UNIVERSITI TEKNOLOGI MARA

MEDIATING ROLE OF INCOME INEQUALITY IN RELATIONSHIP BETWEEN FINANCIAL INCLUSION TOWARD ECONOMIC GROWTH IN ASIA

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MSc

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

The importance of an inclusive financial system in countries has been highlighted in the policy circle and becomes a priority in many countries, especially in developed countries. Financial inclusion is a provision of suitable, affordable and quality financial services to all segments contributing toward balanced economic growth and development. However, it has on-going debates about the role of financial inclusion toward the rapid growth of the economy. With regard to the various empirical finding, it has also been argued that, the ability of financial inclusion as the financial development policies to reduce the gap of income inequality remain unsolved. In addition, income inequality has also been expected to improve the relationship between financial inclusion and economic growth. Therefore, the purpose of this study is to examine the impact of financial inclusion towards economic growth and income inequality and examine the mediating effect of income inequality on the relationship between financial inclusion and economic growth in Asia countries. This sample of this study consists of date from developing, frontier and developed countries in the Asia region. The data analysis was conducted using data stretching from 2010 until 2017 and analysed based on pooled Ordinary Least Square (OLS) and Random Effect (RE)/Fixed Effect (FE) regression model of Static Panel Data Analysis and Panel Autoregressive Distributed Lag (ARDL). The general findings suggested that Panel ARDL Analysis shows good result in the form of significance level of the variables results as compared to the Static Panel Data Analysis. Then, suggests that having an inclusive financial system is significant to reduce income inequality and help to boost up the economic growth of the countries in the Asia region. Furthermore, the mediating of income inequality has influence on the relationship between financial inclusion and economic growth.

Keywords: Financial Inclusion, Income Inequality, OLS approach

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