

Development of Financial Sector and Poverty Reduction in An Emerging Economy Through Creating Entrepreneurship by Small and Medium Enterprise Banking: An ARDL Approach

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ABSTRACT

Development of financial sector is an important tool to assist economic progress of an economy especially emerging economy. Entrepreneurship development may help to assist job creation and income generation. SME banking began with formal banks utilizing the microfinance model with larger perspectives in the two-thousands decade to build income-generating cottage, micro, small, and medium entrepreneurs through introducing SME Banking. The research did quantitative analysis using the Auto Regressive Distributed Lag (ARDL) model to analyze the impact of SME banking in the poverty reduction and financial development in Bangladesh through creation entrepreneurship development. The study found that commercial banks under the SME banking scheme may develop a participatory and inclusive model to remove the ultra-poor, reducing poverty through financial development where small and medium enterprises get access to financing, marketing, and creating employment through growth with equity and decreasing income inequality, and boosting SME export earnings, paving the way for Bangladesh's LDC graduation in 2026.).

Keywords: Poverty Reduction, Financial Development, Entrepreneurship, Formal Banks, Microfinance, SME Banking, LDC Graduation.

JEL Classification: E51, G21, L26, I32, O10, O17, P34, P45, Y40.

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