Empowerment	GDP Per Capita (Current US$)	GDP	WDI	(Osuma, 2025)
Control Variable				
Inflation	Inflation, Consumer Prices (Annual %)	INFL	WDI	(Osuma, 2025)

Table 1 Source(s): Compilation based on literature

Note: The Data Taken from WDI (World Bank, 2025), and the human development index's data has been sourced from (Human Development Report).

3.4 Sample Criteria and Justification

In this study, the sample size of countries are 13 with year starts from 2004 to 2024. These selected countries are selected on the bases of diversification of economy, varying level of Financial inclusion among countries and economic landscape. One of the main reason of choosing this region is the Literature GAP as per (Osuma, 2024). Other reason could be said i.e. variation in economy of this region, Data Avaiblibity, repid financial inclusion initiatives.

3.5 Ethical Considerations

Since no human participants are used in the study and all secondary data is freely accessible, there aren't many ethical issues. However, in order to maintain academic integrity, all data sources shall be properly attributed and cited. Issues with personal safety or data privacy are not expected.

CHAPTER 4

4. Results and discussion

4.1 Descriptive statistical Analysis

The descriptive statistical analysis in Table 2 showed an important economic differences across the 13 Asian countries included in this analysis, from 2004 to 2024. The commercial bank branches per 100,000 adults have an average of 18.42, with an important standard deviation of 15.62, highpointing the considerable difference in the access of banking services across the region. Countries like South Korea and Japan have a condense network of commercial bank branches, while others, such as Afghanistan and Nepal are having much lower values, representing differences in financial infrastructure and acessibility. According to (Beck, Demirgüç-Kunt, and Peria 2007), many poor economies still struggle to provide extensive banking access, despite affluent countries in Asia demonstrating increased access to financial services.

The distribution of automated teller machines (ATMs) exhibits a comparable pattern, with an average of 50.98 ATMs per 100,000 adults and a standard deviation of 72.14, indicating considerable diversity within nations. The range of 0.16 to 288.73 ATMs illustrates the disparity between nations such as Japan and South Korea, where ATM networks are prevalent, and others like Afghanistan, where ATM availability is markedly limited. The absence of ATMs might impede financial contributions, restrict access to cash and financial services, hence impacting overall economic development (Ardic, Heimann, & Mylenko, 2011).

The average number of depositors per 1,000 adults in commercial banks is 459.86, accompanied by a substantial standard deviation of 426.89. This signifies a pervasive

disparity in the utilization of formal banking services among individuals. Japan and South Korea exhibit comparatively elevated levels of banking involvement, whilst Afghanistan and Nepal demonstrate significantly lower rates of financial services. This indicates that, despite advancements in financial inclusion, numerous nations continue to grapple with poor bank account penetration among their populations, especially in rural and undeveloped regions (Demirgüç-Kunt, Asli, & Klapper, 2012).

Foreign Direct Investment (FDI), quantified by net inflows as a percentage of GDP, has an average of 2.58% and a standard deviation of 5.58%. The range extends from -37.17% to 43.91%, indicating a substantial disparity in the degree of foreign investment among the selected nations for the study. China is distinguished by exceptionally high FDI inflows, which contribute to its status as a global center for manufacturing and foreign investment. Countries such as Afghanistan and Pakistan are suffering negative or low FDI inflows due to political instability and inadequate economic infrastructure, which impede their capacity to attract investment (Lipsey, 2001).

The average inflation rate among the countries is 6.88%, with a standard deviation of 8.37%, signifying substantial variability. The inflation rates vary from -6.81% to 49.15%. Countries like Sri Lanka and Pakistan are experiencing considerable inflationary pressure during economic downturns. Elevated inflation can undermine consumer confidence and purchasing power, resulting in economic volatility that disproportionately impacts the impoverished (Mishkin, 2007).

The GDP per capita, denominated in current US dollars, averages $7,831.98 with a significant standard deviation of $11,563.40. The spectrum varies from $221.79 in Afghanistan to $49,721 in Japan, underscoring considerable economic disparities within the region. Wealth disparities are apparent, with wealthier nations such as Japan and South Korea reporting significantly higher incomes, while Afghanistan and Nepal contend with

low per capita earnings, underscoring the challenges to economic progress in less industrialized countries (World Bank, 2024).

