The Impact of Financial Inclusion and Economic Growth on the Levels of Poverty: A Study of Asian Countries

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THE IMPACT OF FINANCIAL INCLUSION AND ECONOMIC GROWTH ON THE LEVELS OF POVERTY: A STUDY OF ASIAN COUNTRIES

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ABSTRACT

Thesis Title: THE IMPACT OF FINANCIAL INCLUSION AND ECONOMIC GROWTH ON THE LEVELS OF POVERTY: A STUDY OF ASIAN COUNTRIES

This research investigates the ways in which economic growth and financial inclusion influence the levels of poverty in Asian countries, emphasizing the impact of increased access to financial services on poverty reduction. The model used for this research features poverty as the dependent variable, with the inclusion of financial services and economic growth functioning as independent variables. Trade openness and foreign direct investment (FDI) are treated as control variables.

This research work explores the relationship between certain characteristics and whether they correlate positively or negatively. The econometric tools of descriptive statistics, correlation analysis, unit root testing, and multicollinearity diagnostics were used to analyze the panel data. The data pertains to 13 Asian countries and spans from 2004 to 2023.

In broad strokes, the findings of this study suggest that improved access to financial services does lead to reduced poverty as well as help in attaining economic growth, and it is also helpful in improving people's living standards.

The study's results point to the urgent necessity of policies that promote financial inclusion if we are to achieve the Sustainable Development Goals (SDGs). The government also gives awareness regarding the use of financial inclusion as well as online banking apps. Asian governments could take a leaf from this study's book. They could use financial inclusion as a transformational tool—a bit like a magic wand—to sweep away poverty, by removing structural roadblocks that myopically keep low-income people from accessing financial services they need and leveraging FinTech to serve the low-income market profitably.

Keywords: *Financial Inclusion, Movement toward Economic Growth, Global Poverty, Trade Openness, Foreign Direct Investment (FDI), and Access to Financial Services*

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CHAPTER 1

INTRODUCTION

1.1 Background

Financial inclusion means that consumers and businesses can access useful and affordable financial products and services that are delivered in a sustainable way (Ali et al., 2022). It is valuable not only for making everyday transactions easier but also for enabling inclusive growth. That is, financial inclusion allows firms and people to make the investment and consumption decisions that stimulate economic growth, allowing the economy to respond to the unforeseeable standard shocks that it sometimes experiences (Demirgüç-Kunt et al., 2015, 2018). Financial literacy is a big part of this picture. If people who are living in poverty cannot understand the financial opportunities that are available to them, then those opportunities will not be much helpful for them (Kara et al., 2021).

It is mainly economic growth that reduces the levels of poverty. When we gauge this growth, we are most often examining the growth of gross domestic product (GDP). That means primarily variations in the inflation-corrected market values of the goods and services that an economy produces during any period of time. When we look over a period of time and see that an economy has substantially changed in terms of the inflation-adjusted market value of the many goods and services it produces, it's mainly job creation and rising incomes that are pulling people out of poverty (Koengkan et al., 2022). It seems that not all economies are growing; some countries that have not seen much past or present growth continue to have a high poverty rate. Indeed, those that could use serious assistance have not been sharing in the growth that many other places have.

It can enhance infrastructure and productivity as well as encourage innovation (Alfaro et al. 2000; Borensztein et al. 2010). Studies show that FDI also has an impact on the reduction of poverty through improved capital access for local businesses and infrastructure (Jude & Levieuge, 201).

According to recent studies, it is important to note that trade openness is a guaranteed component that has led not only to an enhanced economic growth of the developing countries that ventured into the same, but has also acted to reduce the amount of levels of poverty of the concerned countries. As we learn in the World Trade Organization (2024), the proportion of extremely poor citizens in low- and middle-income countries falls to less than 11 percent by 2023, a decrease which is directly correlated with the colossal increase in their global trade shares, which rose to 32 percent of the world total.

Durongkaveroj (2024) corroborates the connection between economic growth, foreign trade openness, and poverty levels, finding that economic growth reduces the levels of poverty in more open economies by an extra 0.3% in comparison with less open ones. Besides, the World Bank estimates that, even more liberalization, incremental, under agreements like the Regional Comprehensive Economic Partnership would lead to high wage increases in lower-middle-income countries. Such a partnership is unlikely to just quicken the rate of development in the negotiating countries but should also help to expand the middle classes in the respective countries, auguring well for the general welfare and poverty alleviation.

Trends, despite these, have challenges. Poverty in a savage form still exists in excessive locations. It makes clear the importance of broader policy frameworks that have the capability to actually meet the systemic obstructions that do not allow many individuals to take part in the economy. Working polices target more than merely attempting to bring more money into the hands of the poor, thus places like the World Bank can only promote working polices. Effective policies must be aimed at increasing access to financial inclusion and facilitating inclusive economic growth that can bring advantages to all sectors of society.

There are a number of things that you must do to eradicate poverty in Asian countries. In the center is the incorporation of individuals into the monetary system. If you cannot take part in the financial system, you cannot lift yourself out of poverty. Then we have to really think about the kinds of economic growth initiatives that we pursue. Foreign direct investment is one factor, and openness to trade is another factor. And both have to be managed very carefully so that these kinds of initiatives are really working for the people who are most at risk of falling into poverty.

To tackle poverty in Asian countries, a concentrated effort is needed. This cannot and does not occur in isolation. Having the poor invest their way out of poverty is a significant role played by financial inclusion. But that is not all. I am also involved in economic growth projects capable of hauling the millions of people existing on less than a dollar in a day into the sphere of sustainable development.

Poverty is also a global issue, and to say the least, it has been mostly in the Asian region, very literally and definitely below the poverty line. Of all the problems that plague the world, there is none larger or more persistent than poverty. It is like a ghoul that follows the march of humanity through the ages, appearing in various forms, shapes, and sizes. What is worse, it is mostly a problem of neglected regions—those places that are not on the map of the world's sophisticated, attention-holding, and sometimes pretentious tool of humanitarian enforcement.

Expanding financial inclusion is one of the major means by which the poverty levels can be reduced; this is in a case where individuals and businesses are accorded access to financial products and services that are beneficial and reasonably priced for their comfort and convenience. Financial inclusion is not something that is good to have. It has now been established as a precondition for the alleviation of poverty and economic development. As a result, an increased number of people are interested in what happens to sustainable finance, and whether the location is an oil producer or oil consumer, or both (Odugbesan, 2022; Ozili, 2023; Ali et al., 2022). A person who accesses financial services is able to make far superior financial choices both in investment and consumption. This is needed to withstand the unexpected short-term shocks in finances. Experience indicates that there is a close correlation between financial inclusion and poverty abatement. The reduced association between poverty and financial services is far more prevalent in the developing world, where a majority of the poor people dwell. The costs/benefit calculations that must be made by financial service providers to lend and provide other services must consider the special attributes of the poor. As of today, the Russian public still suffers from this view (Badu et al., 2018; Zahonogo, 2019). Accessibility to secure financial services means that people can save and also invest in income-earning activities and can handle the type of risk that is supposed to be insured against. This is an extremely great favor to poor and disadvantaged communities.

Growth cannot break the cycle of poverty. It can only contribute to an incremental improvement, which is necessary, but not sufficient, to pull people effectively out of poverty. To achieve a sustainable improvement in the levels of poverty, it is necessary to find and apply effective strategies that will work at the level of the individual and the community, and that don't seem to require a kind of magic that will produce a pony for the poor. (Santiago et al., 2022; Koengkan et al., 2022). The single most important factor in getting people out of poverty is the economy and the jobs it creates (McCarthy, P. J. A., 2023). Between 1970 and 2016, the growth in GDP in Asia has outpaced that in the developed world, with proportionate declines in the levels of poverty in many countries (McKinsey Global Institute, 2019). Yet this progress has not been even; many countries are still grappling with poverty alongside the advances of the economy.

FDI is one more important determinants affecting to decrease in the poverty level. Direct investment assists to the development of the host states by involving the transfer of equity, technologies, and knowledge, fostering economic development and employment creation (Alfaro et al., 2000, Borensztein et al., 2010). The positive impact of FDI is conditional on the capability of the host country to establish a suitable investment environment and to make the benefits of the FDI widely shared among the people (Borensztein, De Gregorio, & Lee, 2010; Alfaro, 2011, 2020; Mah, 2015, 2022). Countries with good institutions and financial systems receive larger inflows of FDI and have faster poverty reduction (Fowowe & Shuaibu, 2014).

Research has shown that FDI significantly decreases levels of poverty as it helps local businesses' access to capital and basic necessities of life (Jude & Levieuge, 2017; Azman-Saini et al., 2010). For instance, the job opportunities created in the economic sector when abroad buyers open or enlarge their businesses repeatedly offer more attractive incomes and better working conditions than other employment opportunities available locally (Gohou & Soumare, 2012). Moreover, overseas companies also contribute to the social welfare programs, which improve the lifestyle standard of the local communities and, subsequently, the dimension of poverty reduction. Foreign direct investment may indirectly support economic development through the creation of competitive business settings, which help to improve efficiency and drive the cost of goods and services down, thereby benefiting poor households (Herzer, Nunnenkamp, & Piermartini, 2019; Abdouli & Hammami, 2017).

Integration into trade is equally an important tool in reducing the level of poorness. Market openness is expected to help the citizenry to widen their exchange center and create more monetary openings for provincial sectors (Karim & Islam, 2014). When domestic enterprises expand and increase competitiveness in global market, then jobs are created and income levels in communities increase -which helps in poverty reduction. But challenges still prevail despite these favorable trends. The persistence of poverty and incidence of poverty levels emphasizes the necessity of holistic policies framework focusing on the structural issues of economic participation. Safe and sound policies must improve access to schools and hospitals, and generate broad-based growth from which everyone can benefit.

There is an intricate relation between financial inclusion, economic growth, and the levels of poverty. When the people have choice and access to finance, it can significantly contribute to their capacity to make the decisions, as well as be economically secure. In the meantime, economic growth is directly connected with job generation and growth in income according to the growth figures and foreign direct investment totals. The disbalanced access to these liberties, in its turn, increases the values of the laws, providing the fair access to the resources. Because, besides a shift in the outward orientation of the local economies in terms of the world markets, trade openness has been a booster of economic growth, upsurge in the economic options as well as a decline in the degree of home-grown poverty amongst others. In spite of all these positive developments there still remains anxiety on the big-scale efforts towards removal of structural impediments to economic participation and sustainable growth.

1.2 Rationale of the Study

The importance of financial inclusion as an element in achieving Sustainable Development Goals (SDGs) is gaining relevance with researchers such as Younas et al. (2022) noting its ability to remedy economic inequities, whether on a macro or micro level. Southern African Development Community (SADC) underlines the importance of trade openness (TO) in its Regional Indicative Strategic Development Plan (RISDP), supposing that TO has the potential to support sustainable economic growth, reduce financial inequality, and diminish poverty (Bhat & Beg, 2023). Nevertheless, recent statistics show that we are witnessing extreme differences in financial inclusion throughout the world, in both developed and developing countries, as significant portions of the population have no access to the financial system (Lyons and Kass-Hanna, 2021). This not only restricts such economic opportunities to individuals but also creates a serious threat to the general economic well-being and fair growth, which requires special, in this case, intervention to strengthen financial accessibility to underserved groups as badly needed (Marcelin et al., 2022).

The levels of poverty and financial inclusion are part of the growth debvelopment of a country and thus stand out as an attractive indicator of directions to break the poverty chain and reduce inequality concerning income (Saleem, Nasreen, & Azam, 2022). Financial inclusion has already transformed into one of the most critical tools used by Asian countries that seek to achieve inclusive economic growth by reducing the levels of poverty, encouraging growth, enhancing income distribution and stabilizing the financial system (Lu et al., 2022). As financial inclusion not only increases the supply of resources and develops community robustness and empowerment to individuals, understanding how it can be used to minimize the degree of poverty can be highly important. Financial inclusion provides the marginalized the opportunity to venture into business, to manage economic risks and attain financial stability through the provision of access to financial services such as access to credit card systems, banking applications on the internet, availability of automotive teller machines, insurance and payment methods.

Besides the aspect of financial inclusion, economic growth remains one of the elements to address the poverty level. Economic growth increases incomes and creates employment opportunities and provides the environment enabling people to lead better lives. The impact that economic growth has on the levels of poverty is however different in each country and depends on many other factors, which include access to financial terms and income distribution. Despite the fact that the current economies of the developing countries particularly in Asia have expanded tremendously over the past years, poverty has not been completely eradicated in some regions due to the divisions of wealth as well as limited financial services; particularly in the less developed regions. So, an integration of the inclusive financial policy and the economic growth can deliver more significant changes to the level of poverty. Since financial inclusion and economic growth are so important, Vinay Kandpal (2023) proposes using secondary data of national levels in the future in order to investigate the general national growth and how they affect the national levels of poverty. An extension of this will be the focus of the present research to analyze the elements of economic progress and financial access in connection with the reduction of the degree of poverty with regard to the Asian countries. Such a multi-stranded approach aims to bridge a research gap, which mostly examines these aspects in isolation or studying how they interact with the aim of influencing the levels of poverty.

Trade openness has enabled local industries to grow and link with international supply chains in Asia through giving them access to foreign markets. Trade liberalization has played a very pivotal role in reducing the poverty levels by increasing the chances of employment, lifting wages and enhancing the growth of the economy. A current evaluation conducted by the World Trade Organization (WTO) voiced that the improvements in poverty rates of a significant number of countries in the low- and middle-income divisions have been attained due to the economic benefits of increased trade participation. To curtail the extent of poverty this research will examine how the two factors trade openness and financial inclusion in combination may result in an economic environment that would be stronger Vinay Kandpal (2023). Although there are positive trends, these are accompanied by problems. The fact that the downplaying of the magnitude of poverty in some areas has persisted depicts the necessity of holistic policy systems that curb the underlying obstacles to economic engagement. Sound policies ought to drive access of education and healthcare coupled with inclusive economic development across the board. The excess can be used to create the right climate in which to resolve the degree of poverty by considering both the immediate monetary needs and in the long run structural issues by introducing policies that would promote both financial inclusion and economic expansion. The particular intent of this course of study is to illustrate how even a financial inclusion program coupled up with economic growth policies can bring can an end a cycle of the levels of poverty in the Asian states and bring an inclusive growth.

1.3 Problem Statement

Poverty remains one of the most pressing socio-economic challenges in the modern world, particularly in developing regions such as Asia, where it continues to threaten sustainable development and inclusive growth. Despite remarkable progress in economic expansion and globalization, millions of people still face poverty and are deprived of essential resources, financial services, and economic opportunities (McCarthy, 2023). This persistent problem is compounded by systematic inequities in income distribution, access to finance, and social services, preventing large segments of the population from benefiting from economic development.

Over the past decades, financial inclusion and economic growth have been identified as critical drivers of levels of poverty reduction; however, their effects have been uneven across Asian countries (Demirguc-Kunt et al., 2015; Ali et al., 2022). Financial inclusion—defined as access to affordable and useful financial products such as savings, credit, insurance, and digital payment services—empowers households to manage risks, invest in education and businesses, and enhance resilience against economic shocks (Sarma & Pais, 2011). Yet, vast rural and marginalized communities remain excluded due to low financial literacy, limited banking infrastructure, and weak digital penetration (Evans, 2016). Without such access, individuals cannot participate meaningfully in economic activities or benefit from market expansion and economic growth.

