



**UNIVERSITI TEKNOLOGI MARA**

**FINANCIAL INCLUSION AND ECONOMIC  
GROWTH IN ISLAMIC MIDDLE-INCOME  
COUNTRIES**

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## **ABSTRACT**

Financial inclusion has become a crucial part as it is part of the financial development towards economic growth. But, there are a few past researches studied about the financial inclusion as a whole towards economic growth especially in Islamic countries. The main purpose of this study is to identify the relationship and also the impacts of the key factors of the financial inclusion and economic growth in Islamic middle-income countries within year 2010 until year 2014. Based on the past research, mostly mentioned that there is a significant relationship between the financial inclusion and economic growth in their studied covered. In other hand, there is a few research result proved different perspectives. In findings, we found that the bank branches, deposits and borrowings have a significant relationship towards the economic growth and with the bank branches give the most impacts toward the economic growth.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 INTRODUCTION

In the recent decades, the financial inclusion has been subjected that attract the global attentions such as the researchers, the economists, the bankers and other financial shareholders as the financial inclusion acts as one of the main tools driven the financial development that influencing the economic growth.

By referring to the past research, there are a lot of past researchers who did the research related to the nexus of finance-growth. It proved that the subject related to the finance gives an important impact towards economic growth of the country. There are also several factors can boost the economy which has been proved in the past research such as technology, population growth and foreign direct investments, but, most of the research proved that financial development can boost the economic growth. Plus, mostly they were used the key factors of financial inclusion such as ATM, bank branches, deposits and credit as one of the measurement of the financial development. But, there are only few of the past research studied about the financial inclusion as a whole and that will gives a little knowledge to the readers the impact of financial inclusion towards economic growth

According to Sarma (2008), financial inclusion defined as the process that gives the benefits to the people in access, availability and usage of formal financial system in the economy. It facilitates the people in order to access the financial transactions such as withdrawals, deposits the money and granting the loans from financial institutions. But, in other hand, financial exclusion contradict financial inclusion in which, it is the unavailability and unreachable of financial services for the people in certain countries. These financial services not only banking products, but it also include other products such as insurance, pension and remittances at affordable costs.

Furthermore, there are several benefits of the financial inclusion as the allocation of the resources will be efficient and less of cost. According to