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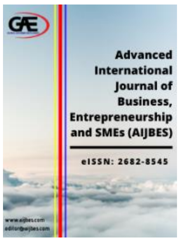

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OVERVIEW OF FINANCIAL INCLUSION AS A DETERMINANT OF POVERTY REDUCTION IN MALAYSIA

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Abstract:

Financial inclusion, which includes the two dimension which is usage and availability of financial services has been thoroughly examined as a possible means of reducing poverty. To illustrate the current status of research in the area of financial inclusion, the previous literature was explored. According to the research that already been conducted, most of it has been done in a particular area, mostly focus on Asian and African countries (developing regions). Very few studies have addressed the Malaysian case. Additionally, as previous research has concentrated on different geographical areas or economic clusters, this study could add to the body of knowledge by presenting a particular case study pertaining to financial inclusion for the purpose of reducing the poverty rate, specifically in Malaysia. So that, this present study utilizes readily accessible secondary data gathered from the World Bank website to acquire information about Malaysia's financial inclusion achievements. According to the findings from this present study, it is believed that financial inclusion has a potential to reduce poverty rate in Malaysia. Which when there is an increase in offering number of bank branches, ATM machines and access to any financial services it's able to reduce poverty rate among Malaysian.

Keywords:

Financial Inclusion, ATMs, Bank Branches, Poverty

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Introduction

Financial inclusion is a top priority in numerous of the world's largest economic institutions. One goal tracked by developing countries is to eliminate poverty, which can be achieved by increasing financial inclusion. Burgess and Pande (2005) attained various advantages of financial inclusion included poverty reduction, income gap reduction, better financial decisions, improved money saved, more efficient investment, and greater equality between males and females. As a result, financial inclusion can be regarded as a driver of economic progress in developing economies (Sethi & Acharya, 2018; Pradhan & Sahoo, 2021).

On the other hand, financial exclusion, or a lack of access to financial products and services, is frequently associated with inequality and poverty at the personal and regional scales (Beck et al., 2007; Demirgüç-Kunt & Klapper, 2013). Financial exclusion occurs when individuals or their families are refuted the use of financial services and products. Financial exclusion can initiate a cycle of poverty and raising levels of inequality (Beck et al., 2007). Furthermore, this issue affects not only developing countries, but also poor regions and communities in manufacturing countries. (Demirgüç-Kunt & Klapper, 2013).

In general, more than half of the world's extremely poor (50.7%) reside in Sub-Saharan Africa (SSA) (World Bank, 2016). Asia, on the other hand, has 42.7% of the world's poor, despite the region's overall strong track record of reducing overall poverty due to rapid growth in developing large economies. Specifically, when COVID-19 pandemic hit worldwide at the end of 2019, and Malaysia introduced movement control orders. Malaysians has undoubtedly been impacted by this pandemic (Asni, 2021), whether they lived in urban or rural areas. As a result, the poverty rate increased by nearly 3% within a year, rising to 8.4% in 2020 from 5.6% in 2019 (Department of Statistics Malaysia, 2020). As referred to Figure 1, people who live in urban Malaysia are still left behind as compared to people who live in urban area of Malaysia. As in the year 2022 it reported the poverty rate in rural is about 12% higher than those who live in urban which is about 4.5%. Additionally, in the event was Malaysia's response and actions regarding the achievement of the Sustainable Development Goals (SDG). Malaysia must demonstrate its commitment to fighting hardcore poverty and achieve the elimination of extreme poverty by 2030.

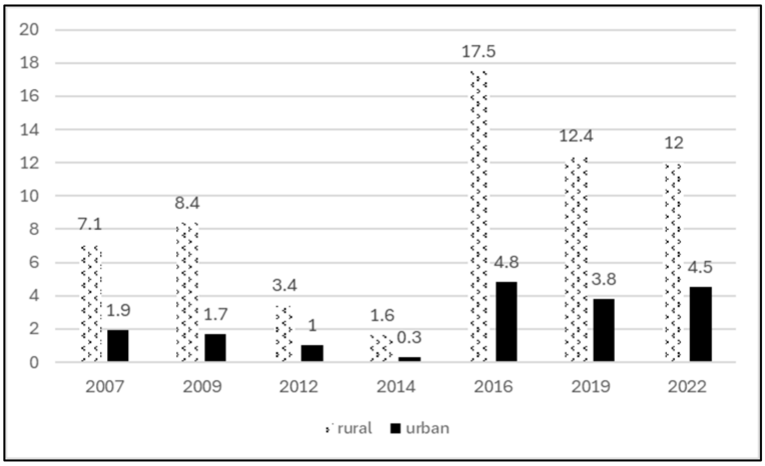

Figure 1: Poverty Rate of Rural and Urban Areas in Malaysia

Source: Department of Statistics Malaysia (2024)