Economic growth, commonly measured by GDP, has historically generated employment and improved income levels, thereby contributing to poverty alleviation (Dollar & Kraay, 2002). However, growth alone is insufficient, as many Asian economies face unequal wealth distribution and limited social protection systems (Ravallion, 2017). Foreign direct investment (FDI) and trade openness have the potential to stimulate infrastructure development, job creation, and technology transfer, thereby supporting poverty reduction (Alfaro, 2004). Nevertheless, these benefits are not evenly distributed, with rural and disadvantaged populations often excluded (Winters et al., 2004).

The persistence of poverty, even in high-growth environments, underscores the need for integrated strategies that combine financial inclusion with sustainable economic development. Expanding access to financial services, improving financial literacy, and ensuring equitable participation in trade and investment can promote inclusive growth and reduces poverty in the region. Accordingly, this study examines the interrelationships between financial inclusion, economic growth, trade openness, and FDI to identify the most effective mechanisms for poverty alleviation in Asian countries.

1.4 Research Objectives

The purpose of this work is based on a number of individual and related but complementary goals aimed at investigating the correlation between financial inclusion, trade openness, foreign direct investment (FDI), economic growth and the levels of poverty, within the confines of Asian countries. The research aims at explaining the relationship of such factors with each other in how they determine economic growth and human welfare. This study seeks to examine how access to financial services influences trade openness and attracts foreign direct investment (FDI), and how these combined factors contribute to economic growth and levels of poverty. This multipronged strategy is necessary to determine the effective strategies that can be implemented by the policymakers to increase access to financial tools and introduce an atmosphere that supports sustainable development in the region,

- To analyze how financial inclusion impacts poverty levels.
- To analyze the influence of trade openness on poverty levels.
- To assess the effect of foreign investment on poverty levels.
- To evaluate the relationship between economic growth and poverty levels.

Collectively, these goals establish the foundation of the study by investigating the inter-relationships among financial inclusion, trade openness, FDI, economic growth, and levels of poverty. The findings are expected to provide clear evidence that can support academic research in economics and guide policymakers in Asia in designing effective poverty-reduction strategies.

The study emphasizes financial inclusion as a key mechanism for reducing the levels of poverty in Asian countries. The study also investigates whether economic growth in Asian countries can be considered inclusive growth that reduces poverty, or whether it instead contributes to rising inequalities.What is to be investigated is whether economic growth is actually generating something which can be called inclusive growth or instead causing a situation in which the inequalities are becoming ever more acute. When combined, they present a significant angle of understanding the manner in which such vital variables work on each other and contribute to poverty within an Asian context.

1.5 Research Questions

In order to address the intricate relationship that exists between financial inclusion, the levels of poverty, and some major drivers of the economy, this research poses the following research questions;

- How does financial inclusion affect the levels of poverty?

- How does economic growth affect the levels of poverty?
- How does trade openness affect the levels of poverty?
- How does foreign direct investment affect the levels of poverty?

1.6 Chapter Summary

This chapter explained how different economic factors combined and work together as to effect the levels of poverty in Asian countries. Such factors are economic growth, trade liberalization, financial accessibility and foreign direct investment (FDI). It started with the explanation of the pandemic-induced force into poverty that caused millions of people to be unable to afford their necessities in life and undermined previous gains in poverty. It highlighted the unequal effect on the already disadvantaged groups, particularly in South Asia, where a considerable portion of the impoverished in the world resides (Ouechtati, 2023).

The statement of the problem made it clear that the limited financial access, trade openness and inflows of FDIs needed to be met to enable the efforts put in place to end poverty to be more effective especially to countries in the Asian continent such as Pakistan. Other people do not have an understanding of using the modern financial tools, particularly, digital applications. Technological devices and their use as part of financial inclusion, e.g. debit cards, particularly those that are PCI-compliant, multi-format and can support swipe, chip and pin and contactless payments, will further assist in this efforts. The main idea is to find practical knowledge that policymakers might employ due to financial literacy and enhancing efficient consumption of financial services by low-income citizens. This thesis is based on Financial Liberalization Theory that posits that liberalizing accessing to finance is conducive to improved performance of an economy.

This thesis consists of a few chapters containing elements of contribution to the comprehension of the interaction and impact of financial inclusion, trade openness, FDI and economic growth as relates to levels of poverty in Asian economies. The interconnections are addressed chapter by chapter, Chapter

1 is the introductory chapter where the foundation of the survey is laid down in terms of relevance of the research. It has the problem statement, identifies the purpose of research, and the introduction of research questions. The chapter predisposes the rest of the thesis as it determines the scope and the importance of researching the chosen variables.

Chapter 2 presents a review of literature work base on the key variables of the study. It's provides an analysis how these variables linked with the economic growth and levels of poverty. Chapter 3 shows how the research was conducted i.e; the methodology used in the study; the research design, data used and data analysis techniques. It outlines how a research study can be conducted and cites the reasons as to why some countries and periods would be selected.

Chapter 4 presents the outcomes of the empirical study as descriptive statistics, correlation table, unit root test, multi-collinearity test and a regression equation analysis. These are the tools that link the study and check how strongly it effect on poverty. The chapter also check whether the study results matches or not.

Chapter 5 is the conclusion of the thesis that consists in a summary of findings and implications. It also provides some policy recommendations geared towards increased financial inclusion, and a sustainable growth within in the region. Also, it presents restrictions and recommendations on the further study. The thesis outline has been done in such a way that there is logical progression that would take the reader through the identification of the problem and evidence-based solutions to inclusive development.

CHAPTER 2

LITERATURE REVIEW

The current study is anticipated add into the gap in the literature with new information and evidence that support the complex relationship and trade-off between the central determinants such as financial inclusion (FI), trade openness (TO), Multinational enterprise investment (FDI) and economic upturn (EG), and how the mix of the above variables affects the levels of poverty of a country. In this regard, this study investigates how access to financial services, global market integration, foreign capital inflows, and economic expansion influence poverty reduction in Asian countries.

This broad perspective serves a great purpose in discerning the fine blend of deeper influences and the combined influence of these strong drivers influences to poverty incidence (Munir and Ullah 2018). The intriguing concept at the core of research is the perfectively intriguing idea the Financial Liberalization Theory that motivates positivism along this direction in research (cf Effiong et al., 2019). Given recent studies have indicated the positive impact of financial inclusion on economic growth in several places including (Le et al, 2021; Nizam et al, 2021), financial inclusion is a major tool for fostering inclusive growth. It is found that the drop in poverty resulting from growth is greater in economies with fewer capital restrictions. It has direct influence on poverty (Durongkaveroj, 2024) using new measure of trade openness.

In addition, emerging research presents foreign direct investment (FDI) as the source of foreign capital and the source of knowledge spillovers, and is driven by long-term growth (Gao et al., 2023) due to the offer of capital and knowledge spillover. Furthermore, existing scholarship has also stressed that foreign direct investment (FDI) is a financial mechanism that enhances technology transfer and spillover effects that are indispensable to maintain long-run economic development (Gao et al., 2023). Despite advances in financial inclusion, the marginalized still remain excluded.

Addressing these challenges is critical for inclusive growth and to reduce in-come inequality (Abdul Karim, 2021). Sound policies in the area of financial sector reform are, however, necessary in order to ensure that financial inclusion, trade openness, and FDI have the full effect of lowering poverty rates (Sunde & Dinh, 2023).

A full policy infrastructure is needed for sustainable development because, even though financial intermediation is associated with a rapid economic miracle, this jump start effect on the levels of poverty would arrive later (Erlando et al., 2002). Access to financial service can also result in employment generation – as entrepreneurship and small business training of seeds, also sown in process of poverty reduction (AwadWarrad& Muhtaseb, 2023). It is also the reality that the level of FDI is obliged to contribute in the technology advancement of host country can bring about enhanced economic growth and productivity (PIDE Research Institute, 2022).

It also promotes domestic savings and investments which can spark economic growth and provide survival for the economy in case of economic challenges (Yakubu Bunyaminu, 2021). The correlation between GDP growth and financial inclusion basically suggests it as a crucial source of sustainable development (Ahamed & Mallick, 2019).

The use of digital services is one of the aspect of financial inclusion since, because, the research and other studies have revealed that the poverty reduce rate is substantially related to higher internet banking usage (Lu, Z.,& Huiling, 2021). Digital financial services (DFS) can be a game changer, by building inclusive financial systems which lift people out of poverty and drives sustainable economic growth. Digital Financial Service (DFS), via digital wallets and mobile banking, microloans, etc., helps build the financial capabilities of low-income people.

As with digital finance generally, the low liftoff costs of new delivery channels and the improved operational efficiency achieved through digital means make it possible—indeed, necessary—to serve the most marginal customers, those who simply cannot afford traditional products. Digital finance has doubled down on serving those at the base of the pyramid. Effectiveness of Financial Inclusion in poverty alleviation. It is more effective in lessening poverty when women and poor people have access to formal banking (Ahamed & Mallick, 2021).

2.1 Financial Liberalization Theory:

When it comes to availing of financial services, evoking the economic activity, and alleviating the levels of poverty, research is not propagating any improbable notions, on the contrary, the study is following the principles of Financial Liberalization Theory. And what are those tenets? Basically, they're alternative propositions about the same thing.

They say that good things happen when you deregulate and when you open up the financial system, with not just the system's internal components but with the system's external connections. And those good things are: more investment, more foreign investment, and then, as a payoff, more growth and less poverty. That's what the researcher is looking at.

Having its conception in the early Asian 1970s, with the intellectual programme of the economists namely Ronald McKinnon and Edward Shaw, this can be an interesting paradigm which can be used to provide the insights to how the rate of growth and the poverty levels can be made to be understood. Even the idea that the easing of the regulations in the financial industry is beneficial to the common good. Precisely speaking, it states that lifting the regulation on banking, investment and the financial market are able to increase efficiency, enhance the generation of capital and enhance economic growth.

Financial Liberalization Theory is predominant in every aspect of the study to clarify the trade openness, competition as well as the connection between domestic financial markets and international financial markets. In trying to explain such phenomenon, those explanatory variables can be viewed as a product of the theory of financial liberalization which will be done in the below. There are also some recent papers which lend support to the proposition that financial liberalization has a powerful stimulatory impact on ‘economic expansion’ along the lines of McKinnon (1973) and Shaw (1973) in that it leads to an efficient financial intermediation.

Financial liberalization, for instance, is associated with an increase in the average annual per capita GDP growth of between 1.5 to 2.3 percent (NBER, 2021). This is accelerated through a variety of mechanisms: easier access to capital for corporations and lower borrowing costs as financial intermediaries must compete for individuals as costumers (Levine, 2020). Moreover, the empirics show that financial liberalization encourages domestic savings and investment, as financial liberalization led to more productive banking system that would allocate resources more efficiently (Demirguc-Kunt & Detragiachel2022).

Inclusion in the Financial System (FI): Liberalization of financial markets opens up an opportunity for greater access to financial services. The more consumers and firms can borrow, the more they can save, the more they can insure, the more they can invest, and the more they can bank online, (Omar & Inaba, 2020). And those do not occur in a vacuum.

This virtually inevitable macroeconomic boost has been large enough to permit the Sustainable Development Solutions Network to count financial inclusion among the ‘drivers’ of ‘sustainable development, in the best sense of that term, of course (Ahamed & Mallick, 2021).

GDP Growth (EG): Promotes capital inflows to the regions that promote economic growth. And leads to more income and jobs. It allows those who already have access to it to live a decent life.
Lifts living standards and poverty reduction through sustained economic growth. There is also some support for the relationship between financial liberalization and long-run growth as countries with more open financial systems exhibit higher investment returns. This efficiency is caused by internal competition between local investors as well as overseas investors, that can both access local markets and drive local equity price higher and thus the marginal capital cost (Gao et al., 2023). Moreover, open

economies are strong enough to endure the shocks caused by the global market reactions due to its diversified investment (Triki & Maktour, 2022).

Lifting obstacles to import and export between nations boost monetary expansion. Higher efficiency translates into greater revenues and the generation of new jobs that impact the depth of poverty. Trade Openness refers to the degree to which a country permits free trade in one way or another.

It is for example shown that higher trade can reduce the poverty levels, particularly when we have deeper financial systems and more education. For example, research from the World Bank indicates that the liberalization of trade contributes toward lowering the levels of poverty rates in countries that possess highly developed financial systems, high education levels, and better governance systems (World Bank, 2018). This suggests that countries can generate poverty-reducing economic opportunities through international trade, the appropriate institutional structures remaining in place.

Trade openness is enhanced by financial liberalization as it makes cross-border capital flows more efficient. This process of opening to international markets not only increases the level of productivity, but at the same time serves to disseminate new technology and best practices to domestic enterprises due to their relations with foreign partners (Durongkaveroj, 2024). This consequently enhanced trade activity plays a major role in reducing the levels of poverty by generating additional jobs and increasing the income levels in the various economic sectors. (Awad-Warrad & Muhtaseb, 2023).

The dynamics among the three factors financial inclusion, economic growth, and levels of poverty depict the need for a comprehensive policy framework that does not force to choose but support all three components at once. By developing the region into a conducive environment for trade and ensuring that all division of the society need to have access to financial services, Asian countries could lower the levels of poverty while promoting sustainable development.

Boost trade and generate opportunities by fostering an environment that is conducive to business, and by ensuring that all classes of society are connected to formal financial services, Asian countries will be able to reduce poverty rates and promotes sustainable economic growth.

Cross-Border Investment (FDI): Attracting direct financial investments from abroad brings capital, technologies, and know-how into the economy. It makes the industries of the country more competitive and productive. Reduces the levels of poverty by providing people with opportunities for economic growth. Moreover, the technological upgrading in host countries is also impacted by FDI. Studies have revealed that FDI is a source of important investment and knowledge transfer that helps to boost the productivity in the regional industries (PIDE Research Institute, 2022).

Thus, when the researcher discusses opportunities arising from financial inclusion, an economy that is on a growth curve, or ever-so-fluctuating levels of poverty, it is essential to remember that the aforementioned researcher is hard at work exploring the core of what all these relationships actually mean.

2.2 Financial Inclusion

Current studies by Koomson et al. (2020) presents research which proves that the higher the level of financial inclusion one gets the lower is not only the current level of poverty in the economy but also the upcoming incident of poverty. Banking and financial network innovation are considered to be a need to upgrade the financial system, promote economic development, and to reduce the poverty levels.

What's more, since insurance is available, those who are highly financially included (at advanced level) can take financial risks without apprehension. (Liu & Walheer, 2022).

Although most studies (Beck et al., 2000; Marcelin et al., 2022; Younas et al., 2022) confirm the positive relationship between financial development and the GDP and how it stimulates economic growth in a region, other scholars warn that this might not always be the case. To illustrate, Altunbaş and

Thornton (2020) and Hassan et al. (2021) states that greater access to financial services can be detrimental to income inequality unless the involved institution achieves appropriate protection against its abuse. An indication of these paradoxical observations is that the viability of financial inclusion is not only influenced by access, but by other interventions such as financial literacy, consumer financial protection legislation, regulatory capacity. Accordingly, financial inclusion, which is largely advocated as a poverty reduction instrument, has very contextual effects.

Recent statistics also depict this online financial application as a main transaction account with 86.9% of the banked individuals already reported its usage, which is a substantial progress in financial inclusion (National Financial Inclusion Study, 2024). The impact of economic development and technological progress on the incidence of poverty may not be consistent (Uddin et al., 2014, and Lee et al., 2022). The poor are also subjected to the volatility around the long-run growth of finance (Daly, Akhter (2009); Wang et al., 2022), which is associated with widening income inequality (Altunbaş, Thornton, 2020; de Hassan et al., 2021).

