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Bridging the Gap: The Role of Financial Inclusion in Poverty Alleviation and Income Equality in the Association of Southeast Asian Nations (ASEAN)

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Abstract

Purpose: The study explores the importance of financial inclusion in poverty alleviation and income equality in the Association of Southeast Asian Nations (ASEAN). A central question of this study is how access to financial services can affect socioeconomic disparities; in other words, how financial inclusion can drive and boost economic stability and economic growth in various economic contexts.

Methodology: The study adopted a quantitative approach with a survey method, using data obtained from 515 respondents from different ASEAN countries. The techniques in this research are regression and correlation tests, which aim to find the relationship between financial inclusion and its effect on poverty alleviation and income inequality.

Findings: The results of the research show that there is a strong positive relationship, namely financial inclusion is positively associated with poverty alleviation (standardized beta coefficient [β] = 0.712, probability value [p] < 0.001) and income equality ($\beta = 0.489$, $p < 0.001$). The results indicate that improving financial inclusion can be effective in supporting poverty alleviation and reducing income inequality in the region.

Unique Contribution to Theory, Practice and Policy: The implications of the findings suggest that ASEAN policymakers should work towards a holistic financial inclusion approach. This approach should target improving access to financial services, financial literacy, and the adoption of digital financial technology for more equitable sharing of the benefits from economic growth in all parts of society. As such, financial inclusion can be used as a steppingstone to sustainable development and an equitable economic landscape for ASEAN countries.

Keywords: *Financial Inclusion, Poverty Alleviati Income Equality; ASEAN*

1. INTRODUCTION

Financial inclusion (FI) is an important part of economic development, particularly in relation to the Association of Southeast Asian Nations (ASEAN) countries (Erlando et al., 2020; Hussain et al., 2024; Jejeniwa et al., 2024). FI means that individuals and businesses have access to a wide range of useful and affordable financial products and services, including banking services, insurance, and equity products (Prymostka et al., 2020). These are complemented by recent publications on digital financial inclusion (DFI), which includes mobile money, digital finance, digital credit, FinTech platforms, and online financial services that can help underserved individuals (Đặng & Boratyńska, 2026; Kattan-Rodríguez & Galindo-Manrique, 2025; Song et al., 2025). This relationship is particularly significant in the ASEAN region, which has economic disparities among member countries and various levels of development and therefore needs differentiated financial policies. FI has manifested itself as one of the major contributing factors in poverty alleviation and income equality in the ASEAN context. Chinnakum (2023) found that FI positively impacts poverty and income inequality in developing Asia, including ASEAN countries. FI has increasingly become a compelling instrument in combating poverty and has been seen as a way to attain economic stability and growth for underserved population groups (Hussain et al., 2024; Jejeniwa et al., 2024). It covers access to savings accounts, credit, and insurance products, which can help people control risk, invest in education, and build small enterprises. FI makes it possible to save, borrow, and invest and thus can help minimise income disparities between rich and poor households. This underscores the need for policies that can ensure that financial innovations in the country are inclusive and benefit all segments of society, especially low-income groups.

Evidence from the ASEAN region has supported the fact that FI is an important driver of economic growth and poverty alleviation and the reduction of income inequality. The policy recommendations are that ASEAN countries should consider FI, as it can contribute to better economic growth, reduce poverty, and reduce income inequality. This means applying policies that will promote FI in every part of society, particularly the poorer parts of society. Further, financial education and financial literacy should be encouraged so that people will be aware and capable of using financial services effectively (Shi & Qamruzzaman, 2022). Additionally, the digital divide should be taken into account, as digital inclusive finance will only contribute to common prosperity if people have access, usage capability, and digital skills (Wei et al., 2025). To attain inclusive and sustainable economic growth, ASEAN member countries need to persist in implementing FI measures via specific policies and programs. This includes improving access to financial services, developing financial literacy, and promoting digital financial services. FI can help to create a more equitable and prosperous ASEAN region by tackling issues of income inequality and poverty. The following are the two research objectives of the study.