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Due to the above discussion, the effect of financial inclusion in reducing poverty is discovered in this presence study. The review's goals were achieved with the use of secondary data that was gathered using the Google Scholar search engine. The following are some ways that our review paper adds to the body of literature. First, by offering a current overview of previous studies about the contribution of financial inclusion towards poverty reduction, as this present study adds to the body of knowledge in the field of economics. And secondly, from data gathered (World Bank database) our paper contributes into the literature to explain the role of financial inclusion in reducing poverty specifically in Malaysia. As most of previous literature highlighted the role of financial inclusion in influencing poverty reduction in certain countries, regions, and economies.

This is how the remainder of the paper is organized. Section 2 covers exiting literature review regarding financial inclusion and covers how financial inclusion is a tool to reduce poverty. The method used for choosing the articles to be included in this study is presented in Section 3. Next, is in Section 4 is a discussion section covers an overview about financial inclusion in Malaysia. Section 5 concludes and provides a recommendation related to this present study.

Literature Review

Financial Inclusion

One of the main concerns of some of the major international economic regulators at the present time is financial inclusion. According to the World Bank (2014), financial inclusion is the percentage of households and enterprises that use financial services. According to Sahay et al. (2015), the International Monetary Fund (IMF) characterizes it as the utilization and availability of financial services at a reasonable cost for the most vulnerable groups in the community. According to academics, financial inclusion occurs when no one is denied access to essential financial services due to efficiency concerns (Mialou et al., 2017). According to Hannig and Jansen (2010), giving unbanked people accessibility to the monetary system's services is the key objective of financial inclusion.

According to their level of complexities, others describe financial inclusion using the following lenses: impact, usage, quality, and accessibility (Hannig & Jansen, 2010). The capacity to utilize financial services and products offered by official entities, such bank branches and ATMs, is known as access. By measuring the number of open accounts across financial institutions and estimating the percentage of the population that has an account, one can develop a very basic proxy for access. Second is quality. Quality includes the consumer's experience as shown in their attitudes and thoughts about the things they can currently purchase. As a result, the quality metric would be used to assess the type and extent of the customer-financial service provider connection, as well as the choices offered and the degree to which customers comprehend them and their qualifications. Usage comes in third. The durability and depth of financial service and product use are the main factors that influence usage. Therefore, further information regarding consistency, frequency, and length of use overtime is needed to determine usage. Finally, the impact. The impact assessing the alterations in consumers' lives that are related to the use of a financial product or service presents significant methodological difficulties for survey designers.

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According to Amidžic et al. (2014) created a composite financial inclusion index by incorporating usage (depositors and borrowers) and outreach (geographic and demographic penetration) dimensions. After normalizing each variable and weighting the variables and sub-indices, they employed factor analyses to statistically determine each dimension. Finally, they aggregated the data using a weighted geometric average. Financial inclusion, according to Sarma (2008), is the process that guarantees that everyone in an economy may easily access, be available, and use the formal system of finance. Along with this Sarma (2012) also recommended a financial inclusion index. By combining the dimensions of accessibility, availability, and usage, she creates a multidimensional index of financial inclusion that is comparable across national boundaries and throughout time periods and meets certain essential mathematical criteria. For each dimension, she calculated a dimension index before calculating a simple average. Recently Fouejieu et al. (2020) financial inclusion defined as the access and use of formal financial services to all, including that most vulnerable. For this study purposes, we adopted Sarma's approach in defining financial inclusion including two dimensions which is availability and usage.

Cause of Poverty

Poverty is a worldwide issue that includes not just financial difficulties but also restricted access to possibilities for better living conditions and essentials. Divergent ideas and perspectives exist among the economists regarding poverty. Inflation serves as a trigger for the extreme state of poverty, which is characterized by a lack of access to the necessities of life (Gul et al., 2022). The primary objective of the Sustainable Development Goals (SDGs) is to eradicate severe poverty. In order to guarantee a healthy life for all people by 2030, the United Nations (UN) established 17 targets under the Sustainable Development targets (SDGs) (Leal Filho et al., 2021).