The Human Development Index (HDI), with a mean of 0.688 and a standard deviation of 0.136, reveals significant regional disparities. The Human Development Index (HDI) ranges from 0.408 in Afghanistan to 0.937 in Japan, indicating enhanced social well-being, education, and healthcare in more developed countries. Declining HDI scores in Afghanistan and Nepal signify challenges in education, healthcare, and income, which impede economic development and limit access to financial services. (United Nations Development Programme, 2024).

Table 2 reveals substantial economic, social, and financial disparities across the 13 Asian nations included in this study. Countries like Japan and South Korea exhibit strong financial systems, high economic development, and improved access to financial services, while nations such as Afghanistan and Nepal face significant challenges in economic stability, financial inclusion, and human development.

Table 2: Descriptive Statistic.

Variables	*Obs*	*Mean*	*Std. Dev*	*Min*	*Max*
BANK_BRANCHES	240	18.423	15.618	0.367	71.917
ATM's	221	50.976	72.14	0.156	288.731
DEPOSITOR's	250	459.855	426.89	6.501	1768.81
FDI	268	2.577	5.581	-37.172	43.912
INFL	235	6.876	8.374	-6.811	49.145
GDP	270	7,831.98	11,563.40	221.793	49,721
HDI	254	0.688	0.136	0.408	0.937

Note: The table shows the descriptive statistics of the dependent and independent variables.

4.2 Test for Multicollinearity; Correlation & Variance inflation Factor

The data in Table 3 of the correlation matrix provides valuable insights into the relationships among numerous economic, financial inclusion, and social well-being factors within the context of the 13 Asian nations examined in this study. The statistics encompass essential variables that jointly offer a thorough understanding of the financial and economic processes in these countries.

Commercial bank branches per 100,000 individuals exhibit substantial positive associations with many other variables (ATM 0.32, $p < 0.001$; depositors 0.61, $p < 0.001$; foreign direct investment 0.35, $p < 0.001$; human development index 0.48, $p < 0.001$). The findings indicate that nations with a greater number of commercial bank branches generally experience improved access to ATMs, a higher number of depositors, and augmented foreign investments, all of which are crucial for promoting economic growth and financial inclusion. The robust correlation with HDI indicates that nations with a greater number of commercial bank branches are more inclined to achieve superior social outcomes in education, healthcare, and income levels. The insignificant correlation with inflation (0.10, $p = 0.124$) indicates that inflation does not directly influence the presence of commercial bank branches, as other factors, such as economic stability and regulatory support, may exert a more substantial impact on the availability of banking infrastructure.

Comparable trends are evident in the prevalence of ATMs; the correlation with GDP per capita (0.65, $p < 0.001$) and HDI (0.70, $p < 0.001$) is robust and affirmative. The correlations suggest that affluent and developed nations typically possess superior access to ATMs, highlighting the significance of financial services in facilitating economic activity and promoting financial inclusion. Conversely, ATMs exhibit a substantial negative association with inflation (-0.33, $p < 0.001$), indicating that elevated inflation rates may restrict the growth of ATM networks. Inflationary pressure can induce economic instability, deterring banks and investors from financing financial infrastructure such as ATMs. These findings underscore the necessity for stable macroeconomic policies that would facilitate the expansion of banking services.

A positive correlation exists between the number of commercial bank branches per 1,000 adults (0.61, $p < 0.001$) and foreign direct investment (0.60, $p < 0.001$), as well as the number of depositors at commercial banks per 1,000 adults, indicating that countries with superior banking infrastructure generally exhibit a greater utilization of financial services. Furthermore, a positive correlation exists between depositors and GDP per capita (0.36, $p < 0.001$), indicating that wealthier states exhibit a greater level of engagement in the formal banking sector. The negligible correlation with inflation (-0.002, $p = 0.988$) suggests that the number of depositors is mostly unaffected by inflation; thus, economic stability and income levels may exert a more significant impact on banks membership.

The proportion of Foreign Direct Investment (FDI) inflows in relation to GDP demonstrates a substantial positive correlation with commercial bank branches (0.35, $p < 0.001$), depositors (0.60, $p < 0.001$), and GDP per capita (0.36, $p < 0.001$), suggesting that nations with superior financial systems are more likely to attract foreign investment. This supports the notion that financial infrastructure is a crucial element in enhancing a nation's appeal to international investors. The weak negative correlation with inflation (0.02, $p = 0.752$) indicates that inflation does not significantly influence FDI flows, perhaps due to the predominant effects of other factors such as political stability and market openness on investment decisions overseas.