Also, there is regional variation in the connection of financial inclusion with poverty reduction because of the existing socioeconomic difference. As findings by Asian countries reveal (Liu & Lee, 2022; Yahya et al., 2022), despite increased access to financial services, rural dwellers and informal employees continue to remain largely excluded. This is in correlation to the facts reported by World Bank (2018), where it was found that there are almost 1.7 billion unbanked individuals in the world, with most of them located in Asia.

Nonetheless, such structuralisms provide, suspect that deeper financial systems can have no other safety net, but concentration of wealth. The mechanisms in the marketplace tend to encourage the already deep-pocketed or digital-access participants.

Thus, left unaccompanied by specific efforts to integrate and empower individuals particularly of the excluded communities and re-distribute financial control more democratically, increased access to money might not be enough.

It is imperative for any country aspiring to accelerate growth and reduce the levels of poverty to strike the balance between financial inclusion and economic growth. There are different definitions of financial inclusion, which, however, contain roughly the same informational content. Marshall (2004), declared that Financial Inclusion renders the lack of access to transactions related facilities. Wilson (2012), asserted that, "The absence of access to money related services is a financial inclusion", while Bucklands (2012) Postulated that, "Financial dis-inclusion is a subset of Financial Exclusion".

A developed/ sufficient financial system is also a prerequisite for investment, a financial system for economic progress there not be considerable investment for a countries development. Development can thus stimulate growth and expand the portfolio of financial services. A weak financial system may impose costs on consumers of financial services, resulting in negative outcomes such as; poverty deepening, and slowing down the process of economic growth.

If a country has an underdeveloped financial system — well, what that means is that it cannot offer very good services to its population and that it can't keep up to date. We wonder if it is worthwhile for us to invest in new ventures, particularly those that reach out to disadvantaged peoples (Edwards 2017; Servan and Kaestnes, 2008). Sarma (2012) based on the data of the World Bank's Global Financial Inclusion database, posits a positive and significant association between the expansions of a country's economy to the extent of individuals' access to financial services. In other words, countries where more people have access to banking and finance actually have a positive correlation with what? Growth.

Kairiza et al. (2017) also suggest a direct relationship between financial access and poverty levels as well as economic growth. For instance, Kumar (2012) found a significant decrease in poverty levels in Asian countries when access of people to financial inclusion services was stronger.

Greenwood and Jovanovic (1990) found that there is a non-linear relationship of financial access and wealth inequality, and highlighted that the distributive role of the (financial sector - depends on the rate of economic growth/the rate of returns to investing.

As services of formal banking became available among the low-income group, digital banking platforms are becoming more popular (Central Bank of Ireland, 2023). Nowadays, one third of people in China use mobile banking apps beyond the traditional banking system, according to a study by the Department of Finance — almost twice as many as last year. Key reasons why such digital-only providers are attractive are their ability to transfer money instantly, the provision of free banking services, and user-friendly apps (Siddik, 2017; Hendriks, 2019).

Financial inclusion is now something actively pursued by countries across the world as it is a vital need to curb the poverty rates. The smoothly operating financial system is essential to facilitate the establishment of firms and also for the firms' growth from existing ones (Levine & Demirguc-Kunt, 2008). Enhancing financial inclusion of youth, women or the underprivileged is crucial for their economic emancipation (Siddik, 2017; Hendriks, 2019).

A number of researches have pointed to the relationship between a higher level of economic development and poverty reduction. In general (Sarma & Pais, 2011; Ghosh, 2013). Asia has been addressing the financial integration a lot and it has become part of the strategies and programs for inclusive growth for many countries (Loukoianova et al., 2018).

Many writers assumed that the development of finance contributes significantly to reducing the levels of poverty (Beck et al., 2000, Marcelin et al., 2022, Younas et al., 2022, Zhu and Lee, 2022, Lee et al., 2022). The financial inclusion instability can affect the poverty rate, either increasing or decreasing the poverty levels. Effective use of financial inclusions can also assist in poverty alleviation (Akhter and Daly, 2009; Wang et al., 2022).

The recent evidence gathered in Pakistan supports this relationship even more. In investigating the effect of mobile financial service in influencing poverty in urban Pakistan, Raza et al. (2022) established that there were strong positive relationships in all dimensions, with strong correlations between mobile financial services on poverty reduction amongst women and micro-entrepreneurs.

In comparable fashion, Hossain (2023) investigated the case of mobile banking in Bangladesh, concluding that financial inclusion had an enhancing effect on both household income and educational performances. These observations support the significance of digital infrastructure and regulations that appeal to South Asian conditions.

Although literature above has underscored the very significant role of financial inclusion in mitigating levels of poverty, there is need for additional research. This is because, as stated by Wilson (2012), Bucklands (2012) and Marshall (2004), when examined, there is negative association exists between levels of financial inclusion and levels of poverty. But further investigation is needed to uncover the mechanisms through which financial inclusion influences multiple dimensions of poverty. More specifically, it will result in a complete picture on the ways in which financial inclusion programs impact income poverty, education poverty and health poverty (Fajgelbaum et al., 2020).

Nevertheless, it is also necessary to mention that not every scholar considers the financial inclusion as something unconditionally positive. Although numerous studies present the view that the increased access to financial services positively impact savings, investment, and resilience of households (Beck et al., 2007; Koomson et al., 2020), there are other concerns that the rapid financialization without proper consumer protection can lead to over-indebtedness and financial instability, particularly among those with low income (Cull et al., 2014; Altunbaş & Thornton, 2020). It is also pointed out by some scholars that there is a risk that the development of digital financial tools increases inequalities unless they are provided with the integration of financial literacy and infrastructural support (Lee et al., 2022b).

Such contradictory opinions support the importance of the institutional, technological, and demographic context in the assessment of the efficacy of the financial inclusion policies.

- H1: Financial inclusion (F.I) has a negative and significant impact on the levels of poverty

2.3 Economic Growth

Although the study recognizes the rapid economic growth in Asia (and other developing regions), there is a critical need to understand the manner in which such growth translates into declining levels of poverty. It would be useful to explore the detailed channels through which economic growth affects poverty in Asian countries for building this further empirical evidence and policy implications.

Economists regard economic integration as a major driving force for economic growth (Klasen et al., 2022). The logic is that when an economy grows, and income is evenly spread, that makes a difference to the levels of poverty. Financial inclusion has recently been recognized as a condition for sustainable economic development (Letal, 2019).

A number of research works have demonstrated that financial inclusion promotion may support a country to achieve successfully the twin goals of poverty reduction and economic growth (Shaban et al., 2020; Ibrahim et al., 2019; Shiimi, 2010).

Anyway, from the latest reports, there is a variety of reasons that beyond the simplistic between economic development and poverty. For instance, as Park & Mercado (2023) argue, even if poverty diminishes overall as countries develop, these gains might not be equally distributed and need specific policies to ensure disadvantaged groups are included in growth. In addition, extensive work of (Hasan et al., 2024) indicates, financial inclusion policies that grant priority access to financial services for the low-income population can significantly magnify the poverty reducing effect of general economic development. Recently, governments, central banks and policymakers at international level have introduced new laws to promote financial inclusion in their economies. The collective target is to alleviate poverty levels, reduce income disparity and promote economic development in general (Khan et al., 2022).

Moreover, the data have shown that in times of robust economic growth, countries with sound financial systems tend to experience relatively greater drops in the poverty headcount. Countries with a relatively more developed financial inclusion infrastructure, for example, were less vulnerable to economic slumps, and were better placed to exploit growth opportunities to address poverty levels (Erlando et al. (2023).

This underlines the importance of including financial inclusion strategies in larger economic policies to maximize their impact in alleviating poverty. New evidence suggests that countries with diverse economies are also better equipped to cope with shocks from pandemics to worldwide recessions. Among other examples, the COVID-19 pandemic made some countries more resistant to such events; due to their strong agricultural sector and efficient government intervention such as Vietnam (Nguyen & Tran, 2023). For those who are affected by economic shifts, such resilience not only protects current jobs but also reveals new possibilities.

In addition, a recent study of Nizam et al. (2023) explains that financial inclusion efforts are necessary factors for scaling up impacts arising from policy-related economic growth on such poverty levels. These efforts can make it easier to access financial services, and also help the poor better take advantage of economic opportunities by equipping them with the information and skills required to successfully operate within financial systems. This reflects the intricate relationship between economic growth and the levels of poverty, such that real shifts can only be made by providing access and understanding of financial services.

Although extreme poverty in developing Asia has been reduced dramatically by fast economic growth—for example, the proportion of the population living on less than $1.90 a day fell from 68 percent in 1981 to 7 percent in 2015—challenges persist, with some 1.7 billion people in the region remaining in poverty on less than $2 per day, such as Asian Development Bank's (ADB, 2024) recently estimated. Moreover, if developing Asia is on current economic path, it is projected to possibly eliminate extreme poverty by 2025 (ADB, 2024). Despite the decreases in the overall poverty level, gaps have widened substantially over the past 20 years (ADB, 2024), which have made rising income inequality a serious concern.

Moreover, it is the case that economic growth alone may not necessarily eliminate poverty and that structural strategies need to be made towards the effective creation of jobs (ILO, 2023). For instance, empirical evidence suggests that high employment intensity of growth is critical in translating economic growth into significant reductions in the incidence of poverty (World Bank, 2024). Furthermore, there is the evidence from Ghana (a country whose annual GDP growth at plus 7% is impressive), that structural issues in the economy have prevented it. Educational programs that increase financial literacy have been shown to have a significant effect on the empowerment of low-income individuals.

Participants in financial literacy programs were more likely to save money regularly and to be involved in income-generating activities, compared with the people who did not receive financial education, the study by Chen et al found. (2024). Empowered by this, they may even enjoy higher living standards and less exposure to economic shocks.

The implications for policymakers are clear: fostering an environment that facilitates both economic growth and equitable distribution will need a multi-pronged approach. And then there are those measures which help to promote financial literacy among their citizens, and work to reduce unemployment and income inequality, which governments should deal with immediately. If we focus on people without employment, low income, and poor knowledge and access to financial inclusion services, poverty will be eliminated, and economic development will be nourished (Abdul Karim 2021).

Moreover, investments in infrastructure development, such as digital connectivity and transportation, may enhance market access for small firms and rural households (Awad-Warrad &

Muhtaseb, 2023). Infrastructure investments reduce costs for businesses that are operating in remote areas, so there is not only job creation during construction, but also long-term sustainable revenue-generating opportunities (World Bank Group, 2024).

- H2: Economic Growth (E.G) has a negative and significant impact on the levels of poverty.

2.4 Trade Openness

Trade openness has widely been recognized as a key driver of economic growth and poverty reduction in developing countries. Numerous studies highlight that increased trade openness to global markets can stimulate economic activity, create employment opportunities, and improve living standards (Winters et al., 2004; Dollar & Kraay, 2004; World Bank, 2021). Karim and Islam (2014) did a research in which they concentrated on the effect of trade openness on poverty levels reduction in Asia particularly in Pakistan. The findings showed that there were positive relations among GDP per capita, life expectancy, population density and economic growth.

It was noted that countries that export cheap products and imported more products enjoyed more access to their markets which created specialization and helped to eliminate the levels of poverty.
Most of the economists have agreed on the view that trade openness and higher trade flows are positive in decreasing the poverty levels. A higher level of prosperity in trading leads to an increase in cash flowing in which leads to the reduction in levels of poverty. Moreover, the trade is positively correlated with government expenditure and consumption in relation to GDP, which is also in line with Rodrik (2020).
Governments also get a greater part of their revenue through trade which is an activity that also lowers the levels of poverty.

It is also claimed on the recent evidences that trade openness leads to economic growth and creation of job opportunities to various sectors and especially in the developing nations. For example, on the basis of the research conducted by Brooks et.al. (2023), possible faster economic recovery after global-level epidemics is observed in countries with higher trade openness than in those with lower trade openness because the former ones have higher integration into the international markets.

The accession also has the capability of partially balancing the road of economies in recession by permitting the export and import diversification. Trade is also identified to increase rates to be received by farmers in foreign markets and decrease the rates to be paid by the consumers substantially (World Bank & WTO, 2021). The latter backdoor effect also causes the poverty levels to fall and the living standards of the poor people to improve.

Trade openness is a gauge to the level in which a nation is engaged in international trade. It is computed by summing the value of imported goods and services as well as exports to another country. This money is then converted to percentage of countrywide Gross Domestic Product (GDP).

Stated differently, it is a way of ascertaining the percentage of the economy of a country that is exposed to the international market place? Over the years, and trade openness has been associated with improved economic performance in a country at any levels of economic development, which presents new opportunities to the people, companies and ultimately benefits the elimination of poverty at a given level.

It has been indicated by new evidences that trade agreements such as the Regional Comprehensive Economic Partnership can be of great gain to the countries offering their participation through reduction of tariffs and non-tariff barriers. The increased reduction in Tariff to a more open status of trade and business that may lead to fund flow, spur growth in the economy, improve development and generate employment opportunities (Sunde, & Dinh, H.T (2023). In its turn, this leads to decreased levels of poverty.

Research shows that even a perfect world, it is possible that agreement would increase real income of the countries concerned by 2.5% in 2035 (World Bank,2023). Poverty alleviation is directly linked to the increased income which is evident when more citizens have access to higher-paying jobs and improved market prices of their products.

Trade liberalization not only creates prize money, but also promotes innovation and the transfer of technology between nations. A study by Mukhitdinov et al. (2022) also discovered that technology adoption that promotes efficiency in local firms is more likely in countries that are externally oriented.
This innovation doesn't just drive economic growth, it also provides more higher-paying jobs which can raise people up out of poverty. Hence, it is able to spur economic development and blossoms Financial Inclusion industry (Triki, & Maktour,(2022)). Indeed, the participation in GVCs helps local firms in their process of production upward-migration and efficiency-enhancement, necessary to be competitive in the world market (Asian Development Bank Institute, 2024).

According to study undertaken by the Asian Development Bank (2024), while agricultural exports may rise as a result of free trade policies, small holder farmers frequently face competition from larger agribusinesses unless backed by tailored aid programs (Erlando, R. & others., 2023). In addition, research suggests that improving infrastructure – for example, transportation networks but also by using digital app's – can boost returns from trade openness by lowering logistic costs (IMF Blog, 2021).
Investment in infrastructure also make the movement of goods and services (trade) becomes smoother and bring the rural areas connected to national supply chains, making the people in the areas can engages more into the economic activities directly linked to the international taking place (Yakubu, & Bunyaminu,2021)).

In addition, the present research points out that digital trade is a new aspect of the global business. According to the study carried out by OECD (2023), through digital platforms, SMEs are entering foreign markets more easily than ever before. This digital revolution opens up the market frontier, and it also enables the wide scope of entrepreneurs with different origins to effectively enter global value chain participation.

These are the kind of initiatives that are important, because they can employ and pull money through for all sorts of people and at the same time cut poverty levels. And I think it is increasingly relevant to consider the environment as an element of trade openness. According to Zhang et al.

(2022), boarder trade may enhance economic growth and lower the extent of poverty, but if not managed sustainably, it may lead to environmental degradation. Therefore, integrating trade policy and environmental sustainability is important for securing long-run gains for both economies and societies (UNCTAD,2023).

In connection with these variables, recent studies have analyzed the impact that trade openness would have on the domestic social dynamics of countries. For instance, according to Smith and Jones (2024) increased exposure to foreign markets may promote cultural exchange and mutual understanding between states. This cultural integration could serve to encourage cooperation in the fields of technology development and social programs targeted at improving living conditions and benefiting international anti-poverty moves.