Poverty is a complex, multidimensional phenomenon. But the UN defines poverty as an extreme or severe lack of fundamental economic resources, and this is what is referred to as extreme destitution (Gul et al., 2020; Jafari et al., 2022). There is a belief that there is a strong correlation between inflation and poverty. Poverty is greatly impacted by inflation. Any economy may become helpless due to a rapid price increase, which would lead to socioeconomic issues. However, while inflation by itself does not directly create poverty, its effects on purchasing power, income, and financial wellness can all lead to higher rates of poverty, especially for those who are less fortunate and low-income (Khan et al., 2023). Efficient fiscal and economic policies can be vital in controlling inflation and lessening its effects on poverty.

In addition, conventional theories of international trading indicate that trade fosters economic expansion by opening up new markets, raising productivity, and introducing modern technologies. Furthermore, the theories contend that growing exports benefit emerging economies that have a surplus of labor because they raise both demand and low-skilled worker pay. Because of their low pay and scarcity of work options, unskilled laborers are more likely to live in very poor conditions. As a result, the economic circumstances for unskilled and semi-skilled labor improve when exports rise. Previous research provides evidence for it. For example, according to Dollar and Kraay (2004), who studied developing economies using data from the post-1980 era, there has been a decline in absolute poverty during the past 20 years as per capita income has increased due to trade expansion.

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Neaime and Gaysset (2018) found that while researching how financial inclusion affects poverty and income inequality, financial freedom as well as integration also have an impact on monetary stability in eight MENA nations. According to the empirical findings, financial inclusion reduces inequality but has little to no impact on poverty. They concluded that population increase, and inflation had an impact on poverty. In the MENA region, population growth and inflation exacerbate poverty and inequality. Additionally, they note that recent financial and debt crises have demonstrated that MENA financial inclusion and liberalization can sometimes not be beneficial to the fight against poverty.

However, recent empirical research demonstrates that by granting access to formal financial services, financial inclusion lowers poverty, fosters income equality, and accelerates and more inclusive macroeconomic growth in emerging nations. Following Sarma's distance-based multidimensional approach (2012), Omar and Inaba (2020) created a new composite financial inclusion index utilizing the penetration, availability, and usage dimensions of financial inclusion. In a study conducted using unbalanced annual panel data for 116 developing nations between 2004 and 2016, they found that greater financial inclusion dramatically lowers poverty and income inequality in these nations. Furthermore, Arora (2012) proposed that in order to increase financial inclusion, steps toward enhancing educational characteristics should be made concurrently. It is acknowledged that nations with higher levels of education and, consequently, greater financial inclusion see a quicker decline in poverty rates.

Financial inclusion has been receiving a lot of attention lately and elevated the global reform agenda as a result of the realization that it has the ability to break the cycle of poverty and lessen economic inequality. Financial inclusion is gaining increased attention because to its possibly groundbreaking power to accelerate inclusive growth, as the actual world's financial systems are far from inclusive.

Financial Inclusion and Poverty Reduction

Financial inclusion directly contributes to the decrease in poverty by expanding access to credit, insurance, and other financial services, which provide ways to meet regular demands for investment, consumption, and overall economic growth (King & Levine, 1993; Rajan & Zingales, 1998). Similarly, improved financial inclusion has the potential to increase beneficiaries' entrepreneurial opportunities, which in turn increases their income, consumption, degree of independence, and involvement in family and community decision-making (Demirgüç-Kunt et al., 2008). Jalilian and Kirkpatrick (2002) carrying out a cross-country analysis. Their research among low-income nations leads them to the conclusion that financial inclusion can bolster the productive assets of the impoverished by allowing them to make investments in new technology, health, and education. The poor's ability to establish sustainable livelihoods is increased by these strategies (World Bank, 2001).

The theories of finance and growth stimulation developed by Schumpeter and Opie (1934) and McKinnon (1973) serve as the foundation for the indirect channel. The indirect channel describes how the creation of jobs and higher government spending on social programs like health, education, and social protection help the poor over time as a result of finance-induced economic expansion (Perotti, 1993; Abosedra et al., 2016). On the other hand, excessive use of advanced financial goods (such credit cards, ATMs, and online banking) that facilitate transactions can lead to excessive debt and other financial problems, which ultimately lead to poverty (Lyons & Hunt, 2003).