GDP per capita exhibits significant positive correlations with ATMs (0.65, $p < 0.001$), depositors (0.36, $p < 0.001$), and HDI (0.68, $p < 0.001$), indicating that affluent nations often possess more access to financial services and superior social results. This indicates that financial inclusion and enhanced human development are fundamental drivers resulting from economic success. The weak negative correlation (-0.07, $p = 0.232$) with FDI indicates that, although economic growth plays a significant role, its impact on foreign investment may be affected by additional factors such as market size, political climate, and regulatory conditions.

A substantial negative association exists between the inflation rate and ATM (-0.33, $p < 0.001$) as well as GDP per capita (-0.32, $p < 0.001$), indicating that elevated inflation rates correlate with diminished access to financial services and economic instability. Inflation can diminish consumer confidence and curtail purchasing power, so constraining their capacity to participate in economic activities such as saving and investing. The trivial and feeble correlations between commercial bank branches and depositors (0.10, $p = 0.124$) and the negative association between inflation and overall financial involvement is not significant (-0.002, $p = 0.988$).

The Variance Inflation Factor analysis presented in Table 4 indicates that multicollinearity is not a substantial concern in the regression model. All VIF values are much below the critical threshold of 10 often employed to indicate problematic multicollinearity. The VIFs for FDI (% of GDP), GDP per capita, inflation, and HDI range from 1.050 to 4.800, suggesting a negligible correlation among the independent variables. Foreign Direct Investment (FDI) exhibits a Variance Inflation Factor (VIF) between 1.050 and 1.250, indicating modest multicollinearity, whereas GDP per capita spans from 3.200 to 4.800, reflecting moderate correlation although still within acceptable thresholds. The results demonstrate that multicollinearity does not compromise the validity of the regression model.

The correlation matrix (Table 3) verifies the VIF test results, as no correlation surpasses the 0.8 threshold typically employed to detect significant multicollinearity. The most significant correlation exists between ATMs and HDI (0.70, $p < 0.001$), however it remains below the essential threshold. The findings indicate a limited number of interdependencies among independent variables, thereby preserving the reliability of the regression coefficients. Consequently, the model's conclusions can be interpreted with the requisite level of confidence, mitigating the risk of biased estimates resulting from multicollinearity.

Table 3: Correlation table

Variables	BANK_BRANCHES	ATM's	DEPOSITOR'S	FDI	GDP	INFL
BANK_BRANCHES	1	0.32*** (0.000)	0.61*** (0.000)	0.35*** (0.000)	0.28*** (0.000)	0.10 (0.124)
ATM's	0.32*** (0.000)	1	-0.05 (0.631)	-0.10 (0.132)	0.65*** (0.000)	-0.33*** (0.000)
DEPOSITOR'S	0.61*** (0.000)	-0.05 (0.631)	1	0.60*** (0.000)	0.36*** (0.000)	-0.002 (0.988)
FDI	0.35*** (0.000)	-0.10 (0.132)	0.60*** (0.000)	1	-0.07 (0.232)	0.02 (0.752)
GDP	0.28*** (0.000)	0.65*** (0.000)	0.36*** (0.000)	-0.07 (0.232)	1	-0.32*** (0.000)
INFL	0.10 (0.124)	-0.33*** (0.000)	-0.002 (0.988)	0.02 (0.752)	-0.32*** (0.000)	1
HDI	0.48*** (0.000)	0.70*** (0.000)	0.36*** (0.000)	0.05 (0.471)	0.68*** (0.000)	-0.10 (0.145)

Note(s): *indicates 10% significant, **indicates 5% significant and ***indicates 1% significant

Table 4. Variance inflation Factor.

Variables	*ATM's*		*BANK BRANCHES*		*DEPOSIT's*	
	VIF	*1/VIF*	*VIF*	*1/VIF*	*VIF*	*1/VIF*
FDI	1.05	0.952	1.04	0.962	1.2	0.833
GDP)	3.2	0.313	3.1	0.323	4.5	0.222
INFL	1.2	0.833	1.18	0.847	1.15	0.87
HDI	3	0.333	2.9	0.345	4.1	0.244

Note(s): Table 4 is showing VIF test statistics for no multicollinearity evidence among the variables