Additionally, there is an increasing awareness of the place of women in global trade. Research suggests that if women entrepreneurs are empowered through the access to the global markets, household incomes could increase considerably which would be advantageous to the development of the community (Khan et al., 2023). Nations can tap into unrealized potential for growth and parity by fostering women's involvement in cross-border trade activities under the guidance of training or financial resources (Khan, & Zaefarian, 2023).

Studies have indicated when the women provide of the adequate resources and opportunity, they significantly participate in the economic activities for increase living standard of their families and all societies (Kumar, & Singh,2022). Furthermore, women participation in trade does not only enhance the income of the household, but it also generates entrepreneurial series of other likeminded women, and as a result, this becomes an inuring of consequences that trickle down to benefit the general economy

(Kumar, & Singh,2022). This empowerment is important as it tackles economic inequality between the genders, and contributes to more equal economic systems. Policies targeted at promoting women's access to financial services, including microfinance programs and specific credit programs, have been found beneficial for women's participation in trade and entrepreneurship (Kumar & Singh, 2022).

Also, inclusion of women into structured trade systems can contribute to the diversity of corporate processes and innovation, simultaneously benefiting international competitiveness and the outcome will be a lowered poverty (Kumar & Singh, 2022). In countries seeking to establish trade agreements such as the Regional Comprehensive Economic Partnership (RCEP), unearthing and utilizing the role of women in these trade agreements will be critical in terms of ensuring maximum beneficiary of trade liberalization to all facets of a society. Finally, the constant geopolitical stress has resulted in transportation policy under heavy geopolitical pressure to take into account longer-range supply chains to become resilient against external shocks caused by such phenomena as warfare or pandemics (Lee & Chen, 2024).

Increasingly, countries are realizing that building a base of trading partners as a method not only has the benefit of diversifying risks, but it also brings new areas of opportunities before the country, and most importantly, the unity of efforts in achieving a common goal, which is destined to enhance the economy of a nation, even when it is a scramble to toe the ground of recovery to the falls in the level of poverty.

- H3: Trade Openness has a negatively and significantly impact on the levels of poverty.

2.5 Foreign Direct Investment

Akisik et al. (2020) indicate that foreign direct Investment significantly influences the national economy. Pradhan et al. (2019) post that financial development and foreign direct investment contribute positively to economic stability and reducing the levels of poverty. Foreign direct investment impacts economic growth by mobilizing resources (Sethi & Sethy, 2018) and reduces the investment risk through effective risk allocation (Hajilee & Niroomand, 2019). Despite the World Bank recognizing foreign direct investment as an important enabler in reducing the level of poverty, approximately 30% of the global population still lacks financial access (Wasim, Iftikhar, & Rizvi, 2022).

The standard definition of foreign direct investment is the ownership or control of ten percent or more of the voting securities of a firm or an equivalent stake in an unincorporated business (Griffin & Pustay, 2007). In the words of Farrell (2008), foreign direct investment is a combination of capital, technology, management, and entrepreneurship that allows a business to function and offer goods and services in a foreign market.

Recent research has identified some of the potential effects of FDI as improving economic growth and reduction of poverty. So, FDI not only creates jobs, as shown in Motsatsi (2023), but also transfers skills by way of training and passing of knowledge all of which are highly essential towards the sustainable economic development. Additionally, Bhat & Beg (2023) found that FDI is essential for infrastructure development in host countries that is much needed for the ease of doing business and elevation of quality of life of local population. Infrastructure building typically involves investment in transport, power, and communication infrastructures necessary for economic activity.

Direct investment (FDI) boosts the fiscal consolidation of host economies as it gives a start to new firms, modernizes existing firms, moves technology from industrialized to developing countries, and sharpens the competitive edge between firms as well as the career prospects for individuals (Ebaidalla, 2016; Raifu, 2017; Motsatsi, 2019; Bhat and Beg, 2023).

Foreign direct investment (FDI) contributes to the financial stability of recipient countries, facilitating the establishment of new firms, upgrading existing ones, and promoting technology transfer and industry competitiveness, ultimately leading to career opportunities (Ebaidalla, 2016; Raifu, 2017; Motsatsi, 2019; Bhat and Beg, 2023).

Second, recent evidence shows that the industry-specific effects of FDI may vary substantially across sectors. Lin and Wang (2023 also report that FDI can influence levels of poverty both directly and indirectly more in manufacturing sectors than other sectors as it tends to generate of good jobs and stimulate local economies through both backward and forward linkages. This sectoral level analysis is important for policy makers to ensure that (the) poverty impact of FDI is maximized by prioritizing on sectors that can give more benefit to the local population.

Although it has been recognized by the majority of that FDI is in the short term to the disadvantage of poverty reduction, the possibility of probable research is in Asian countries where Lin and Wang (2017) can be interviewed souls. Some scholars suggest trade openness and FDI for eradicating poverty (Majumder & Rahman, 2020; Miah & Majumder, 2020; Tahir et al., 2016; Zhang, 2014).

Moreover, the levels poverty-alleviating efficiency of FDI policy under the control of the government is needed to be taken into account. As pointed out by a recent study of Uddin et al. (2023), countries with better institutions attract more FDI, an attitude that goes with a higher poverty-reducing effect.

Strong regulatory regimes ensure that FDI contributes to sustained growth by upholding labor and environmental standards as well as increasing positive spill-overs for local populations. This underlines the need to complement polices with FDI to reach the desired socio-economical outcomes.
Recent research shows that FDI can also assist host countries in developing their human capital. Kaur et al. (2023) pointed out that employment generates and the levels of poverty reduces for these reason international organizations train employees offering training to improve individual skills, as well as overall business efficiency within small-scale local firms. This information transmission is vital in forming a work force that can satisfy the demands of a growing global economy.

Additionally, there is an argument that FDI can enhance competitive in domestically owned companies. As reported in a study by Zhang et al. (2024)), this competition may encourage innovation and efficiency gains among domestic firms as they reallocate to defend their position in the market against foreign rivals. These dynamics are fundamental to shaping a competitive business environment which can contribute to sustainable economic growth and poverty reduction.

It could also find that remittances from the migrant workers, hired by international firms, prove highly beneficial for local economies (Vertovec 2003). According to Imai et al. (2023), remittances allow families to have access to education and health services, two of the principal aspects for the long-term mitigation of the levels of poverty programs.

To that end, understanding the interaction of foreign direct investment (FDI) with remittances over poverty may provide useful guidance in a holistic approach to addressing multi-level poverty in community.

Last but not least are the challenges related to FDI inflows? Research shows that although FDI engenders employment and stimulates economic growth, it may also contribute to wealth disparity if the gains of economic growth do not spread evenly throughout society (Khan& Rahman, 2024).

- H4: Foreign direct Investment has a negative and significant impact on the levels of poverty.

2.6 Levels of Poverty

Poverty in every dimension continues to be a dangerous issue for humanity (Park and Mercado, 2018; Omar and Inaba, 2020). One of the biggest issues the world is currently experiencing is the increase in the levels of poverty, and eliminating it and promoting inclusive growth are universal human rights, especially in light of the COVID-19 pandemic (Yoshino et al., 2021).

Recent research states that the problem of poverty requires a multiple approach that involves economic development, social protection and financial inclusiveness. In particular, such authors as Uddin et al. (2023) state that effects of economic shocks on the poor can be appreciably mitigated with the help of providing the high-quality social safety nets, and decreasing poverty rates.

Moreover, online financial services have been revealed as a significant tool to enhance further financial inclusions and accessibility to the essential services to poor households (ESCAP, 2023). Besides saving and investment, this migration technology enables people to engage in entrepreneurial activities that would get them out of poverty and enhance their living standard.

Jabir et al. (2017) finds that a significant reduction in poverty among low-income households in Asia was achieved through financial inclusion, in which net wealth and social benefits increased. Research focus on the impact of financial inclusion on poverty (Neaime Gayssetr, 2018).

Shiimi (2010) demonstrates that financial inclusion has economic dimensions with poverty-eradication implications. Uddin et al. (2022) found long-run economic links of financial inclusion with a reduction of poverty levels in the Asian countries.

Park and Mercado (2018) in a study that spanned 176 countries found financial inclusion significantly delays the increase of poverty. Koomson et al. (2020) discovered that financial inclusiveness reduces poverty and creates an environment for the growth of a country.

Moreover, fresh findings indicate that it is equally important to success efforts to alleviate poverty that opportunities to education and health care services should be intensified. As stated on the report of the Asian Development Bank (2022), it is possible to improve living standards and aggregate productivity through investment in human capital development. Fluctuating economic environments can be simplified by the potential of a highly skilled labor force with the information that they demand in their possession. This interrelationship between education, health and financial inclusion is significant to long-term poverty reduction programming in entire content of Asia (Khan et al., 2023).

Moreover, the recent studies have concentrated more on application of the technology to the mitigation of poverty strategies. For example, mobile banking services can improve access to finance for the rural poor who used to depend on informal sources of credit (Khan et al., 2023). This change not only helps people become more financially literate, it also helps them safely store money and invest in their futures.

In addition to this, Mlambo and Ncube (2021) further demonstrate that promoting digital literacy amongst low-income families can lead to the exacerbation of the negative effects financial inclusion schemes have on reducing the poverty levels. In empowering people with the ability to confidently navigate digital platforms – the initiatives can enable increased participation in the formal economy, and unlocking entrepreneurial opportunities Stuff, a version of this article first appeared on the Wits Business School website.

Added to this, the research confirms that Gender -responsive approaches are key enabler in effective poverty reduction initiatives. Swamy (2022) proved that women's empowerment through targeted financial inclusion interventions increases household earnings and children's attainments in schooling. This highlights the importance of taking into account gender dynamics in designing community poverty reduction interventions.

And true to this, current studies have indicated that climate change is increasingly posing a rising obstacles to the projects aimed at helping to reduce poverty in the global arena. Environmental changes tend to impact the poorest and the most disadvantaged society in general, as they obtain a livelihood through farming and natural resources (World Bank, 2023). Integration of climate resilience in development strategies will also be important in keeping the achievements of eradicating poverty on track as natural disasters become unavoidable.

And not only these, we should as well be in a position to note the influence of towards the international co-operation, in the success of addressing the international poverty levels. According to the studies by Yoshino et al. (2021), such co-operative relations in the countries can enable the more effective distribution of resources, along with, ensuring the free exchange of the best practices in the methods of poverty reduction levels.

This type of cooperation would enable creation of the capacity of developing nations to transfer the working solution in their particular context using global experience and resources.

Moreover, it has been established that social protection programs are vital in lessening the effects of shocks on persons with disabilities in the time of crisis like pandemics and natural disasters (Uddin et al., 2023). To the extent that they allow families to preserve their incomes at the time of adversity, and, in the longer perspective, can play an important role in achieving poverty reduction targets, these programs provide crucial assistance.

2.7 Chapter Summary

The literature survey hence offers a general perspective of the complex statistical dependencies financial-inclusion, economic growth ,trade openness and foreign direct investment (FDI) at its turn, have on the levels of poverty in the context of Asia. It notes that poverty levels are a grave problem in the world and the COVID-19 pandemic has reversed the gains made in tackling the vice. Most of the poorest people in the world that are highlighted in the study are found in the sub-Saharan Africa and South Asia whose people are already starving as they struggle to achieve their own necessities.

Financial Liberalizations Theory Financial repression is believed to be outrun by deregulating the financial market in order to foster economic growth and development. Through this theoretical premise, there is an option of contemplating connections between financial accessibility, economic growth, trade openness, foreign direct investment and levels of poverty. It has been recently pointed out that financial inclusion is a crucial element of inclusive development because it opens the capital, favorable interest rates for businessmen, and opens entrepreneurships (Khan et al., 2022; Nizam et al., 2021).

As shown in the literature, we observe growth in trade GDP when we take the issue of trade openness as well as scale the levels of poverty downwards. Countries with more international trade tend to experience greater reductions in poverty with economic growth. Similarly, Direct Investment (FDI) is viewed as a critical driver of economic growth, providing essential capital and transferring knowledge that enhance productivity in the host country (Gao et al., 2023).

Further, growth digital banking usage has been associated with improved access to financial inclusion. Banking: High adoption of digital platform among nations led to decreased poverty with the help of increasing financial services and lower transaction costs for the poor households (Kumar & Singh, 2024).

The evidences that are available however point to the fact that the sector specific effects of FDI are very sector specific and it is found that it is particularly powerful in poverty reduction in those sectors where FDI is more favorable to supply decent employment facilities to the people mainly the manufacturing sector. The test also binds that role of government reflects returns of FDI in the mitigation of ranges of poverty, and when coherent policy conditions are present, they are linked with improved outputs. Although physical activity can be increased to combat the problem, when it comes to sports, coaches should be aware of how they can directly influence the development of the field and can put the information presented in the study to the test (Uddin et al., 2023).

More so, it is becoming important to integrate technology in the ladder of the poverty reduction strategies. Banking in digital form enhances access to finance in the rural areas and literacy programs in which people gain a better access to the economy. An example is to make gender sensitive approach part of poverty alleviation strategies whereby women targeted with government initiative in the financial inclusion program is revealed to have increased their household income and their living standard has also improved (Omar & Inaba, 2020).

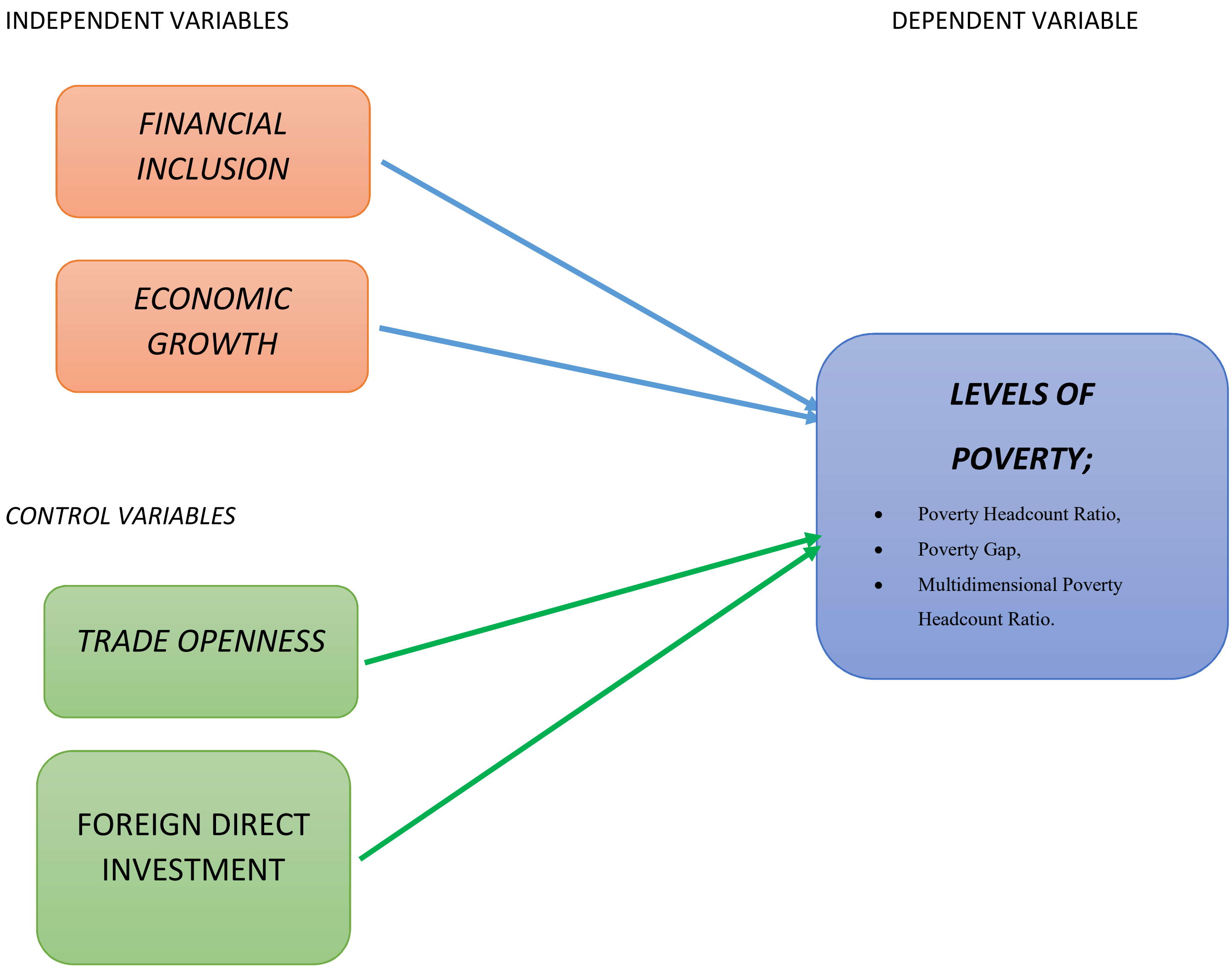
The research highlights the necessity of international undertaking to combat poverty conditions globally, together with global climate change and its connection with the programs on poverty. During shocks, the social protection programs are often hailed as important systems in reducing the spoilage of shocks on the vulnerable groups.