I. To investigate the relationship between FI and poverty alleviation efforts across ASEAN nations.

II. To investigate the relationship between FI and income equality across ASEAN nations.

2. LITERATURE REVIEW

2.1 The Role of FI in Enhancing Poverty Alleviation Efforts and Promoting Income Equality across ASEAN Nations

FI shows great potential to decrease poverty in ASEAN countries, so it is already a topic of numerous academic studies that address the role of FI in poverty alleviation in the countries. For instance, Chinnakum (2023) examines the effects of FI on poverty and income inequality in 27 developing countries in Asia, including some ASEAN countries. The study targets the construction of a full Financial Inclusion Index (FII) based on the principal component analysis (PCA) approach and explores the influence of the FII on poverty and income inequality. The study aims to find out the impact of FI on poverty reduction and income inequality, using economic growth and trade openness as controlling variables. From the findings of Chinnakum (2023), the role of FI in reducing poverty and income inequality in developing countries in Asia, including ASEAN, can be seen as proven. The empirical results indicate that financial services can help to improve the standard of living of impoverished households when they are provided to help them earn income. These results suggest that the financial sector should be developed through broadening access to credit in terms of quantity, quality, and availability to ensure that all poor households benefit, and thus help to narrow the income gap between poor and rich households. This is consistent with the results of Khudoykulov et al. (2026), who found that FI contributes to reducing poverty in the countries of the Asian region, particularly through credit, saving, payment, and insurance functions.

Mahardiyanto et al. (2023) examine the correlation between the FII and human development index (HDI) and the effects of both on gross domestic product (GDP) and financial stability in ASEAN countries. Based on the results, it can be seen that FI makes a significant contribution to economic growth and poverty alleviation in ASEAN countries. FI can be a way to re-establish economic cycles and curtail financial instability, and it also provides equal access to financial products. The study also indicates that FI policies should be accompanied by actions to increase the quality of society. Such a balance will facilitate people in optimally utilising financial services and promote human development and sustainable economic growth. Additionally, the results of Quoc et al. (2025) reveal that the effects of DFI on sustainable development in ASEAN countries are nonlinear, and there is a country-by-country difference; therefore, FI policy should not be uniform and should consider the local context.

Nasution et al. (2023) highlight the crucial role of FI in the effort to reduce poverty in five countries with lower-middle-income status, including countries within ASEAN such as Indonesia, Myanmar, and Lao People's Democratic Republic (Lao PDR). This study aims to find out if FI is effective in reducing poverty by analysing the various financial variables and their impact on economic growth and poverty. The results indicate that FI is important in terms of relieving poverty in the chosen lower-middle-income countries. Key variables, including the number of credit accounts, savings accounts, and number of debits, are considered leading indicators for alleviating poverty. The study found that financial services play a role in accumulating assets and increasing individuals' income and standard of living. This finding highlights the need to proactively strengthen FI as a tool to achieve poverty reduction in ASEAN states, including those countries with high poverty levels. FI can enable people to minimise risks, invest in their education, and start small businesses to drive economic growth. However, recent studies at the household level have shown that inclusive finance can contribute to reducing relative poverty through the accumulation of livelihood capital, entrepreneurship, financial accessibility, and income growth (Liu & Ren, 2026; Chen & Dai, 2026).

Li et al. (2023) explore the link between FI, energy poverty alleviation, and economic development in the context of South Asian countries and make an analogy with the ASEAN context. The results reveal a strong relationship between FI and economic growth and development, which can positively impact poverty reduction and energy poverty alleviation. The findings suggest that improving FI is crucial to increasing people's income and their economic standing to reduce poverty and enhance economic development. Bui and Do (2026), for example, endorse the associations that the financial sector has with the financial consequences of energy poverty in Southeast Asian countries, suggesting that, in addition to income, financial development can impact welfare results directly and indirectly.

The influence of FI on poverty and income inequality is explored by Wong et al. (2023) in selected ASEAN countries, such as Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. The aim is to understand the role of FI in reducing poverty and income inequality and whether financial innovation helps either exacerbate or mitigate these impacts. Based on the results obtained, it can be concluded that FI can be used as a factor to alleviate poverty and income inequality in the selected ASEAN countries. It reveals, however, that financial innovation, apart from FI, is likely to increase income disparities unless managed effectively. This is because the benefits of digital financial innovations are not symmetrically distributed and are more likely to be available to high-income groups and less available to low-income groups. The results suggest that inclusive financial innovations and policies that cater to the needs of all people, including the less privileged, are important to ensure sustainable economic growth and economic development and to alleviate poverty and income inequality among ASEAN people. This caution is also supported by Saikat et al. (2026), who showed that digital finance has the potential to positively affect welfare indicators of inequality and poverty; however, it can result in sustainability problems if the growth of the digital sector is not well managed.