4.3 Financial Inclusion GMM panel data

The findings from the generalized method of moments regression presented in Table 5 (Financial Inclusion), specifically Models 2 (ATMs), 3 (Commercial Bank Branches), and 4 (Depositors with Commercial Banks), provide critical insights into the correlation between financial inclusion and economic development, as well as the principal determinants including foreign direct investment (FDI), GDP per capita, inflation, and the human development index (HDI). The research indicates that across all models, the lagged dependent variable is significant, demonstrating a robust temporal persistence of the dependent variables. Model 1 indicates that the coefficient of the lagged dependent variable is 0.850 ($p = 0.002$), suggesting that prior values significantly influence financial inclusion. In Model 2, the coefficient for the lagged dependent variable is 0.988 ($p = 0.000$), indicating a significant level of persistence in ATM availability. This finding demonstrates that the accessibility of financial services, such as ATMs, remains constant throughout time, indicating a necessity for long-term policies to promote the advancement of financial infrastructure.

The findings indicate that foreign direct investment significantly influences financial inclusion. Foreign Direct Investment (FDI) in Model 2 (ATMs) exhibits a positive correlation with ATMs (0.332, $p = 0.004$), indicating that nations with greater FDI inflows are likely to own a higher number of ATMs. This aligns with the concept that foreign investment tends to enhance financial infrastructure (Lipsey, 2001). In Model 4 (Depositors with Commercial Banks), the FDI coefficient (4.857) is larger but exhibits reduced statistical significance ($p = 0.07$), suggesting a weaker association. This indicates that foreign direct investment may exert a more significant influence on specific aspects of financial inclusion, such as automated teller machines, compared to others, such as depositors. Gross Domestic Product per capita (Model 2): A positive correlation exists between financial inclusion and GDP per capita (0.204, $p = 0.04$), indicating that wealthier nations generally possess superior access to financial services, including ATMs. The correlation between GDP per capita and the number of bank branches does not significantly impact Model 3 (Commercial Bank Branches), as the correlation value (0.012) is insignificant (0.78), suggesting that the presence of bank branches may not be substantially affected by economic prosperity compared to other financial services.

The function of inflation is more intricate. In Model 2 (ATMs), the coefficient for inflation is significantly negative (-0.0903, $p = 0.04$), suggesting that excessive inflation may impede the growth of ATM networks, perhaps due to the economic instability it produces (Mishkin, 2007). Model 4 (Depositors with Commercial Banks) demonstrates a negative effect on deposit levels (-1.621, $p = 0.05$), indicating that inflationary pressures may reduce the number of individuals utilizing the formal banking system. Some components of financial services seem to exhibit greater sensitivity to inflation compared to others, as evidenced by the lack of a significant correlation in other models such as Model 1 (Financial Inclusion) and Model 3 (Commercial Bank Branches).

The implementation of HDI is essential to improve financial inclusion. In Model 2, the substantial positive correlation between HDI and ATMs is 32.303 ($p = 0.008$), indicating that increased access to ATMs corresponds with higher levels of human development. This fact substantiates the assertion that enhanced access to fundamental financial services correlates with elevated human development, as more educated and affluent populations are more inclined to utilize formal financial systems (UNDP, 2024). Likewise, HDI significantly improves the accessibility of financial services in Model 4 (Depositors with Commercial Banks) (127.171, $p = 0.049$), attributable to the importance of social development.

The diagnostic tests reveal significant information regarding the models' resiliency. In all models, the AR(2) p-values exceed 0.05, indicating the absence of substantial serial correlation among the residuals, and that the lagged dependent variable has been sufficiently accounted for. The AR(2) test is employed to identify second-order serial correlation, which can compromise the dependability of the estimations. The Sargan test, which assesses the validity of instruments employed in the GMM estimation, yields high

p-values for Models 1, 2, and 3 (p = 0.002, p = 0.000, and p = 0.000, respectively), indicating potential issues with the validity of the utilized instruments. The findings suggest that while the models offer useful insights, further refinement of instrument selection could strengthen the results, notwithstanding Model 4's somewhat lower instrument validity (p = 0.007).

The results of the GMM analysis indicated that the primary determinants of financial inclusion across all 13 Asian nations are foreign direct investment (FDI) and economic development, as measured by GDP per capita. Human Development Index (HDI) is a crucial factor in improving access to financial services, especially ATMs and deposit accounts. Nonetheless, inflation impacts both ATMs and depositors, underscoring the significance of macroeconomic stability in promoting financial inclusion. Notwithstanding the diverse validity concerns of the instruments highlighted by the Sargan test, the models provide valuable insights into the impact of foreign investment and economic growth on enhancing financial inclusion and facilitating access to banking services in these nations.