In addition, this literature review is used in the comprehension of the inter-relation that exists between financial inclusion, trade openness, foreign direct investment and economic growth with respect to the levels of poverty. It demands unilateral actions and policies so that the disempowered groups can participate in these dynamics and although practices that are sustainability as well as international cooperation are relevant ways to achieve the declining in the levels of poverty targets in the longer run. It requires the built-in programmers and policies aimed at enabling the participation of the most marginalized classes in these dynamics, achieving sustainability and where cross-border collaboration becomes essential component of such achievement of long-term objectives of poverty alleviation. The findings point to the fact that, although there has been the actual advancement, there is yet to be more in order to see to it that we have all living in an environment where we are given chances to earn our way out of the extreme poverty. Current literature confirms these findings showing the necessity of general policy frameworks involving financial services, social safety nets, and educational opportunities (Uddin et al., 2023; Khan et al., 2023).

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Research Model



3.2 Variables and Measurement Scale Description

This study investigates how financial inclusion, economic growth, trade openness, and foreign direct investment (FDI) are interconnected and how they collectively influence levels of poverty in selected Asian nations. The dependent and the independent variables utilized in this study, are dependent. Levels of poverty (LP) which reflects the percentage of adults living in the poverty line as dependent variable is used with the number of adults living below the poverty line as it's metric as suggested by Deaton (2010). The key independent variable is the Financial Inclusion (FI) that is operationalized with a particular composite index with variables as the number of holders of an ATM card, holders of bank accounts, users of online-app, and the number of credit card holders. This formula is in line with the method employed by Demirguc-Kunt and Klapper, (2012).

Economic Growth (EG) is calculated in a weighted equation where the factors include the GDP growth rate, per capita GDP growth rate, and the level of exports and this is informed by Dollar and Kraay (2003). Trade Openness (TO) be calculated based on a ratio of exports, imports and GDP divided by GDP as prominent in trade literature (Blanchard et al., 2016). Finally, a Foreign Direct Investment (FDI) is defined by considering net FDI inflows as a ratio to GDP in the given schematic established by Hill & Hult (2020).

A summary of the variables, their formula, and sources of operational definitions adopted in the current study is given in the table below.

Variables & Formula	**Source**
Financial Inclusion (FI) – Measured by factors such as access to banking services, credit availability, and usage of financial products. $F.I = {}^{1}/_{4}\ [\frac{NO.OF\ ATM\ CARD\ HOLDERS}{TOTAL\ POPULATION} + \frac{NO.OF\ BANK\ ACCOUNT\ HOLDERS}{TOTAL\ POPULATION} + \frac{NO.OF\ ONLINE\ APP\ USER}{TOTAL\ POPULATION} + \frac{USAGE\ OF\ CREDIT\ CARD}{TOTAL\ POPULATION}]$	*Demirgüç-Kunt, A., & Klapper, L. F. (2012). Measuring financial inclusion: The global findex database. World bank policy research working paper, (6025).*
Economic Growth (EG) – Measured by metrics like GDP growth rate, per capita income, or other relevant economic indicators. ***EGI=*** *1/3[w1·GDP(GrowthRate)+w2(Per Capita GDP Growth Rate)+w3(Exports)]*	*Dollar, D., & Kraay, A. (2003). Institutions, trade, and growth. Journal of monetary economics, 50(1), 133-162.*
Control Variables	
Trade Openness (TO) – Measured by indicators like trade-to-GDP ratio, tariff rates, and trade policies. $TradeOpenness = \frac{Exports + Imports}{GrossDomesticProduct(GDP)}$	*Blanchard, E. J., Bown, C. P., & Johnson, R. C. (2016). Global supply chains and trade policy (No. w21883). National Bureau of Economic Research.*
Foreign Direct Investment (FI) – Measured by foreign direct investment (FDI) inflows and outflows of domestic capital to foreign countries. $\frac{NET\ FOREIGN\ DIRECT\ INVESTMENT}{GDP}$	*Hill, C. W. L., & Hult, G. T. M. (2020). International Business: Competing in the Global Marketplace (12th ed.). New York, NY: McGraw-Hill Education.*
Level of Poverty (LP) - **Level of Poverty (LP) – =** $\frac{Number\ of\ Adult\ Living\ Below\ Poverty\ Line}{Total\ Population}$	*Deaton, A. (2010). Understanding the mechanisms of poverty measurement. American Economic Review, 100(2)*

3.3 Research Methodology

To explore the interrelationship further and achieve the study's objectives, a quantitative approach is employed, along with a strong research design and methodology.

3.4 Population

The Asian countries were used as the study population. Trustable and accessible sources that were openly revealed provided the information that was used in this study hence the reliability and validity of the data collected. This involved the use of secondary data in this study. Authentic data (Central Banks, WTO, IMF and World Bank, World development Indicators, Kaggle) on financial inclusion, trade openness, foreign investment, economic growth and the level of poverty were utilized.

3.5 Sampling

The sample size of the study was determined using the information of numerous and various Asian countries in the interval 2004-2023. An extensive number of attributes were analyzed over the time and across nations via the use of panel data. The research sample included 13 Asian countries selected on the basis of appropriateness to the research objectives, availability of data and representativeness of the selected countries locally with respect to the research objectives. The countries under study were: India, China, Bangladesh, Pakistan, Sri Lanka, and Turkey, Indonesia, Malaysia, Nepal, Thailand, Iran, Tajikistan and Uzbekistan. The choice of these countries was very subtle as the economies represented various levels of progress and directions of financial interactions, amiability to trade, and the use of foreign direct investment. This uncertainty provided a mixed image of the relationship these factors had in influencing poverty in different settings. By focusing the scope on this specific group of countries, the research attempted to validate the assertion that the sample as a whole could support comparisons and identify trends that would help sponsors to formulate policies. Data set is gathered on the basis of reliable sources i.e; Central Banks, World Trade Organization (WTO), International Monetary Fund (IMF), World Development Indicators (WDI) and World Bank (WDI) and Kaggle. Such organizations provided data that were trusted and contained detailed information on indicators as financial inclusion, dynamics of trade, flows of foreign investments, growth indicator and poverty levels. The reliability of results of this study was guaranteed by the secondary data collected in these valid sources used in this study.

The panel data were particularly beneficial in this research work as they allowed one to analyze change over time and time trends since the inception of each country, as well as to compare countries. The methodological approach also gives an added strength to the analysis by hedging or conditioning on missing observed country-level heterogeneities and by making it possible to observe the impact of changes in financial access and other parameters with regard to the levels of poverty at a different time. Panel data were used in this research on the interrelation between financial inclusion, trade openness, FDI inflows, and economic development in relation to time and countries. The fact that panel data were used also supplemented the results since the larger sample size was obtained, which allowed the observation of more intricate connections and trends, connections that could not be observed by using cross-sectional data. This assisted in increasing dependability and transferability of the findings in comprehension of the issues that affected helping to address the levels of poverty.

Conclusion; The sampling method that was used was intended to give us a very detailed analysis of the relationship between financial inclusion, trade openness, FDI, and the rate of economic development to levels of poverty in the 13 Asian countries. It was expected that current study provided with a systemized procedure of data collection and reliable sources, would provide valuable arguments concerning the effective measures of poverty reduction in the area. Such outcomes not only enabled us to understand these complicated processes better, but also provided policymakers with practical policy alternatives, which could helpful in improving economic conditions of marginalized communities in Asia.

3.6 Variables of the Study

Financial inclusion (F.I.): The measures enumerated to measure financial inclusion in this study were a broad account of available financial services and accessibility to them in the major Asian countries. National financial regulators, central banks, and credible international bodies such as the World Bank, the International Monetary Fund (IMF), and regional bodies, such as the Asian Development Bank (ADB), were used as the source of such type of data.

The most important measures were the number of banking branches per capita, since it showed how physically accessible banks were; ATMs, which indicated how easily a person could access cash; and the availability of savings accounts, which revealed how many people were able to keep their money in a safe place. Participation in credit payments was also considered, and the question of access to credit was addressed, as these were essential aspects of the analysis of the possibility of using financial assets of individuals and businesses. Lastly, the prevalence of online payments was evaluated to capture the increasing trend of electronic payments, which could promote financial inclusion by creating payment methods that were more convenient and closer to people.

These indicators, combined, provided an expansive outlook regarding financial inclusion in the chosen Asian economies, and the researcher was able to study the relationship btw the availability of financial services and the level of poverty reduction and the entire development of the economic environment.

$$F.I = \frac{1}{4}\left[\frac{NO.OF\ ATM\ CARD\ HOLDERS}{TOTAL\ POPULATION} + \frac{NO.OF\ BANK\ ACCOUNT\ HOLDERS}{TOTAL\ POPULATION} + \frac{USAGE\ OF\ CREDIT\ CARD}{TOTAL\ POPULATION}\right.$$

$$\left.\frac{NO\ OF\ ONLINE\ BANKING\ APP\ USERS}{TOTAL\ POPULATION}\right]$$

Whereas;

- FI was the Financial Inclusion Index.
- The 1/4 normalization was used to make sure each of the four terms of the index contributed as much to the total as any other. But 1/4 represents equal weighting of each component in the Financial Inclusion Index.

Economic Growth: Gross Domestic Product (GDP) was used to measure the economic development basing on the annual GDP growth rate, GDP per capita and other relevant economic information. The official government statistics, national statistical agencies and global agencies such as the World Bank, the International Monetary Fund (IMF) and the Asian Development Bank were accessed to retrieve statistics of these indicators. Such a rich database provided the opportunity to analyze and compare the growth performance of the Asian countries that were examined in this study.

EGI= 1/3[w1·GDP (Growth Rate)+w2(Per Capita GDP Growth Rate)+w3(Exports)]

Whereas;

- EGI stood for the Economic Growth Index.
- w1, w2,w3 are weights of components that denoted the importance of each component..
- GDP Growth Rate was the change in Gross Domestic Product.
- Per Capita GDP Growth Rate was the percentage/rate change in per capita GDP.
- Exports: number of exports over that time period.

Trade Openness: The measure of trade openness was set in terms of the trade-to-GDP ratio, which was commonly utilized in exhibiting the extent to which a nation was engaged in global trade. The trade-to-GDP quotient of the Asian countries included in the study was obtained from country statistical offices, international trade groups (e.g., World Trade Organization (WTO) and economic databases (especially World Bank), World Development Indicators, and the United Nations Comtrade database. The Equation to determine trade openness is:

$$\textbf{Trade Openness} = \frac{\textbf{Exports} + \textbf{Imports}}{(\textbf{GDP})\textbf{Gross Domestic Product}}$$

Whereas,

- Exports were the amount of goods and services sold abroad.
- Imports were the amount of goods and services purchased from abroad
- GDP was the total value of goods and services produced in a country during a specific time.

Foreign Direct Investment: Foreign direct investment was examined by determining the level of the total foreign direct investment (TFDI) in the country. This involved monitoring the transfer of capital, technology and market that accompanies foreign investment. FDI inflow data were supplied by national bodies promoting investments, central banks and other international organizations like United Nations

Conference on Trade and Development (UNCTAD) and World Bank Foreign direct investment database. This piece of information provided insight into the amount of investment by other nations and the impact of the investments on the economy of the Asian host nations.

$$\mathbf{FDI} = \frac{\mathbf{Net\ Foreign\ Direct\ Investment}}{\mathbf{GDP}}$$

Whereas;

- FDI foreign direct investment as a share of GDP.
- Net Foreign direct investment was the difference between inflows and outflows of foreign investment. (Net Foreign direct investment was the amount of foreign investment held domestically, minus foreign investment held abroad).
- GDP stands the Gross Domestic Product.

Levels of Poverty: The researcher quantified aspects of poverty in the Asian context of countries in terms of particular aspects and dimensions. These included poverty levels, income distribution statistics, and social development statistics that will comprise education enrolment statistics and employment data. Such variables and dimensions were collected using national statistic agencies, global research companies, e.g. the World Bank, the United Nations, and the Asian Development Bank, and academic studies specifically relating to the Asian countries that were part of this study. This rich data will became especially valuable, as it enabled the determination of how effectively the level of poverty was being reduced in the Asian region. Level of Poverty can be determined by calculating it;

$$\boldsymbol{Levels\ of\ poverty\ (poverty\ rate)} = \frac{\boldsymbol{Number\ of\ Adult\ Living\ Below\ Poverty\ Line}}{\boldsymbol{Total\ Population}}$$

Whereas;

- Poverty rate represented the % of poverty level in a country.

- Number of Adults Living Below the Poverty Line (The poverty line in this study is defined based on World Bank standards)
- Total Population (Total Number of Adults)

3.7 Econometric Model and Statistical Technique

In the current study, a panel satisfied the requirements as it incorporated data between 2004 and 2023, which included a broad range of countries within Asia. The proposed project seeks to encompass yearly data of a steady pace of about 12 to 15 countries, namely, India, China, Bangladesh, Pakistan, Sri Lanka, Turkey, Indonesia, Malaysia, Nepal, Thailand, Iran, Tajikistan, and Uzbekistan. In order to test the hypotheses, the researcher used the econometric techniques as Descriptive Statistics, Correlation Analysis, and Diagnostic Tests, in order to guarantee the appropriateness of the data to the intended analyses.

The central part of the data analysis was executed under the help of the E-Views software, which was implemented appropriately to work with the econometric models. Complex interrelations among the variables of interest were explored using multiple regression model. The independent variables included financial inclusion, foreign direct investment (FDI), trade and economic growth where the dependent variable was level of poverty. The model also included control variables like exposure to trade and foreign investment since they were hypothesized to combine with levels of poverty.

This multiple regression analysis allowed the researcher to determine the relationship between changes in the independent variables with changes in the dependent variable, with the effects of confounding factors being controlled. This way, the research provided better insight into the interlinking of these macroeconomic variables with the level of poverty reduction, ultimately leading to sound policy proposals to boost economic growth and poverty reduction in the area.