The literature in recent years also indicates that gender and rural aspects are key to FI outcomes.

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Kumari et al. (2025) reported that reducing the gender gap in DFI and women's empowerment can be an effective tool to reduce poverty in Asian countries, while Ekaputri et al. (2025) revealed that the access gap in Indonesia creates a higher risk of poverty for female-headed households. Likewise, the study by Pranitasari et al. (2026) revealed that FI, along with financial knowledge, motivation, and business capability, is crucial for enhancing the economic capacity of women entrepreneurs in micro and small businesses in Indonesia. The inclusion of the income equality dimension is further complemented by Paidi (2026), who showed that FI reduces income inequality at the provincial level in Indonesia, and Huang et al. (2025), who found that DFI enhances income equality between cities and villages, provided that the depth of use is greater than basic coverage. These studies are based on the idea that FI is not only limited to the notion of access because usage and quality of FI determine levels of inequality. Based on the literature review, it is observed that FI is one of the keys to alleviating poverty and income inequality in ASEAN countries. In fact, these studies highlight the importance of promoting financial services, financial literacy, and inclusive financial policy to achieve sustainable economic growth and address poverty and income inequality in ASEAN. FI can help overcome these challenges and play a role in creating a more equitable and prosperous ASEAN area. However, literature from other regions of the world, like Africa, Latin America, the West African Economic and Monetary Union, and other developing economies, suggests that FI needs to be well designed because its effect on inequality depends on the nature of access, the availability and quality of digital infrastructure, usage, and actual inclusion of lower-income groups (Mwakalila & Muba, 2025; Rubio & León, 2025; Azmeh, 2025; Taonsa & Kinda, 2026).

2.2 Related Theories

Financial institutions are integral to the economy, as described by Gurley and Shaw (1960), as an underlying part of an economy. The theory is that financial intermediaries such as banks and insurance companies facilitate the efficient allocation of resources by moving money from the savers to the borrowers. The main role of these intermediaries is to mitigate transaction costs and information asymmetries that may be a barrier to economic transactions. The need to expand financial services access in the FI space, which can lead to greater economic efficiency and inclusive growth, is emphasized by this theory. This theory is supported by recent works in the field of FinTech, which illustrate how digital platforms can become new intermediaries, reducing transaction costs, increasing access, and filling the credit, saving, payment, and insurance gaps of those who are not served (Azmeh, 2025; Magwedere & Marozva, 2025). The role of financial intermediation is very important in the ASEAN context, where there are various levels of economic development and FI among the member countries. The provision of credit and other financial services is seen as a means for financial intermediaries to help alleviate poverty and income inequality, as stated by Chinnakum (2023). This way they help to narrow the income gap between rich and poor households, and improve the standard of living of poor households. Empirical evidence of ASEAN countries supports the theory of financial intermediation. Based on the findings of Mahardiyanto et al. (2023), the role of FI in the economic growth and poverty alleviation of ASEAN countries is in the form of giving access to financial products in an equitable manner. Improving financial intermediation in the ASEAN countries will help to enhance financial stability, alleviate poverty, and address income inequality and hence will eventually bring about sustainable economic development. However, if FI is used by wealthier groups, it can have a negative impact on inequality, so financial intermediation needs to be inclusive, affordable, and well targeted, as Hasan et al. (2026) explained.