Table 5. Results of System GMM estimation for financial inclusion indicators

Variables	Model 1. FI	Model 2. ATM's	Model 3. BANK-BRANCHES	Model 4. DEPOSITER's
Lagged Dependent Variable	0.850*** (0.002)	0.988*** (0.000)	0.790** (0.04)	0.920*** (0.01)
FDI	0.024*** (0.004)	0.332*** (0.004)	0.123*** (0.001)	4.857* (0.07)
GDP	0.046** (0.03)	0.204** (0.04)	0.012 (0.78)	5.820 (0.26)
INFL	-0.00164 (0.82)	-0.0903** (0.04)	-0.0176 (0.32)	-1.621** (0.05)
HDI	2.736** (0.03)	32.303*** (0.008)	7.161* (0.08)	127.171** (0.049)
_cons	-0.0420** (0.05)	0.0341*	0.0316*	0.0716*
		-0.09	-0.07	-0.08
Observations	230	215	233	240
No. of Countries	13	13	13	13
AR(2) test p-value	0.626	0.084	0.897	0.646
Sargan test p-value	0.002	0	0	0.007

Note(s): p-values are reported in parentheses. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. AR(2) refers to the Arellano–Bond test for second-order serial correlation. The Sargan test examines the validity of over-identifying restrictions.

CHAPTER 5

5. Conclusion & Recommendations

5.1 Conclusion

Earlier studies have primarily concentrated on either the role of inclusion in globalization or its effect on economic growth. In light of the lack of research examining how these vital variables interact, this study aims to fill that gap by exploring how globalization and economic growth collectively influence financial inclusion through a macro-level comparison of key variables. The study utilizes a dynamic panel data methodology that encompasses 13 Asian countries over a 21-year period starting from 2004 to 2024. This research seeks to implement the system GMM estimation model to analyze the effects of macroeconomic stability, investment inflows, and social development on financial inclusion, evaluated through indicators such as ATMs, commercial bank branches, and the number of depositors.

The findings highlight a significant correlation among the variables over time, evidenced by the coefficients of the lagged dependent variable, which emerges as one of the key discoveries of the research. For instance, in Model 1 (Financial Inclusion), the lagged dependent variable has a coefficient of 0.850 ($p = 0.002$), implying that the financial inclusion level from the previous year is a strong predictor of its current value. This suggests that improvements in financial services are likely to exert a lasting influence, emphasizing the importance of ongoing and sustained governmental efforts to maintain the stability of financial systems. The durability of financial infrastructure in more developed countries is further illustrated by the lagged dependent variable in Model 2 (ATMs), which has a coefficient of 0.988 ($p = 0.000$), indicating that ATM availability remains quite stable over time.

Another vital element in promoting inclusion is the link between foreign direct investment (FDI) and financial infrastructure. Model 2 (ATMs), with a coefficient of 0.332 ($p = 0.004$), shows a positive contribution from FDI. This indicates that nations attracting FDI

inflows typically have a higher number of ATMs, emphasizing the role of foreign investment in expanding financial services. Likewise, FDI has a coefficient of 4.857 in Model 4 (Depositors with Commercial Banks), though the statistical significance is slightly lower ($p = 0.07$). Consistent with prior research that suggests foreign investment often stimulates infrastructure development in the financial sector, this indicates that FDI impacts specific financial services like ATMs more than general financial inclusion (Lipsey, 2001).

GDP per capita, a measure of a country's wealth, is also an essential factor affecting financial inclusion. Wealthier nations usually benefit from better access to financial services, as illustrated by the significant positive correlations found between GDP per capita and financial inclusion indicators such as ATMs (0.204, $p = 0.04$) and financial inclusion (0.046, $p = 0.03$). In contrast, the relationship between the number of commercial bank branches and GDP per capita does not show statistical significance in Model 3 (Commercial Bank Branches) (0.012, $p = 0.78$). These results suggest that the density of commercial bank branches appears to be less affected by changes in economic wealth. The findings support the notion that more advanced financial services, like automated teller machines (ATMs), are more adaptable and can expand more readily compared to bank branches.