Model: Levels of Poverty (LP) as the Dependent Variable:

$$LP_{i,t} = \beta_0 + \beta_1 FI_{i,t} + \beta_2 EG_{i,t} + \beta_3 TO_{i,t} + \beta_4 NFDI_{i,t} + \varepsilon_i,$$

Whereas;

- LP depicts the Levels of Poverty,
- β_0 Intercept term (Constant),
- β_1 β_2 β_3 β_4 Coefficient for each variables,
- FI was expressed by Financial Inclusion,
- EG referred to Economic Growth,
- TO showed Trade Openness,
- NFDI depicted as Net Foreign Direct Investment

The tool used in this research, that is, the multiple regression analysis, enabled the researcher to make quantitative judgments on how financial inclusion, foreign direct investment (FDI), trade, and economic growth influenced or reduced the extent of poverty in the chosen Asian countries. The analysis also provided a clearer understanding of the relationship between the two macroeconomic factors by taking into consideration their combined effect (trade openness and foreign investment) in alleviating poverty.

Through this method of statistical analysis, complex patterns of relationships in the variables were studied and determined not only the effect directed but also possible interactions as well as moderating effects. Consequently, the results improved the knowledge of the peculiar dynamics that led to the reduction of poverty in Asia. The study aimed to provide useful information on effective ways of alleviating poverty by determining the most important factors and the relationship they had with each other. Finally, the life cycle analysis was formulated to inform policymakers and stakeholders with regard to the key factors that could support sustainable economic growth and enhance the living standards throughout the territory.

3.8 Chapter Summary

The research methodology that was applied in the current study centered on the investigation into the relationships between financial inclusion and economic growth and trade openness, as well as the foreign direct investment and reductions in poverty levels in a sample of chosen countries within the Asian continent. In an effort to apply a quantitative research method, the study made use of secondary data that were obtained from credible and present in official sources, like the central banks, the World Trade Organization (WTO), the International Monetary Fund (IMF), World Development Indicators, as well as the World Bank. This reliance on the well-known sources of data was essential, as it ensured the reliability and validity of the information and therefore a sounder outcome of the relationships under study could be achieved. Using quantitative research techniques, the study provided a systematic manner of measuring and evaluating relationships between the main variables and made it easier to determine patterns, trends, and causal relationships, which could contribute to effective use of data.

The sample included 1,040 observations from Asia countries, including India, China, Bangladesh, Pakistan, Sri Lanka, Turkey, Indonesia, Malaysia, Nepal, Thailand, Iran, Tajikistan, and Uzbekistan, spread over 2004 to 2023. The specified countries were chosen because they demonstrated different experiences in economic development, different measures of financial inclusion, and differing trade strategies that influenced the decline in the level of poverty. The use of the panel data method reflected a research design that was flexible enough to capture variations over time and across contexts, thereby enhancing the understanding of the dynamics as a whole.

The study utilized a multiple regression model to test the determinants of the levels of poverty with regard to these factors by relying on the available literature to influence the study. The results of such an econometric model were to be useful in giving real-life understandings of the dynamics of poverty in these Asian economies. Finally, the objective of the study aimed at providing information to policymakers through coming up with evidence-based recommendations and effective reduction of poverty in the region.

Chapter 4

RESULTS AND INTERPRETATION

In this chapter the results deprived from the statistical analysis of the dataset are presented and discussed. It is possible to split the study into a great number of stages, starting with the preliminary diagnostics to make sure that the chosen econometric models are valid and robust. The current step is necessary indeed since it will make sure that the following analyses will not only be correct but also reliable. The chapter then forms the foundation of the more sophisticated econometric methods by description, a dependence analysis, unit root testing, and a multicollinearity test. From the descriptive statistics, one makes a full narration of the data, and using the correlational analysis, potential relationships between variables that need further analysis may be discovered.

4.1 Descriptive statistics

Table 1: Descriptive statistics of Poverty headcount Ratio

Stats	Poverty Headcount	Financial Inclusion	Economic Growth	Foreign Direct Investment	Trade Openness
Mean	0.405	0.446	0.051	0.021	0.633
Median	0.280	0.420	0.056	0.019	0.483
Maximum	0.928	0.950	0.142	0.316	2.103
Minimum	0.002	0.100	-0.073	-0.018	0.247
Std Dev	0.299	0.210	0.032	0.023	0.379
Skewness	0.543	0.398	-1.013	8.019	1.719
Kurtosis	1.746	2.333	5.163	99.948	5.258
Jargue Bera	29.703	11.660	94.863	104206.3	182.638
Prob	0.000	0.002	0.000	0.000	0.000
Observations	259	259	259	259	259

Table 1 shows the descriptive statistics of five indicators of the economy, namely Poverty Headcount, Financial Inclusion, Economic Growth, Foreign Direct Investment (FDI), and Trade Openness. Poverty Headcount average is 40.5 percent, and the median is 28 percent, which implies that the distribution of data is lopsided to the right. Financial Inclusion and Economic Growth both have a relatively balanced distribution because Financial Inclusion shows 44.6% and Economic Growth shows 5.1%. The average FDI inflow, however is 2.1% and the Trade Openness displays indicative variation with an average of 63.3%. The Trade Openness is volatile as compared to the Poverty Headcount, but the story is the same with the Economic Growth and FDI. The Financial Inclusion and Poverty Headcount has positive Skew in moderation, and the Economic Growth has a negative skew. The skewness of the FDI is very far to the positive side, which means that at least extreme outliers exist. The Jarque-Bera test statistic verifies that none of the variables is close to normal, but FDI is at the extreme kurtosis level of 99.95. The results indicate that the additional analysis will be warranted to convert the data or resort to strong econometrics to counter the non-normality of the distributions.

This statistical non-normality is economically plausible, as financial indicators such as FDI are often concentrated in a few high-performing countries. The presence of skewness and kurtosis, particularly in FDI and Poverty Headcount, reflects real-world disparities in capital allocation and development outcomes, consistent with core-periphery dynamics in global economics.

Table 2: Descriptive statistics of Poverty Gap

Stats	**Poverty Gap**	**Financial Inclusion**	**Economic Growth**	**Foreign Direct Investment**	**Trade Openness**
Mean	0.078	0.446	0.051	0.021	0.633
Median	0.039	0.420	0.056	0.019	0.483
Maximum	0.500	0.950	0.142	0.316	2.103
Minimum	0.000	0.100	-0.073	-0.018	0.247
Std Dev	0.099	0.210	0.032	0.023	0.379

Skewness	1.915	0.398	-1.013	8.019	1.719
Kurtosis	6.210	2.333	5.163	99.948	5.258
Jargue Bera	259.374	11.660	94.863	104206.3	182.638
Prob	0.000	0.002	0.000	0.000	0.000
Observations	259	259	259	259	259

The Observed mean is 7.8, whereas the median value is 3.9, which means that the distribution is highly skewed to the right and the high standard deviation value of 0.099 means there is a huge deviation between observations. This is what is confirmed by the skewness of 1.915 and the kurtosis of 6.210, confirming the presence of extreme value's which make the distribution extremely asymmetric. Financial Inclusion, in its turn, yields 44.6 (median 42%) with a better balanced distribution with a slight skewness towards the right (0.398) and has a flatter peak (kurtosis of 2.333). The median and average of Economic Growth are 5.6% and 5.1%, respectively, meaning that it is moderately distributed with negative skewness (-1.013) and kurtosis (5.163), which implies a longer negative tail and some drastic downfalls of its growth rates. FDI, having a mean of 2.1 percent and a median of 1.9 percent, denotes small inflows that are predominant and the extreme skew (8.019) and the high kurtosis (99.948) of the FDI term as extreme outliers, where most of the values are located at zero, with a few countries having an extremely high FDI. Trade Openness exhibits a mean of 63.3 and a median of 48.3, a vast disparity (24.7-210.3) and strong kurtosis (5.258) along with skewness (1.719), indicating that the range of trade openness is long-tailed towards the scarce few, incredibly open economies. The Jarque-Bera test findings, which are p = 0.000, echo the fact that the distributions of all the variables are far not being presented with normality, especially in the case of Poverty Gap and FDI. In turn, these results imply that additional work may require transformations of the collected data or necessity non-parametric methodologies to interpret the outcomes.

From an economic standpoint, these outliers and asymmetric distributions may reflect real income and access inequalities between countries. For example, countries with high FDI inflows likely possess superior infrastructure or investor-friendly policies, which aligns with Dunning's OLI theory. Similarly, negative skewness in economic growth suggests some economies may suffer from downturns or recessions disproportionately.

Table 3: Descriptive Statistics of Multidimensional Poverty Headcount

Stats	**Multidimensional Headcount**	**Financial Inclusion**	**Economic Growth**	**Foreign Direct Investment**	**Trade Openness**
Mean	0.187	0.446	0.051	0.021	0.633
Median	0.165	0.420	0.056	0.019	0.483
Maximum	0.555	0.950	0.142	0.316	2.103
Minimum	0.006	0.100	-0.073	-0.018	0.247
Std Dev	0.130	0.210	0.032	0.023	0.379
Skewness	0.929	0.398	-1.013	8.019	1.719
Kurtosis	3.296	2.333	5.163	99.948	5.258
Jargue Bera	38.215	11.660	94.863	104206.3	182.638
Prob	0.000	0.002	0.000	0.000	0.000
Observations	259	259	259	259	259

The mean and the median of this Multidimensional Poverty Headcount are 0.187 and 0.165, respectively, which implies a slight rightward skew (the value of skewness is 0.929). The upper limit of 0.555 implies that a significant percentage of the population is faced with harrowing multidimensional poverty, whereas the lowest number of 0.006 represents that there are people who are not bothered in any way. The standard deviation of 0.130 shows medium variation from the mean.

Financial Inclusion has a mean value of 0.446 and a median of 0.420 with zero skewness (0.398) and a kurtosis value of 2.333 that is relatively normally distributed. The Economic Growth has a mean of 0.051 and a median of 0.056, and the skew to the left (-1.013) implies the longer left tail, and hence although the majority of growth rates would be moderate, there are some negative big ones. The kurtosis value of 5.163 reveals a peaked distribution the possible extreme values.

The mean and median of FDI are 0.021 and 0.019, respectively, which are too low and mean that the inflows are likely to be small. The extreme kurtosis = 99.948 and also skew = 8.019, however indicate the presence of severe outliers; hence, most of the countries are clustered around zero, few countries have relatively large amounts of FDI inflows.

Trade Openness has an average of 0.633 with a median of 0.483, wide limits of values (maximum of 2.103), and skewness of 1.719, ensuring that it is skewed to the right, plus it has a considerable kurtosis of 5.258, implying that there are limited but highly trade-open economies.

According to the Jarque-Bera test, with p-values of 0.000 in all variables, it was obvious that none of the distributions are normally patterned and therefore good consideration must be observed in further analysis which may even require transformations or non-parametric techniques.

4.2 Correlation Matrix

Table 4: Correlation Matrix of Poverty Headcount Ratio

Variables	Poverty Head Count Ratio	Financial Inclusion	Economic Growth	Foreign Direct Investment	Trade Openness
Poverty Head Count Ratio	1				
Financial Inclusion	-0.325	1			

Economic Growth	0.233	-0.218	1		
Foreign Direct Investment	-0.009	-0.011	0.186	1	
Trade Openness	-0.434	0.091	0.024	0.289	1

A correlation matrix in Table 4 shows the association among the Poverty Head Count Ratio, Financial Inclusion, Economic Growth, Foreign Direct Investment (FDI), and Trade Openness. The correlation values lie in intervals of -1 to 1, in which positive values imply a direct relationship and negative values imply an inverse relationship. In the data, there is a moderate negative correlation present between financial inclusion and the Poverty Head Count Ratio, meaning that the higher the financial inclusion, the lower the levels of poverty are. The finding is in line with the fact that the higher the access to financial services, the more people join economic activities and consequently, the higher the savings, investments, and income-earning activities. This, therefore, implies that enhanced financial inclusion can play a major role in poverty reduction, and this appropriately confirms the fact that increased access to financial means is essential in eliminating poverty among the citizens. This correlation accords with the theory of inclusive finance, which is a position that states that when access to credit, savings, and insurance is expanded, it has the capacity to maximize household income and diminish levels of poverty through the enhancement of self-employment, as well as participation in the economy.

The correlation cannot, however, be described as high; the analysis shows that in this data, no more than one eleventh of the variance in economic growth can be explained in terms of poverty rate decreases. This observation means that economic growth might not be the only means or method of reducing the levels of poverty by a huge amount, which is why inclusive policies are needed to reach the population in terms of granting access to opportunities and resources.

Moreover, the relationship between FDI and poverty head count is very close to zero, and therefore FDI does not seem to have any direct adverse impact on poverty. It implies that the positive effect of FDI inflows cannot permeate the vulnerable groups, indicating that gaps might exist in the investment distribution or exploitation in the economy. This assertion is justified by the fact that FDI is usually focused on the industries or sectors that are capital-intensive or have few spillovers on employment, hence the narrowness of its effect on poverty alleviation. In its turn, foreign investments can jump over the poorest population layers in case there are no good local ties.

Altogether, the correlation matrix reveals the multiplicity of such relations and the necessity of focused approaches in order to combat poverty actively using financial inclusion and other inclusive economic policies. A mild negative correlation sends a message that the higher the trade openness, the lower the poverty. It may give the message that less closed economies are less poor, which is probably because creation of jobs and diversity of economic activities. This is based on the argument by trade liberalization theory, which postulates/suggests that the exposure to international trade leads to intra-industry competition, which causes a drop in prices and a generation of employment,, particularly in export-oriented industries,, and hence a possible reduction in poverty.

The negative correlation implies that economic growth does not relate presence of financial inclusion very highly. It could imply that, though financial inclusion is a significant factor for the individuals, it may not always be the case that it causes higher growth in the GDP in the short to medium term. In addition, only a near-zero correlation suggests that there is no relationship between financial inclusion and FDI; i.e. FDI will not always lead to financial inclusion. This suggests that foreign investments alone do not guarantee financial deepening or the development of inclusive banking systems. FDI may focus on large enterprises without integrating the broader population into formal financial structures.

The weak positive correlation implies that there is a slight positive association between economies with high trade openness degree and their relative financial inclusion, but it is not a strong relationship. The positive value shows that higher inflows of FDI are weakly related to higher economic growth. Absence of trend in correlation means: Trade openness does not have a lot to do with economic growth in the data set. This may be because it is rivaled/ equal by other factors- e.g., institutional quality or home policy --- that play a more important role in shaping growth. A gentle positive correlation is also evident between open economies and FDI. This is in line with expectations that openness of trade would spur FDI.