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Park and Mercado (2018) developed a new financial inclusion index for 151 economies and assessed the cross-national effects of financial inclusion upon poverty and income inequality across national income categories using principal component analysis utilizing a cross-sectional methodology. The results indicate a strong relationship between reduced rates of poverty and economic growth and increased financial inclusion, but only in high- and middle-income nations—not in middle-low or low-income economies. However, they found no evidence of a substantial impact of financial inclusion on income disparity in any income category.

Jabir et al. (2017) investigated the impact of financial inclusion on poverty reduction among households with low incomes in 35 economies located in Sub-Saharan Africa (SSA). They found that financial inclusion significantly reduced the rate of poverty in SSA by providing individuals in poverty with higher welfare payments and net income, based on cross-sectional data from 2011. Burgess and Pande (2005) found that by providing access to formal sector credit and saving opportunities state-led bank branch expansions into rural, unbanked areas considerably decreased rural poverty in India. According to Brune et al. (2011), the well-being of impoverished smallholder cash-crop farmers in Malawi was significantly improved by providing them with commitment savings accounts, which enhanced their financial access.

Moreover, numerous researchers have discussed the advantages of financial inclusion in Ghana (Koomson et al., 2020), Mexico (Bruhn & Love, 2014), and the MENA nations (Neaime & Gaysset, 2018). An expanding access to finance to low-income individuals can have a sizeable positive effect on economic activity in Mexico (Bruhn & Love, 2014). They conclude that Banco Azteca helped informal business owners keep their business running instead of becoming wage earners or not employed. Other than that, Koomson et al. (2020) conduct a study among Ghanaian households. They discovered that there are two ways that an upward trend in financial inclusion affects household poverty. Firstly, it is linked to a 27% decrease in the chance of poverty for households. Secondly, it minimizes a household's future exposure to 28% poverty.

On the other hand, according to Neaime and Gaysset (2018), a study covered a large sample of eight MENA countries over the period 2002-2015 shows that financial inclusion has no effects on poverty, whereas population, inflation, and trade openness are all found to significantly increase poverty. They indicate that financial integration is a contributing factor to financial instability in MENA, financial inclusion contributes positively to financial stability. The role of financial inclusion towards poverty reduction are summarize as in Table 2. Due to the existing literature, it raised an interest to study on the impact of financial inclusion including availability and usage of banking services towards poverty rate in Malaysia.

Table 2: Financial Inclusion Towards Poverty Reduction

Authors	Country of region	Findings
Jalilian and Kirkpatrick (2002)	Low-income countries	Financial inclusion can bolster the productive assets of the impoverished by allowing them to make investments in new technology, health, and education and poverty reduced.
Burgess and Pande (2005)	India	By providing access to formal sector credit and saving opportunities state-led bank branch

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		expansions into rural, unbanked areas considerably decreased rural poverty in India
Brune et al. (2011)	Malawi	Well-being of impoverished smallholder cash-crop farmers in Malawi was significantly improved by providing them with commitment savings accounts, which enhanced their financial access.
Bruhn and Love (2014)	Mexico	An expanding access to finance to low-income individuals can have a sizeable positive effect on economic activity in Mexico.
Jabir et al. (2017)	Sub-Saharan Africa (SSA)	Financial inclusion significantly reduced the rate of poverty in SSA by providing individuals in poverty with higher welfare payments and net income.
Neaime and Gaysset (2018)	MENA countries	Financial inclusion contributes positively to financial stability and poverty reduction.
Park and Mercado (2018)	151 economies	A strong relationship between reduced rates of poverty and economic growth and increased financial inclusion, but only in high- and middle-income nations—not in middle-low or low-income economies.
Koomson et al. (2020)	Ghana	Financial inclusion is linked to a 27% decrease in the chance of poverty.

Methodology
This is an exploratory paper that reviews the previous literature studied on financial inclusion as one of a tool to reduce poverty. To find pertinent research publications on the contribution of financial inclusion to the decrease of poverty rate, the Google Scholar search engine was utilized. The Google Scholar database is used since it is the largest search engine in the world and includes full text or metadata from academic research in a wide range of subjects. This present study also utilizes a secondary data from World bank database to obtain statistical report on the financial inclusion data in Malaysia. Due to the multi-faceted nature of financial inclusion, this study depends on the availability and use of banking services. The quantity of automated machines (ATMs) and bank branches in Malaysia is the basis for measuring availability. While, to measure the usage this present study adopts number of outstanding deposit and number of outstanding loans with commercial bank in Malaysia. Due to limitation of data, this present study covers only availability and usage as the dimension of financial inclusion. Also, data that is available to report in this study only covers an overview that range between the years 2005 to 2022.