The relation between inflation and financial inclusion is complex. High inflation rates tend to inhibit the expansion of ATM networks, as evidenced in Model 2, which shows a statistically significant negative coefficient for inflation (= -0.0903, $p = 0.04$). The uncertainty produced by inflation likely contributes to this negative effect (Mishkin, 2007). Additionally, inflation adversely influences the number of depositors in Model 4 (Depositors with Commercial Banks) (-1.621, $p = 0.05$), suggesting that inflation discourages individuals from utilizing financial institutions. The importance of macroeconomic stability in fostering financial inclusion in an economy experiencing inflationary shocks is amply supported by the significant inverse link between ATMs and depositors.

An additional intriguing inclusion criteria is the Human Development Index (HDI). Model 2 (ATMs) shows a substantial positive association (32.303, p = 0.008) between an increase in HDI and an increase in the availability of services, especially ATMs. Likewise, Model 4 demonstrates a favorable correlation with depositors (127.171 0.049), providing more evidence for the advantages of growth in the boosted financial involvement. The findings indicate that, in addition to the conventional economic metrics like GDP per capita, social determinants like healthcare, education, and overall human well-being have a substantial impact on financial inclusion (UNDP, 2024). The weak correlations between HDI and inflation (β = -0.10, p = 0.145) and FDI (β = 0.05, p = 0.471) suggest that internal governance, social programs, and domestic policy initiatives have a greater influence on human development than external factors like inflation or foreign direct investment. Diagnostic tests such as Sargan tests and AR (2) tests are additional instruments that can be used to assess the dependability of the GMM regression models. The proper specification of lagged dependent variables and the absence of time dependencies are supported by the AR(2) test, which shows that none of the models have a second order serial correlation. However, in Models 1, 2, and 3, the Sargan test yields high p-values, suggesting that there may be an issue with the validity of the instrument. Despite these issues, the overall results are instructive; instrument validity can be increased by carefully selecting and limiting the instruments.

In conclusion, the GMM regression model outlines the contributions of financial evolution, human development, and foreign direct investment (FDI) to the advancement of financial inclusion in the thirteen Asian nations that are being assessed. While GDP per capita and FDI are strongly associated with more access to financial services, in this case ATMs and depositors, inflation and FDI are also associated with more inclusive outcomes. One measure of the critical role that social development plays in expanding access to finance is the significant influence that HDI has on depositors and ATMs. Although the Sargan test presents certain limitations regarding the validity of the instrument, these

limitations can be overcome with diligent instrument development. Study participants receive helpful guidance on improving financial inclusion from the focus on macroeconomic stability, luring foreign investment, and social development initiatives to expand access to financial services.

5.2 Recommendations

So we can enhance the financial infrastructure by making an ease to Access to banking services, more specifically in underdeveloped regions. Financial infrastructure in not just limited to access to bank services but also include growing the network of branches and implementing financial literacy initiatives in rural and impoverished areas.

Businesses and governments need to collaborate to ensure that more ATM are set up in rural and remote areas to make the financial services accessible to a higher proportion of the population. Encouraging financial inclusion strategies such as low-priced bank accounts and mobile finance services may enhance the banking activities, especially in the poor regions. Such countries might encourage foreign direct investment (FDI) through passing pro-investment laws, improving economic infrastructure as well as ensuring political stability.

Monetary policy adjustments, such as inflation targeting and price stability are necessary in order to reduce the harmful impact of inflation on the economy. These inequities can be overcome through economic diversification and investment in human capital (healthcare and education), which help in achieving sustainable growth and reducing poverty.

Increasing the HDI and the need to ensure a more inclusive development process requires policy interventions that would elevate the social protection programs, access to healthcare and education.

5.3 Limitations and Future directions

There are several limitations of this study.

- The study done by me is the research performed with the help of secondary data, which implies that it does not generalize the entire spectrum of financial inclusion experiences or barrier faces demonstrating by people of the Asian region. Such distinctions can be either cultural or financial circumstances which influences financial inclusion.
- The change in the priority towards a particular indicator can leave out other important aspects like quality of financial service. Finally the cross culture or country comparison can conceal intra-regional variations, as well as those that are difficult to draw the precise solution that be acceptable by all countries.
- Future direction can also be addressed in the study as should focus on primary data and secondary data account structural breaks such as
- The impact of the global financial crisis of 2007/2008, The global decline in oil prices of 2016 and The COVID-19 pandemic of 2020. Such structural breaks should also be considered in the estimation and results discussion chapters.

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1st Half Semester Progress Report

Name of Student(s)	KINZA SAHAR
Enrollment No.	01-322141-006
Thesis/Project Title	Financial Inclusion, Economic Empowerment, and Globalization insight from Asian countries.