The other theory that can be applied to this study is financial literacy theory, which highlights the importance of financial education and financial knowledge in boosting financial well-being (García-Mata & Zerón-Félix, 2022). According to this theory, those who have more knowledge about finance, better understand financial concepts, and obtain more financial information tend to make better financial choices, manage their financial circumstances, and gain better financial stability in the long run (Lusardi & Mitchell, 2014). Financial literacy is an integral part of FI as it enables individuals to make the most of available financial services and products for the best possible access to their economic goals. One of the pillars for effectively implementing FI policies in ASEAN countries is financial literacy. The success of FI in the region is very dependent on the quality and knowledge of the population, as stated by Mahardiyanto et al. (2023). This is consistent with the findings of Song et al. (2025), who noted that financial education has a positive effect on the link between digital finance and inclusive financial development. Financial literacy is positively identified as contributing to FI and economic development. Access to financial services and financial literacy in lower-middle-income countries, including Indonesia, Myanmar, and Lao PDR, are effective in alleviating poverty, as indicated by Nasution et al. (2023). Capacity development and financial literacy enhancement in these countries can make people more skilled in the use of financial services, managing financial risks, investing in education, and setting up small businesses. This, in turn, can contribute to poverty alleviation and economic development, in line with the overall FI agenda. Financial literacy is also a key component in the research showing that the ability to leverage digital finance for rural households and women entrepreneurs can only be greater when they have the knowledge, skills, and confidence to do so effectively (Yu & Wu, 2026; Pranitasari et al., 2026).

According to Becker (2009), human capital theory implies that investing in education, training, and skills development will boost the productivity and economic potential of those who have taken advantage of the investments. Financial education and financial literacy are the main factors emphasized by human capital theory for improving the FI of people by enhancing their financial situation and economic results. There is a link between human capital development and FI in ASEAN countries. Li et al. (2023) suggested that financial literacy and human resources development can contribute to sustainable economic development and combat poverty. By investing in financial education and skills development, ASEAN countries can ensure that individuals have the knowledge and skills to effectively utilize financial services, manage their finances, and improve their economic situation. Wong et al. (2023) stated that FI and innovation can create an increase in the disparity of incomes if not managed properly. Through human capital development and financial literacy, ASEAN countries are able to respond to the issues of income inequality and poverty and realize inclusive and sustainable economic growth.

Among the three theories mentioned, the theory of financial intermediation by Gurley and Shaw (1960) is the most relevant theory for this study related to the role of FI in the effort to increase poverty alleviation and income equality in ASEAN countries. Moreover, this is aligned with empirical studies from different countries that have shown the positive impact of FI on economic development, poverty reduction, and income equality in ASEAN countries. The financial intermediation theory is especially relevant to the ASEAN context, where there are varying degrees of development and FI among members. Promoting financial intermediation can contribute to reducing poverty and addressing income inequality, achieving financial stability for ASEAN countries, and bringing sustainable economic development. This theory also backs the objective of FI, where every individual and business must have access to useful and affordable financial services and products that suit their needs (Prymostka et al., 2020). Hence, financial intermediation theory can provide a solid basis for studying the role of FI in poverty alleviation and income equality in ASEAN countries. Leveraging financial intermediation and financial services access will help ASEAN countries sustain economic development, alleviate poverty, and curb income inequality, making the region more prosperous and equitable. The theory is still applicable in the digital era because, in today's context, FinTech, mobile money, and digital payments are also included in the intermediation role of reducing cost, increasing accessibility, and promoting inclusive development, financial literacy, and consumer protection (Đặng & Boratyńska, 2026; Kattan-Rodríguez & Galindo-Manrique, 2025; Sethi et al., 2025).

3. CONCEPTUAL FRAMEWORK

The backbone of the study is its conceptual framework, as it provides an understanding of the interrelationships between the variables. It sets the groundwork for investigating the relationship between one or more parameters and one or more other parameters. In this study on FI in the ASEAN area, FI is the independent variable (IV), while poverty alleviation and income equality are the dependent variables (DVs).