Findings and Discussion

Measuring Financial Inclusion
Financial inclusion can be defined in a variety of ways. According to Sarma and Pais (2011) financial inclusion refers to a procedure that guarantees that all members of an economy have easy access to and use of the official financial system. According to Sarma (2008) she defines financial inclusion as the main dimension which is penetration, availability and usage. Her unique technique by computing an index of financial inclusion is based on the three

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dimensions. However, in this present study we only adopt two dimensions of financial inclusion as named by Sarma (2008) that is availability and usage.

In this section, firstly we explore the financial inclusion indicators focusing on availability of bank services in Malaysia. Availability is measured by the number of banks branchers and number of ATMs per 1,000 populations (Sarma, 2008). Secondly, we adopt from Sarma (2008) on the usage definition. According to her, the usage of financial services is measured by the number of loans per 1,000 people. Thus, in this present study the use of financial inclusion elements is summarized as follows in Table 4.1.

Table 4.1: Summarizing the Proxies and Elements of Financial Inclusion

Dimensions	Elements
Availability	Number of bank branches per 100,000 adults
	Number of ATMs per 100,000 adults
Usage	Number of outstanding deposits with commercial banks
	Number of outstanding loans from commercial banks

Financial Inclusion in Malaysia

Five tactics have been put into practice since the “financial inclusion blueprint ideas” were introduced in December 2011. First is the regulatory framework for agent banking. Its objectives are to create a safe, long-lasting environment for agent banking without sacrificing consumer safety. Mobile banking platform comes in second. The “My Mobile” platform, which started as a prototype in February 2012, enables financial services to be accessed on all phones, including those without internet connectivity. Third is financial inclusion program of the Asian Institute of Finance (AIF). To give microfinance practitioners in the area access to top-notch leadership and technical training, AIF started a financial inclusion leadership program in the year 2012. The creation of a financial inclusion index and a monitoring mechanism with KPIs make up the fourth section. Fifth, provides financial services advise to Malaysian semi-urban and rural communities. From the blueprints idea, Table 4.2 presented the growth of Malaysia's financial sector over the last ten years based on financial inclusion indicators.

Table 4.2: Key Indicators of Financial Inclusion in Malaysia

Indicators/ Elements	2011	2021	Changes (%)
No. of bank branches	3143	2986	-5.26
No. of ATMs	11165	8695	-28.41
No. of deposit account per 10,000 adults	29860	30698	2.73
No. of internet banking penetration	8681883.9	30467074	71.50

Sources: Bank Negara Malaysia (2024)

As shown in Table 4.2 the number of bank branches decreases by about 5.26 percent as compared between 2011 to 2021. In the year 2011 the number of bank branches is 3143 whereas in 2021 it is only about 2986 branches. Same with the trend of financial institutions in offering ATMs services to people. There is a drop in the number of ATMs machines around 28.41 percent. As in the year 2011 the number of ATMs machines is 11165 whereas the number of 2021 is only 8695. Clockwise, there is an increase in the number of deposit accounts among Malaysian adults.

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Moving to the number of deposits accounts, there is an increase in the number of deposits accounts between 2011 to 2021. The increase of the deposit accounts usage is about 2.73 percent. It is consistent with the number of internet banking penetrations also show an increasing trend from the year 2011 to 2021. The increment is around 71.5 percent on the usage of internet banking. This indicates that consumers are currently moving in utilizing internet banking services instead of physically visiting any nearest banking services. This is a signal where consumers demand more towards online banking services as compared to using banking services physically. This is a common trend after people struggling with Covid-19 pandemic and lots of people moving towards digitalization. However, as providers of the financial services banking institutions are still encouraged to provide more services in every branch and ATMs so that no one that left behinds.

Availability

This present study was conducted to give an overview of financial inclusion in Malaysia. From Figure 4.2.1 it is found that the number of ATMs showing an increasing trend from the year 2005 to 2016, meanwhile it is found that ATMs number slowly drops from the year 2020 to 2022. Same scenario with number of bank branches recorded in Malaysia. It shows a negative trend that reflect number of banks branchers in Malaysia keep reducing in number from the year 2005 to 2022 on overall. The drop in number of bank branches highlighted from the year 2020 to 2022 are parallel with drop of ATMs numbers that offers to Malaysian.

