UNIVERSITI TEKNOLOGI MARA

RAMIFICATION FINANCIAL INCLUSION TOWARD ECONOMY GROWTH IN MALAYSIA

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ABSTRACT

The process of increasing the number, quality, and efficiency of financial intermediary services is known as financial inclusion (FI). FI is a component of financial development. As a result of the savings generated, local firms are able to make more effective investments. For the purposes of this research, we looked at the effect of financial inclusion on Malaysia's Gross Domestic Product (GDP). Its goal would have been to draw attention to the factors that influence financial inclusion and its effect on economic development. This quantitative research study was conducted to illustrate the relationship(s) between Gross Domestic Product with four independent variables which are, Interest Rate (IR), Number of Bank Branches (NBB), Automated Teller Machines (ATM), and Commercial of Bank Deposit (CMDB). This research has use numerous data and it been testing and analysing by using E Views. The results indicate there are positive relationship between Interest Rate (IR) and Gross Domestic Product (GDP) and negative relationship GDP with Number of Bank Branches (NBB), Automated Teller Machines (ATM), and Commercial of Bank Deposit (CMDB). Based on this study, only NBB has no significant relationship with Gross Domestic Product.

Keywords: Interest Rate (IR), Number of Bank Branches (NBB), Automated Teller Machines (ATM), Commercial of Bank Deposit (CMDB), Gross Domestic Product (GDP).

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INTRODUCTION

1.1 Introduction

At the beginning of 2000, financial inclusiveness concept become one of the popular topics to talk among politicians, researchers, policymakers, and other financial stakeholders. This concept also become the main issue of policymaking in socially excluded society and the most important issue highlighted by central banks and the World Bank. Financial inclusion is a precondition for financial deepening, which aids in resolving the fundamental issue of growth with equity. Since Malaysia has one of the world's most open economies, with a trade-to-GDP ratio of more than 130 % since 2010, and Malaysia has achieved one of the highest levels of financial inclusion among Southeast Asia countries, due in part to policies taking advantage of mobile phones and banking agents to expand access. This might help to analyse how the Financial Inclusion (FI) giving an impact toward economy growth in Malaysia.

The history of financial inclusion and poverty reduction may be traced back to the developing world. Asia's persistent economic progress has lifted millions of people out of poverty. Financial inclusion, according to Sarma (2008), is the process of ensuring that all members of an economy have easy access to, availability of, and use of the formal financial system. Financial inclusions can be voluntary or involuntary, and the distinction between voluntary and involuntary exclusion is critical. The necessity of financial inclusion is recognized on a theoretical level. The significant link between financial development and economic growth has been thoroughly shown in various empirical investigations during the previous two decades Abdul Bahri (2018), Beck (2005), Demirguc-Kunt (2008), Demirguc-Kunt & Maksimovic, (1998), King & Levine, (1993), Law (2018), Levine (2005). Honohan (2004), on the other hand, discovered that financial depth alone could not effectively quantify financial progress, and that the reverse causality problem threw the research into disarray. Financial progress is insufficient in and of itself to give clear insights into whether or not an economy is on a sustainable path.

According to Law and Singh (2014), there must be a limit to the amount of financial development that may be created. The discrepancy between these findings on the linear and non-linear link between financial development and economic growth shows that the