Table 5: Correlation Matrix with poverty Gap

Variables	Poverty Gap	Financial Inclusion	Economic Growth	Foreign Direct Investment	Trade Openness
Poverty Gap	1				
Financial Inclusion	-0.424	1			
Economic Growth	0.237	-0.218	1		
Foreign Direct Investment	-0.059	-0.011	0.186	1	
Trade Openness	-0.314	0.091	-0.024	0.289	1

In correlation table 5, a correlation table of Poverty Gap, Financial Inclusion, Economic Growth, Foreign Direct Investment (FDI), and Trade Openness is shown. The relationship may either be negative or positive, which is determined by the strength of the relationship, whereby a negative relationship implies that a growth in financial inclusion is related to a small reduction in the difference in poverty. This means that the financial access is at least being supportive in quelling the heights of poverty based on the power accorded to the poor to manage efficiently the financial requirements. Strict and setting back positive co-efficient means that the higher growth in the development of the economy is related to a higher poverty gap. There is a possibility that the growth is not a sure factor that the poorest will share, sharing the growth in income and in fact raises inequality of income. A very weak negative correlation implies that FDI will not most probably lead to poverty gap. This can imply that the investments made by foreigners are not benefiting the poor people most. The weak negative relationship also denotes how an improved trade openness is linked to a low poverty gap. This may imply that countries that engage in international trade experience the creation of employment and distribution of income, which is likely to curb the poverty gap. It means that foreign capital is neither an argument for financial inclusion nor does it add to the access of financial inclusiveness. The weak positive distribution shows the slightest correlation which is that the more exposed economies to trade, the better the financial inclusion but it is the slightest. The weak positive association means that more FDI inflows are positively related in part with an economic growth but the connection is not ideal. The close-to-zero correlation approximation shows that the data set does not contain any strong linear relationship between trade openness and growth. This indicates that trade will not be a driver of growth unless it is supported by policies. Reporting moderate positive correlation between economies that are more liberalized to international trade and like predicted, more FDI tend to gravitate to it, it gives an insinuation that open trade activities are more likely to generate influence of foreign investors.

Table 6: Correlation Matrix with Multidimensional Poverty

Variables	**Multidimensional Poverty**	**Financial Inclusion**	**Economic Growth**	**Foreign Direct Investment**	**Trade Openness**
Multidimensional Poverty	1				
Financial Inclusion	-0.492	1			
Economic Growth	0.027	-0.218	1		
Foreign Direct Investment	-0.220	-0.011	0.186	1	
Trade Openness	-0.484	0.091	-0.024	0.289	1

The correlation matrix followed shows that there are correlations existing between five variables; Multidimensional Poverty, Financial Inclusion, Economic Growth, Foreign Direct Investment (FDI), and Trade Openness (TO). There is a significantly negative value of the correlation which is -0.492 between Multidimensional Poverty and Financial Inclusion showing that as the level of financial inclusion improves, there is a tendency of multidimensional poverty to decline. On the other hand, correlation between Multidimensional Poverty and Economic Growth is also weakly positive (0.027), which means economic growth is not very relevant in decreasing levels of poverty in this scenario.

The relationship between the Multidimensional Poverty and FDI is also negatively correlated (0.220), which means that the increase in the FDI may mean the decrease in the level of Multidimensional Poverty, but the correlation is not that strong. On the same note, trade openness is negatively correlated with Multidimensional Poverty (-0.484), which affirms the notion that openness in trade can also lead to poverty fall.

Negatively, the Financial Inclusion is cross-sectional correlated with the Economic Growth whereby the former is negatively correlated with the latter (-0.218), implying that the same level of financial inclusion is not likely to result in high economic growth in this data achievement. FDI and Economic Growth have a positive relationship (0.186), and it seems to be fruitful, and Trade Openness is weakly correlated with Economic Growth (-0.024). On the whole, the analyses of these correlations demonstrate the complicated interdependence of these factors talking about the necessity of special policies to stimulate financial inclusion and to use FDI and trade to effectively eliminate poverty.

4.3 Diagnostic Tests

Table 7: Diagnostic Tests

Variables	Unit Root Tests				Multicollinearity Test	
	Im Pesaran & Shin Unit Root		Levin, Lin & Chu Unit Root		VIF	1/VIF
	At Level	At 1st difference	At Level	At 1st difference		
Financial Inclusion	12.768	-1.366	7.008	-1.717	1.06	0.944
Economic Growth	-5.999	-14.357	-6.892	-15.050	1.09	0.914
Foreign Direct Investment	-2.099	-9.015	-2.353	-9.759	1.14	0.878
Trade Openness	-2.412	-8.239	-4.570	-9.680	1.11	0.903

The table introduced gives an output of unit root tests and multicollinearity tests of the variables, which include Financial Inclusion, Economic Growth, Foreign Direct Investment (FDI), and Trade Openness. The tests of unit roots, namely, the Pesaran & Shin and the Levin, Lin & Chu tests determine the stationarity of the data in levels and at the first differences. In the case of Financial Inclusion, as we can see in the results, there is a unit root at level (12.768) but when we use Pesaran & Shin test to test the stationarity at first differences (-1.366), then we should conclude that the series is non-stationary at the original level but stationary after first differences. Economic Growth has a very strong stationarity at both level and first variations; these values are strongly based on negative values and are significant i.e., -5.999***. It means that Economic Growth is not stationary at the original level.

FDI and Trade Openness are also stationary after being differentiated and have significant values in each of the tests indicating that these series are integrated of order one. Multicollinearity test as measured by the Variance Inflation Factor (VIF) implies that all the VIF variables are below 1.14 indicating that the problem of multicollinearity is not observed among the variables. This can also be verified by the 1/VIF values which are nearly 1 which means that the values would not be highly correlated to cause distortions in regressions. Generally, the results indicate that although the majority of the variables to be modelled are subject to differencing to attain stationarity, multicollinearity is not a cause of concern in the analysis. Economically, long-term relationships become validly inferred, when stationarity is achieved via time differencing. Lack of multicollinearity, in turn, increases the robustness of the models, and gives the ability to withhold implications of the policy about an isolated variable such as financial inclusion or trade openness.

4.4 Regression Models

Table 8: Regression Models

Variables	Poverty Headcount	Poverty Gap	Multidimensional
Financial Inclusion Index	-.358***	-.173***	-.291***
Economic Growth	1.393***	.467***	-.272
Foreign Direct Investment	1.089	-.057	-.512*
Trade Openness	-.341***	-.071***	-.142***
Constant	.686***	.178***	.433***
R-Squared	0.3046	0.2784	0.4521

F Test	27.81	24.50	52.40
Prob > F	0.000	0.000	0.000
Obs	259	259	259

Regression outcomes indicate that the association between financial inclusion and several measures of poverty, namely, Poverty Headcount, Poverty Gap, and Multidimensional Poverty depicts notable negative correlations. The coefficients associated to Financial Inclusion Index amount to -0.358 with Poverty Headcount, -0.173 with Poverty Gap, and -0.291 regarding Multidimensional Poverty and those are statistically significant at 1 percent level. This shows that the level of financial inclusion is related to all measures of poverty reduction because the higher the financial inclusion the lower the level of all the measures of poverty. The results indicate that improved financial inclusion enables more persons to access the services of the banks and subsequently enables the persons to save, invest and engage in income generating activities. Such enhanced financial capacity has the potential to cause a drastic decline in the levels of poverty and it is notable that the Poverty Headcount could be the most glaring. This suggests an issue to improve access to the financial services indeed proves to be rather effective in bringing the individuals out of the absolute poverty, so the idea of the financial inclusion as a means to help in attaining a sustainable improvement in the current poverty is quite important here. This supports the Financial Liberalization Theory, which postulates that removing barriers to financial access promotes broader economic participation, thereby reducing the levels of poverty. By enabling savings, credit access, and insurance, financial inclusion improves household resilience and income generation.

The variable of poverty has a poorer variable estimator and it is found to have statistically significant adverse effects of economic growth in that the positive significant coefficient of both the Poverty Headcount and Poverty Gap are both registered at the 1% level indicating adverse effects of economic growth (1.393 and 0.467, respectively). This means that the faster the growth the more positive the outcomes in employment and the distribution of income, and hence the lower the poverty incidence and the poverty gap, on net. Nonetheless, the effect of economic growth on Multidimensional Poverty is negligible, and it indicates that economic growth might reduce income-based poverty, but it might be barely relevant to the broad spectrum of level of poverty, including access to health care, education level, online banking app and other fundamental amenities.

FDI also has either bad or good outcomes. It shows no statistically significant differentiating influence with the poverty Headcount and poverty Gap, in the ratings of their coefficients being rammed 1.089 and -0.057 respectively. The FDI, however, shows that it has very intensively insignificant impact on the Multidimensional Poverty (-0.512), an area which implies that foreign investment could be helping to improve on overall dimensions of poverty maybe because of better infrastructure, job creation and social welfare donations made by multinational companies. Irrespective of this poor relationship, the net effect of FDI on poverty alleviation seems to be insignificant in the work. This could be because of sectoral concentration of FDI in capital intensive/export sector where there are few opportunities to create employments to the poor. By itself FDI may not make a large difference in poverty levels unless integrated into local value chains or labor markets.

The negative impact of trade openness on the three measures of poverty is strong, with coefficients of -0.341, -0.071 and-0.142 on Poverty Headcount, Poverty Gap and Multidimensional Poverty respectively and all significant at 1 per cent. This has the implication that higher trade openness contributes to a low level of poverty probably through economic growth leading to creation of jobs and access to more goods and services. Nevertheless, the less significant contribution to Poverty Gap indicates that trade openness has a positive but relatively weak influence on the reduction of poverty in general and the closing of income gaps between the poor people in particular. Trade openness may result into reducing poverty in ways of increasing competitiveness and market expansion. This is in line with the theory of comparative advantage where countries endowed with resources win specialization, export earnings, and increase in employment.

The constant in all the three models are significant showing that there are other factors that affect the levels of poverty but are not captured in the models. This implies that in spite of the importance of financial inclusion, economic growth, FDI, as well as openness to trade, other variables like government policies, social protection initiatives, and labor market environments could be important factors that can significantly influence poverty conditions.

The models are given R-squared values which are a measure of the explanatory power of the models. Poverty Headcount model can capture 30.46 percent of the variation, whereas the model of the Poverty Gap explained 27.84 percent of the variation and Multidimensional Poverty explained the variation by 45.21 percent. This means that the potential of the independent variables, which have been included, to explain the differences in poverty is relatively weak, but the explanatory potential of the Multidimensional Poverty model can be estimated quite high. Although the values of the R-squared imply moderate explanatory power, it is also clear that omitted variables or complex socio-economic relationships are involved in this aspect. This justifies the idea that poverty depends not only on macroeconomic indicators.

4.5 Discussion and Analysis:

This study uses critical analysis in explaining the complex correlation between major macroeconomic variables and three variables: The Poverty headcount ratio at $6.85 per day (2017 PPP) mass measurement, the Poverty gap ratio at $2.15 per day (2017 PPP) mass measurement and the Multidimensional poverty headcount mass measurement. Through the examination of these relationships, the paper will aim at revealing the way in which drivers or determinants including financial inclusion, economic growth, foreign direct investment (FDI), and trade openness have interacted and possibly affected these measures of poverty. The critical route allows one to have a complex sense of the relationship between and among these macroeconomic factors in mitigating or enhancing the levels of poverty, thus being more complex and inter-dependent between the economic realities and poverty processes. This comprehensive analysis aims to provide insights that can inform policy decisions aimed at effectively addressing poverty in various contexts. By use of an intense powerful regression regime, the study will seek to learn in a cumulative manner, the intrigues behind financial inclusion, economic growth, foreign direct investment (FDI) and the trade openness as well as the correlation of the many-dimensional variables to the decrease in the level of poverty. The research aims to develop a fine-grained perspective of the inter-relationship and possible conflicts among the factors, and build a more informative perspective of how these affect poverty alleviations jointly in a contextually Asian situation. All these barriers to financial access and the way they lessen the levels of poverty among all the disadvantaged groups (Khan et al.,2022), this study shows that how far financial inclusion, economic growth, foreign direct investment and trade openness can be effective in declining the poverty rate and also addressing its dimensions. Based on the theoretical foundation of Financial Liberalization Theory (Effiong et al., 2019), which suppose that financial liberalization should create an efficient financial sector that the capital resources toward faster global economic development and, in turn, fosters overall economic development (NBER, 2021), this study poses the following question: to what extent do the hypotheses of financial liberalization align with actual outcomes, including both intended and unintended effects?

These results are factual already since previous researches indicate that financial inclusion is a powerful instrument to support the inclusive development and to facilitate the economic development, and resilience of the vulnerable in general with regards to the emerging economies (Le et al., 2021, Nizam et al., 2021). The research gives facts that the availability of online banking and financial services on broader scope is a poverty buster of huge magnitude. In addition, information received recently by most members of this research found out that; presently 86.9 percent of those persons holding bank accounts use on-line financial application which is also one of the large growth rates of financial inclusion as well as the significance of technology in proliferation of financial products. It complies with the Financial Inclusion Theory (National Financial Inclusion Study, 2024). Under the premise of the Financial Liberalization theory, the more people can get access to money, the more chances they have to enhance their financial well-being, via credit, savings, and insurances, and with the help of digital support, therefore, further raising the demand of economic services and enhancing economic survival capacity (Omar & Inaba, 2020; Liu & Walheer, 2022). Besides, a higher adoption rate of online banking services is postulated to be a key indicator of reduction in the levels poverty, making it obvious that digital financial services have the potential to become the source of change (Lu & Huiling, 2021). The present paper adds to the body of literature (eg, Ahamed and Mallick, 2021) indicating that equality of access, particularly to the women population, and other vulnerable groups, is a factor of paramount importance in reaping the poverty-reducing effects of financial inclusion and expanding the space of inclusive growth. However, the author studying the problem acknowledges the shortcomings pointed out by Abdul Karim (2021), stating that the barriers of various forms are still present against the marginalized population because of the low level of financial literacy, absence of access to technology, skilled workers, and practices in the financial services organization, as well as the necessity to overcome different disparities related to financial literacy, access to technology, and unfair attitudes and practices mentioned to help the population achieve inclusive development and stop the existing problem of income inequality. Ceteris paribus, the financial inclusion index improves at 0.1, the Poverty changes at -0.036 with a significance of 0.1 percent, the Poverty Gap changes at -0.017 and the Multidimensional Poverty changes at -0. 029 which are also significant at 1 percent. These results support the massive poverty alleviating power of financial inclusion across various dimensions. To overcome such obstacles, one will need to see things like financial education initiatives, the greater access of mobile/digital financial services in underserved communities, and an intervention program tailored to the needs of women and marginalized segments of the population.