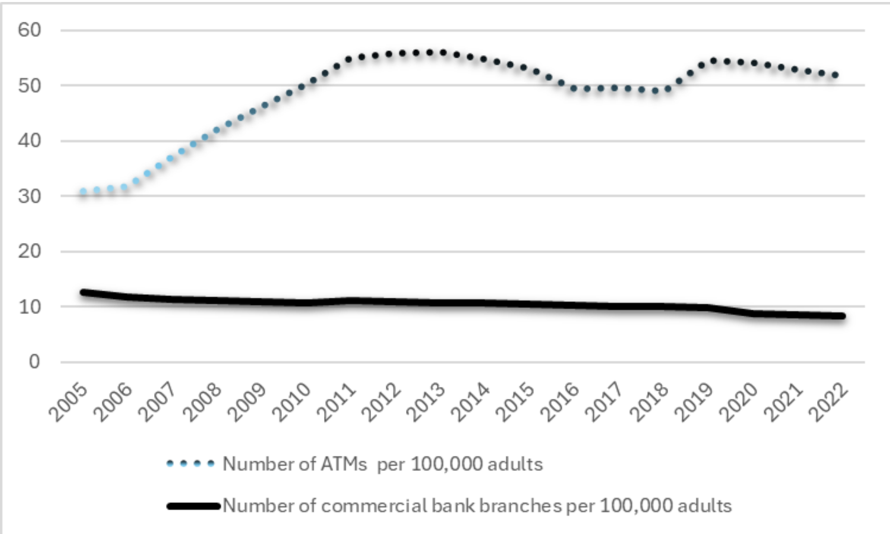

Figure 4.2.1: Number of Bank Branches and ATMs in Malaysia

Sources: Authors' Analysis

From previous literature based on cross-country data analysis, it is no doubtful to claim that financial inclusion as a tool in poverty reduction. According to a prior study by Jabir et al. (2017), financial inclusion was able to lower the poverty rate in SSA by giving the poor greater welfare benefits and net wealth. Additionally, Jalilian and Kirkpatrick (2002), who carried out a cross-country investigation, concluded that financial inclusion could increase the productive assets of the underprivileged by allowing them to make investments in new technologies, healthcare, and education. This also supported by study conducted from Park and Mercado (2018). Other researchers who conducted a specific country analysis including a country like in India-(Burgess & Pande, 2005), Malawi-(Brune et al., 2011), Mexico-(Bruhn & Love, 2014)

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and Ghana-(Koomson et al., 2020) by stressing on the role FI in reducing poverty and income dispersity.

Referring to the current statistic there is a signal where the government and policy makers should take an action to maintain the number of ATMs and bank branches offered in Malaysia. Even, we realised that now people are moving towards technology utilizing internet in performing their daily transactions but, at the same time we cannot deny the role of availability of ATMs and bank branches. These two facilities still play their crucial role in developing economies especially Malaysia. It is to ensure Malaysia economies able achieve zero poverty target by the year 2030 on what SDGs target targeting on. Due to these financial institutions in Malaysia encourage to maintain number of ATMs and number of branches in ensuring community are easy to get access with all facilities offered. So that to ensure no one in Malaysia are left behind especially those who live in rural areas. Other than that large number of branches can be a tool to increase financial literacy to people through their employees. It is believing that financial institution employees may deliver an information and financial knowledge easily to community when they are located lots in Malaysia especially rural area.

Usage

Next, moving to the second dimension which is usage, Sarma (2008) highlight usage is translated as the number of loans per 1,000 people. From the data that available we adopt number of outstanding deposits with commercial banks and number of outstanding loans from commercial banks in Malaysia.