Supervisor Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
1	22-09-2025	office	writeup discussion	
2	09-11-2025	office	Data Extraction	
3	12-11-2025	office	Data Extraction	
4	13-11-2025	office	Data Download // cleaning writeup introduction	

Progress Satisfactory ☐ Progress Unsatisfactory ☐

Remarks: _____

Signature of Supervisor: _____ Date: 19/12/2025

Name: Dr. SABA KAUSAR Note:

Students attach 1st & 2nd half progress report at the end of spiral copy.

Bahria University
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RC-04

MBA

2nd Half Semester Progress Report & Thesis Approval Statement

Name of Student(s)	Kinza Sahar
Enrollment No.	01-322141-006
Thesis/Project Title	Financial Inclusion, Globalization and Economic Empowerment Insight from Asian countries

Supervisor Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	15-11-2025	office	Data cleaning, Processing	
6	18-11-2025	office	write up literature review	
7	28-11-2025	office	All thesis write up discussion and finalization	

APPROVAL FOR EXAMINATION

Candidates' Name: Kinza Sahar Enrollment No: 01-322141-006

Project/Thesis Title:
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I hereby certify that the above candidates' thesis/project has been completed to my satisfaction and, to my belief, its standard appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at 19% that is within the permissible limit set by the HEC for thesis/ project BBA/MBA. I have also found the thesis/project in a format recognized by the department of Business Studies.

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	Avoid using future		6
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Chapter 4			
	Please link the		37,38
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	theory.		

Chapter 5			
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Executive Summary/Abstract			
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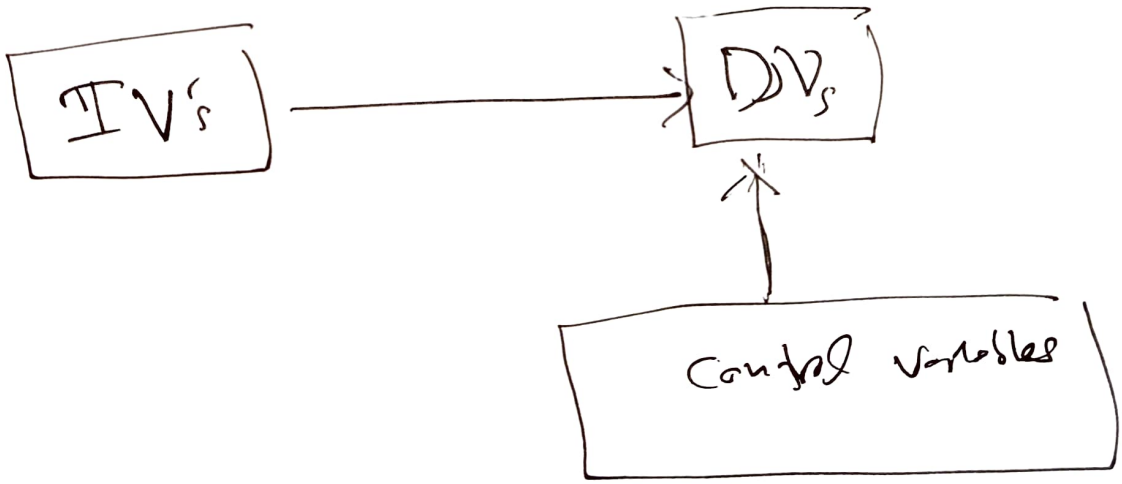
o	Abstract write policy implication for different stakeholders		
-	Reduce problem statement.		
-	Mention ~~theory~~.		
-	RQ-1. not clear.		
Chapter 2			
	. Include hypothesis		
	Conceptual framework. missing		
Chapter 3			
	First discuss population, ~~the~~ sample.		
	Sampling technique, justification of sample.		
	- why GMM? give justification		
	- Assumption of model?		
Chapter 4	$FI = Income + FDI + [\quad]$		
-	write down the unit & frequency of data in table 2		
-	How Inflation mean value is 49.15 ?		
-	In table 3, in parentheses usually don't ~~standard error~~. is it ?		
	- Link the results of your study with prior studies & theories		

pter 5	
	How recommendations should be based upon the results of this study.
Executive Summary/Abstract	
	write policy implications for different stakeholders
General Comments	
	formatting issues of the.

** *Please add rows if necessary*

Recommended conceptual framework



write down theory + Hypothesis in conceptual framework

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