This is a paradoxical finding because although there is a tendency that the growth in aggregate economic growth will result in an increase in income as well, the increase is not evenly spread out, and therefore there is the possibility that the indirect effect of economic growth, as well as the effect of economic growth on poverty reduction might be minimal, particularly among individuals existing at the border of the poverty line. This does not tally to the anticipated implication of the Financial Liberalization Theory that economic growth instigates investments in productive activities, the number of employed persons, the living standard and accessibility to basic needs all of which leads to a decrease in poverty (Gao et al., 2023). Of the regressions, there is a specific value to Financial Liberalization Theory. The financial market difficulties and poor volatility are strongly connected; challenging economic impacts of money are long-lasting and may contribute to an increasing level of inequality in the future (Hassan et al., 2021). It implies that the fruits of economic development are less capable of trickling down to the rest of society to the point that the structural inequality, market imperfection and the inability of people in rural areas and in the informal sector to gain access to opportunities might even out the trickle down of economic growth. The questions that need to be pursued in future include the distributional implications of growth, what are the mechanisms of the ability of social safety nets to dampen income inequality, and how are specific policies ensuring that the endeavor of economic growth will be translated to improved living conditions of the poor to support more inclusive and sustainable development trajectories. The results of the regression suggest that the values (1.39 and 0.47) obtained due to increase of economic growth by 1 percent belong to the Poverty Headcount Ratio and the Poverty Gap respectively and are significant with 1 percent level. This underlines the importance to explore the essence of economic growth and its implications on income distribution. Not only is this a statistically important positive association, but also economically significant that in its turn implies that the poor are not enjoying the growth dividends. First of all, aiming the social policies at curing structural injustices, engaging in the development of the education and health as well as engaging in the policies that will help to develop the growth on the inclusive level are crucial to the fact that the economic benefits will be transformed into the reduction of the poverty and along these lines, similarly to the above, this all generally implies the idea that FDI can indeed end up with a less one-sided part to play in the reduction on poverty than might be otherwise indicated by itself. According to Gao et al. (2023), FDI allows enhancing technology transfer, knowledge spillover, and human capital, which act as major determinants of long-term economic growth, innovation, and competitiveness. PIDE Research Institute (2022) confirms this by revealing that production and competitiveness of the local business can be increased. In line with the Financial Liberalization Theory, FDI attraction may lead to economic development through capital injection, introduction of superior technologies and expertise and relationship establishment among multinational corporations and local firms. Research corroborates the fact that FDI is instrumental in the process of fostering modern technological growth of the host nations Barrell et al., 2016. The factors that explain these findings are the necessity of policies that are intended to attract high-quality FDI that will result in improving technology, creation of backward and forward linkages with the national companies and development of skilled labor, maximizing its role in reducing multidimensional poverty and supporting sustainable industry. Quantitatively, the findings imply that 1 percent rise in FDI affects the Multidimensional Poverty Headcount Ratio by a negative 0.51 percent at significance level of 10 percent. This finding, admittedly, not too statistically significant, deserves attention. Descriptive statistics demonstrate that FDI has large skewness (8.019) and kurtosis (99.948) values, which is an indicator of extreme values and possible outliers and might impact robustness of results. Governments can also establish policies that would compensate transfer of knowledge and technology, invest in skills and trainings or assist in establishing a more liberal policy regime that would inspire the movement of capital regions that are overseas.

4.6 Chapter Summary

The research paper seeks to explore how the levels of poverty is related to the macroeconomic variables by examining effects of financial inclusion, economic growth, foreign direct investment (FDI) and level of trade openness on three important indicators of poverty; namely Poverty Headcount Ratio, Poverty Gap and Multidimensional Poverty Headcount Ratio. Through regression analysis, the researchers will not only be establishing the direct effects of these macroeconomic variables on the levels of poverty but also to assess the validity of their effects compared to theoretical postulations on the reduction of poverty. Through the relationships, the study will give an empirical evidence of whether there is a support or countering to the existing theories which will therefore lead to a greater understanding of how these factors in the economy can make a difference in the fight to help the poor.

The estimates prove that the correlation between trade openness and financial inclusion is negative and strong z with all three measures of poverty. Trade integration and accessibility to financial services assist in alleviating poverty levels. The positive association between economic growth and the poverty gap as well as the poverty headcount ratio on the other hand is quite unexpected, although it is indicative that the gains that economic growth creates are not spread uniformly and that economic growth thus may actually increase income inequality. The negative sign of the relationship between FDI and the Multidimensional Poverty Headcount Ratio suggests that it is the more sophisticated role which is expressed by such channels as technology transfer and human capital accumulation.

CHAPTER 5

CONCLUSION

The thesis does an in-depth formulation of the interdependency of the major macroeconomic concepts and levels of poverty in the Asian economies. It applies powerful regression analysis to determine how the financial inclusion, economic growth, foreign direct investment (FDI) and trade openness affect three different gauges of poverty, namely the Poverty Headcount Ratio at a poverty line of 6.85 a day (2017 PPP), the Poverty Gap at 2.15 a day (2017 PPP) as well as the Multidimensional Poverty Headcount Ratio. Based on the Financial Liberalization Theory, the study seeks to determine how such macroeconomic conditions would help in poverty alleviation besides taking into consideration any possible shortcomings and negative consequences. The balanced view presented here is an important element to keep in mind because poverty is a very mixed issue and policies need to be well formulated which take into account the cost and benefits of financial liberalization and economic development in general. This is important in developing long-term and inclusive policies on how to fight with the levels of poverty.

A powerful and reliable outcome of this thesis is the fact that financial inclusion has a negative impact on the three indicators of poverty. This means that the availability of financial services such as banking, credit, and e-banking services is a powerful tool that would poverty-proof an Asian economy. Easier and relaxed financial tools, in their turn, enable those who are more exposed to the risks to possess the opportunity to accumulate funds, to expand their opportunities of investing in the businesses, due to which the households will become less poor. However, the study also found a most surprising positive relationship between economic growth and the PHR and the PG.

Change in trade openness was strongly but negatively linked to all three measures of poverty and the reason is that, a lesser globalization brings about reduction of poverty through competitive force generation, opening up to larger markets, and facilitation of the flow of financial caps across the border.

Likewise, the foreign direct investment (FDI) was also being found highly negatively correlated to the indicator of Multidimensional Poverty Headcount Ratio suggesting high probability of reducing the poverty through various interconnections including diffusion of technologies, overflow of knowledge and creation of human capital. But the effect of trade liberalization and FDI on reducing poverty might not be a simple one, and the studies are summing up, going by the soundness of the governance, more extensive financial sector and superior policies. Asian countries ought to elevate good governance, good financial systems and education and training to the top of economic policy to gain more poverty-alleviating returns on trade and FDI.

5.1 Theoretical Implications of the Study

The theoretical contribution of this research is quite important because it attempts to reveal the complexity of correlations between financial inclusion, trade openness, foreign direct investment (FDI), economic growth, and the levels of poverty, especially regarding Asian economies. It confirms and strengthens some major components of the Financial Liberalization Theory that postulates that removing impediments on finance markets can improve the economic performance. The study gives a good empirical example of a strong inverse relationship which shows that financial inclusion has a substantial association with all the three measures of poverty which means that financial inclusion has the great potential of acting like a strong driving force towards inclusive development. The results indicate that, financial inclusion contributes to the increase of access to capital, reduction of access to loan funding, and low interest rates of lending to individuals and small businesses, as well as an increase of entrepreneurship which is necessary to improve the standard of living and reduces levels of poverty.

Nevertheless, the facts show that the situation is more complicated than according to the classical theory of Financial Liberalization. Besides, although the literature in support of the notion that trade openness and FDI can foster economic growth and, consequently, poverty reduction, is substantial, there is a great awareness that the two practice could be more effective with supportive policies. The inverse relationship between trade openness and poverty is corroborated by theoretical expectations that the more that the economy is in motion in the globalization markets the more is the potential of increasing productivity and employment volumes. It has points out though, that the gains of trade are not evenly spread and that there are equitable interventions that governments and policymakers can implement to enable the poor groups of the population to take advantage of open global trade. The results also confirm the fact that FDI may lead to a growth and job creation, yet its contribution to the rate of poverty depends on the quality of governance, the depth of financial markets, and the overall efficiency of policies. To heighten the level of contribution of FDI on poverty reduction, it is important to attract quality FDI, which leads to spillover effects that have positive impact e.g. development of skills and transfer of technology.

In conclusion, this study has presented us with an informative insight of the convoluted knit of financial inclusion, trade liberalization, FDI, economic growth and poverty. It strengthens the main beliefs of the Financial Liberalization Theory, but also promotes an expatiation of a wider group of complementary policies intended to achieve a more equal distribution of the benefits of economic liberalization. The implications of the results articulate that policymakers are at liberty to implement a combined tactic in alleviating poverty and consider it as a bubble of interlinked variables and a solution that should prioritize ideas that lead to financial inclusion, inclusive macro-economic growth and sustainability. Finally, the research produces meaningful knowledge in the discussion on sustainable development, which indicates the pivotal role of financial inclusion and its impact on most of the economic aspects. It opens the possibility of using both qualitative and quantitative data in the study of the economy to enhance and capture these dynamic interaction views.

5.2 Practical Implications of the Study

The findings of this study based on panel data analysis of 13 Asian countries between 2004 and 2023 have great practical implication to policy-makers and humanitarian organizations interested in poverty reduction in the Asian region. Economic development, trade openness, and financial inclusion prove their importance as it was revealed to have contributed significantly to alleviating the levels of poverty. Interestingly, financial inclusions turn out to be a trend, as tenable negative co-relations are ascertained between the rate at which the online banking applications are up taken and poverty levels. This is an indication that the use of digital financial services may bring behavioral change in terms of poverty reduction.

To achieve the maximum effect of financial inclusion, policymakers should focus on the initiatives, which maximize access to financial services by the unbanked population. A strategy may involve giving incentives to financial institutions to ensure more people are using the online banking and digital platforms especially where the demand is low. Moreover, it is possible to eliminate access gaps using the emergent fintech innovations, especially in areas that do not provide access to standard banking services. Kenya and Bangladesh are inspiring cases, which show that mobile-based solutions applied in other developing countries can be modified and applied elsewhere in Asia as well.

The inclusion of bottom-up programs at the local levels is critical in instituting more systematic poverty reducing policies. Such strategies correspond to the initial Sustainable Development Goal (SDG 1). To ensure long-term viability, governments should ensure that there are other options to ensure that problems like lack of internet infrastructure in underserved regions are addressed and this can be enabled by providing subsidized internet or app designs that are very easy to use. The synergetic work of the governments, the private financial institutions, and global organizations can boost the progress considerably investing money in innovation, enhancing the regulatory framework, and enhancing cross-border financial transfers.

Summing up, one should say that financial inclusion strategies are factors to be considered in the process of implementing the broader economic plans in order to meet the goals of SDG 1. Governments can successfully address the poverty levels in the process of ensuring that the region experiences sustainability in economic growth by breaking structural bottlenecks to accessing financial services and by pastoring the inclusive economic participation encouraged by the tropism towards online banking services and systems and digital financial systems. This comprehensive strategy acknowledges that the state of financial inclusion is inseparable with the overall economic parameters, and sets the scene to an increasingly fair future.

5.3 Limitations of the Study

The research attempted to identify the role of financial inclusion, economic growth trade openness, and foreign direct investment (FDI), in the levels of poverty, and how all of them depend on each another. It is however not as easy to determine the individual effects of each variable because of the existence of interrelationship between them; a case in point is financial inclusion can improve trade and investment and the development of the economy as a result of economic growth can stimulate further financial inclusion and trade openness. This complication makes it hard to find clear connections between these variables and the levels of poverty. Ethical issues also come about in such study and it is only that in the future, advanced statistics such as structural equation modeling or instrumental variable analysis are considered to be used which may allow the researcher to isolate the impact of a given variable though it has its own limitation and assumptions which can bias a result.

Another major weakness is data accessibility and quality especially in low income countries where there is usually little to no data available concerning financial inclusion, trade and investments. This unreliability in the data can distort the results of the research and question such results. The study further disregards the role of informal financial systems and trade that is very important in terms of economic development and alleviating poverty hence, it is hardly quantified since it not examined in any formal manner. In addition, four priority variables taken as the main ones exclude other vital factors influencing poverty, including education, health, and social capital, which may offer a deeper insight into how poverty works. Finally, the study is limited to certain parts of the Asian countries and therefore generalizations cannot be made to the global scale. Subsequent studies conducted in developed countries could shed light into the hypothesis of financial inclusion as an essential tool in the poverty alleviating processes, irrespective of the differences in the economies and social level of inequality.

Finally, whereas this paper brings to focus the relevance of financial inclusion it does not examines in details how it will result in poverty alleviation. This insight into these mechanisms is critical so as to be in a position to come up with focused policies which are able to mitigate poverty levels. To address such weaknesses, future research is urged to turn its attention to acquiring improved information and a realistic representation of the extent and richness of the phenomenon, enhance statistical methods and networks, and utilize the qualitative methods in better examining the nexus of financial inclusion, trade, investment, and poverty reduction. Familiarizing themselves with these gaps would enable researchers to develop a subtle insight into any interactions of these variables and their role in the poverty reduction mechanisms in various contexts.

5.4 Future Research Direction

The research has significant implications on financial inclusion, developing economies and the levels of poverty of Asian economies. Nevertheless, these studies still have some gaps that should be filled by the upcoming studies to relatively strengthen and enlarge the findings.

The research of financial inclusion should be more holistic in the future. The present study was mainly concerned with evolution of ATMs, credit cards, internet banking applications and amount of bank accounts. As yet, however, one should take into account a more general framework, which will inculcate the following dimensions:

Saving systems: Formal and informal savings systems, such as the conventional bank accounts, community-based savings groups, and mobile electronic wallets as well as digital savings channels which can enable automatic savings.

Insurance inclusion: More insurance services, including health, life insurance, agricultural insurance, and micro insurance, and insurance products designed to meet the needs of low-income households should be considered to set up a clear idea of their roles in promoting household financial resilience.

Credit facilities: In addition to the credit cards, the future studies will need to look into the availability of microfinance, agricultural loans, house loans and small and medium business loans and model innovative credit such as peer to peer credit in order to determine their effect on the financial inclusion.

Digital inclusion and financial literacy: Empirical analysis is necessary to reveal the similar impacts of financial literacy and digital banking take-up on the financial inclusion and poverty reduction. Additionally, effectiveness of financial literacy programs that focus on the motivation of the socially marginalized groups in society should be investigated.

Second, the question concerning the level of poverty in Asian countries also should be taken into account and insufficiency of research and existing information. It is relevant to know the levels of poverty details of these countries to discuss the effective solutions. We also have the general definition in our hashtags and we shall now consider the different poverty line and multi-dimensional indices that are taken to arrive to your level of depravation.

There should be further comparative research of informal financial systems and ways of trading. In places where formal financial services are not provided or limited, these systems play an important role in economic development. The study of the mechanisms of informal economies, such as the influence on poverty rate levels, will guide alternative sources of finance.

Our suggestion is to draw focus on longitudinal research so as to observe trends in poverty over a period of time under financial inclusion, economic development, trade liberalization, and foreign direct investment. By observing these variables over time, long-run causative effects may be revealed and patterns that are persistent cannot be realized through the cross-sectional studies.

Future studies are supposed to comprise newer econometric tools, and data-driven methods, as well. The complex web of relations between financial inclusion and poverty demands more sophisticated methods to the hidden structure analysis that can include such methods as structural equation modeling, machine learning algorithms, big data analytics and network analysis-based set theory models, aimed to target how components can be put together to fit. Such methods can help shorten the endogeneity problem, and enable one to get closer to correct inferences about the relationship between variables over timescales.

With the passage of time, access and impact of these financial instruments on the poverty have been determined by gender, age, educational level, and of this regard, the extent of scope of the distance means. A thorough investigation of such socio-demographic trends will help to gain more understanding of such systemic obstacles on the path to improving access that marginalized groups experience upon hosting financial inclusion. This will facilitate the effort to come up with appropriate remedies in the form of targeted interventions to address the inequities in access to finance.

The fast-changing aspect of financial technology (FinTech) provides an attractive research topic. They need to conduct research that will gauge the effect of access to banks due to technological infrastructures such as mobile banking, digital payment systems, block chain technologies, applications of artificial intelligence and even RegTech (Regulatory Technology) to transform access to finance and loan process to curb poverty. Understandings of these developments will offer precious insights regarding shifting scenarios in financial context and how it can support the inclusive growth in the economy.

Besides, the climate change implication on financial inclusion should also be taken into consideration. Analysis can dwell on the effects of environmental discrimination on financial access of vulnerable groups including the changes that inclusive finance can affect with regard to climate shock.

Based on the deficiencies identified in the literature in the section above (e.g., focusing on the levels of poverty), future investigations can be used to paint a holistic picture of the inter-relationships between financial inclusion, economic growth, and the levels of poverty. By such findings, not only will intellectual discourse be given a boost, to policymakers they will have evidence-based approaches to advancing sustainable and inclusive economic development in Asia and beyond.

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