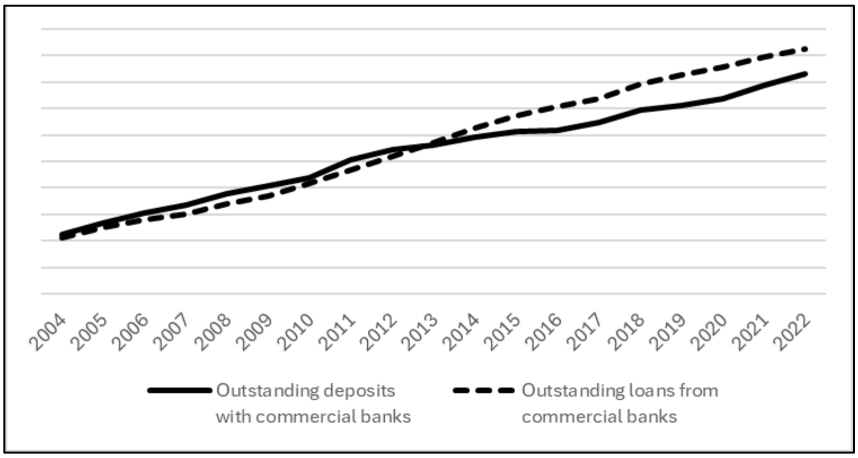

Figure 4.2.2: Usage of Commercial Bank Services in Malaysia

Source: Authors' analysis

From Figure 4.2.2 we conclude that usage of commercial bank services in Malaysia showing an increasing trend from the year 2004 to the year 2022. This means that Malaysian are really use and engage with formal financial services that offered to them. This reflects the number of banked people that utilize banking services is increasing. Therefore, it is a good signal to Malaysia financial institution industry that their products and services has a good demand from the Malaysian customers.

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Financial Inclusion Impacts Towards Poverty Rate in Malaysia

Availability (Number of ATMs)

After, there is an effort to highlight the current trend on availability and usage of financial services in Malaysia, as we tried to study the relationship between financial inclusion and poverty rate in Malaysia. Poverty is measured by poverty headcount ratio at $3.65 a day (2017 PPP) as % of population. Whereas financial inclusion is measured by number of ATMs in Malaysia. The data that we presented is illustrated in Figure 4.3.1. Data are only covered on certain selected years including 2006, 2008, 2011, 2013, 2015, 2018, and 2021. This is due to the availability of data that is not balance between the two variables. However, still we able to demonstrate a negative trend between financial inclusion and poverty rate. Thus, it is believed that financial inclusion is able to become a catalyst to reduce poverty rate in Malaysia.

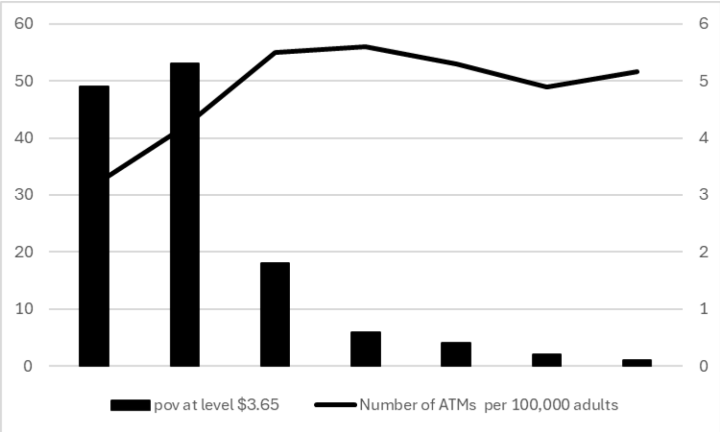

Figure 4.3.1: Poverty Rate and Number of ATMs in Malaysia

Source: Authors'Aanalysis

This trend (relationship) is parallel with the previous findings. Scholars who study on the specific country highlight that financial inclusion is a tool towards poverty reduction effort (Burgess & Pande, 2005; Brune et al., 2011; Bruhn & Love, 2014; Koomson et al., 2020). Koomson et al. (2020) have reported recent findings based on data gathered from the 7th round of the Ghana Living Standards Survey conducted in 2016 and 2017. They conclude that financial inclusion lessens poverty and poverty-related vulnerability more in rural than in urban regions. They suggest that for the private sector to develop and provide financial services to more remote locations, another is governments should create or improve rules that support this.

Therefor it is good for financial institutions in Malaysia especially commercial bank to offers lots of affordable products and services to Malaysian especially those who categories under B40 income earners. Commercial bank might offer an affordable loan for small business as a capital in term of business start-up or to for the purpose sustain the business. This indirectly will create individual not as job seekers but, they are job creators. Through this effort it will offers job opportunity and reduce unemployment in economy. Finally, will bring a positive impact towards poverty reduction effort in Malaysia.

