Financial Development: Does it Contribute to Poverty Reduction in Developing Countries?

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Abstract

This paper employs panel estimation techniques to investigate how a detailed index of financial development comprised of multiple indicators of financial deepening influences the prevalence of poverty in a selected twenty developing countries from 2004 to 2021. The results of the selected fixed effect model indicate the significant effect of financial development index on alleviation of poverty. The application of the Robust Least Square technique further strengthens our findings. Thus, governments should pursue financial development policies that facilitate access to financial services by low-income and financially disadvantaged families, like the establishment of more banks, microfinance institutions, and mobile banking solutions. The achievement of the Sustainable Development Goals (SDGs) will result from increased financial inclusion.

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