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Usage (Number of Outstanding Deposits with Commercial Bank)

Moving to the second dimension which is usage as shown in Figure 4.3.2 there is also a negative trend between both variable (poverty at level $3.65 and number outstanding deposits with commercial banks). This double confirm that financial inlcusion (number of outstanding deposits with commercial banks in Malaysia) are able to become a catalyst to reduce poverty. There is no doubtfull to claim that poverty reduction is rely on fiancial inclusion rate in a way to reduce it. This results are consistant with the previous empirical studies (Burgess & Pande, 2005; Brune et al., 2011; Bruhn & Love, 2014; Koomson et al., 2020). As according to Bruhn and Love (2014) by expanding finance to low-income individuals can have a sizeable positive effect on economic activity. They claim that in Mexico through Banco Azteca helped informal business owners keep their business running instead of becoming wage earners or not employed. They mention the increases in informal business ownership and employment led in turn to an increase in income of about 7 percent on average.

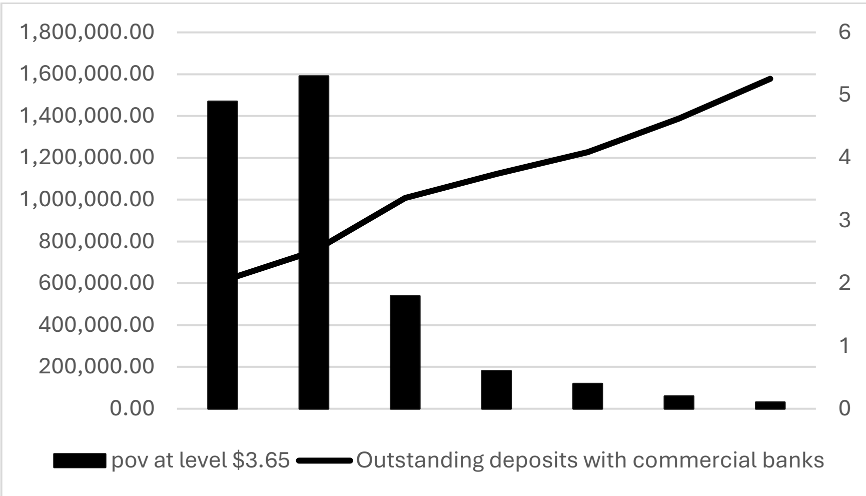

Figure 4.3.2: Poverty Rate and Number of Outstanding Deposits with Commercial Bank in Malaysia

Source: Authors' Analysis

Conclusions and Recommendations

This present study demonstrates that researchers' intentions in financial inclusion research have grown in response to poverty in recent years. For instance, plight signifies poverty in that the poor's tough circumstance is likely caused by a number of economic and personal causes in which change is inhibited by a variety of challenges and limits. To current the role of financial inclusion addressed inclusive to curb poverty worldwide especially developing economies like India, Malawi and Ghana (Burgess & Pande, 2005; Brune et al., 2011; Koomson et al., 2020). Based on regional studies (Jabir et al., 2017; Jalilian & Kirkpatrick, 2002), financial inclusion has been proven to curb poverty. Thus, this present study made an overview on how financial inclusion able to reduce poverty in Malaysia as based on published data from World Bank database. It is concluded that financial inclusion represented by availability of ATMs and number of outstanding deposit accounts with commercial bank able to reduce poverty rate in Malaysia. As there is a negative relationship with all variables.

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First, it is recommended that governments raise the levels of financial inclusion by allocating greater funds to strengthen the institutional and regulatory frameworks that encourage access to and use of the financial system. To improve the financial services network in both rural and urban areas, governments in the first-place central financial institutions, banks, as well as development partners should work together to expand the financial services infrastructure. Second, policymakers are urged to provide the economic conditions required for financial institutions to function and extend their services to further distant regions. An increase in services like these improves the availability of additional financial inclusion supply-side indicators, which in turn encourages an increase in demand-side indicators. The present and future risk of poverty will probably go down with the expansion of services to shorten the distance to banks. Third, in order to improve financial literacy and alter the financial behaviours of low-income communities, a specific, time-bound policy aimed at raising financial literacy in rural and remote locations is required. Higher percentages of inactive accounts are not, in and of themselves, improving financial inclusion; rather, supportive measures such as the transfer of government subsidies to accountholders for the efficient use of dormant accounts should be added to efforts. In conclusion, Malaysia, being a growing nation, has to keep raising the income of each person and expanding information availability to reduce the unintentional financial exclusion of significant portions of the population.

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