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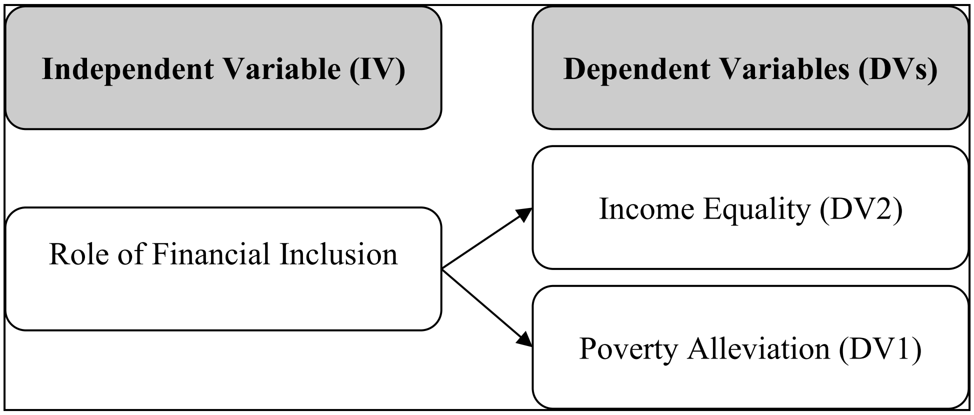

Figure 1: Proposed Research Framework

Based on the variables identified, their level of explanation, and expected level of relationship, the following hypotheses are formulated in the context of the present study, which relates directly to the objectives of the study, which are to investigate the role of FI in enhancing poverty alleviation efforts as well as promoting income equality among ASEAN countries.

I. Hypothesis 1 (H1): The role of FI is positively correlated with the enhancement of poverty alleviation efforts across ASEAN nations.

II. Hypothesis 2 (H2): The role of FI is positively correlated with the promotion of income equality across ASEAN nations.

These hypotheses have been supported by different theories and empirical evidence. Financial services are an important enabler for efficient resource allocation and economic participation, as indicated by the theory of financial intermediation by Gurley and Shaw (1960). This theory plays an important role in understanding the role of FI in supporting economic inclusion and development for poverty alleviation and improving income equality. The hypotheses are also supported by evidence-based research, for example, Chinnakum (2023) and Mahardiyanto et al. (2023). These studies demonstrate that FI can not only contribute to the economic growth journey but also have certain impacts on narrowing the poverty rate as well as the income inequality gap in developing regions such as ASEAN countries. The findings of recent studies support these hypotheses, as similar relationships were found in Asia, in the ASEAN-5 countries, as well as in Indonesia and other developing economies (Demirkale et al., 2025; Paidi, 2026; Rubio & León, 2025; Mwakalila & Muba, 2025). Therefore, the conceptual framework in this study has certainly set the tone for analyzing the impact of FI on reducing poverty and income inequality in ASEAN. However, it is crucial to acknowledge that FI does not necessarily lead to greater equality unless policies also tackle the digital divide, gender barriers, rural exclusion, and unequal access to finance and financial innovation (Azmeh, 2025; Wei et al., 2025; Hasan et al., 2026).

4. RESEARCH METHODOLOGY

4.1 Research Design

A descriptive and correlational research approach is used in this study to explain the contribution of FI to the improvement of poverty alleviation and income equality among ASEAN countries. The research design helps to understand the relationship between FI as the IV and its impact on poverty alleviation and income equality as the DVs. This study employs a quantitative research method since it enables the researcher to gather numerical data, which can then be subjected to statistical analysis to test the hypotheses formulated in the conceptual framework. The correlational aspect of the design allows the researcher to test the strength and direction of the correlation between FI and the referred outcomes. The design fits with recent quantitative studies carried out by various researchers who used regression, panel modelling, generalized method of moments (GMM), cross-sectional autoregressive distributed lag (CS-ARDL), quantile regression, and structural equation modelling to examine the effects of FI and digital finance on poverty, inequality, and inclusive development (Saikat et al., 2026; Khudoykulov et al., 2026; Mashoene & Schaling, 2026).

4.2 Selection of Respondents

Respondents in this research were chosen as the sample using a convenience sampling technique from different countries in ASEAN, such as Brunei Darussalam, Myanmar, Cambodia, Indonesia, Lao PDR, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. The target group consists of financial service clients and non-clients aged 25 and above, with access to at least one financial service, and a history of use or participation in at least one financial service in the last 12 months. The decision to select this demographic was made to make sure the participants were well exposed to and aware of financial services, which is essential to measure the impact of FI. At the selection stage, it was planned to have a wide range of socioeconomic categories in the sample to ensure a diversity of information on financial behaviours and access. The importance of considering diversity in ASEAN respondents lies in recent studies indicating that the benefits and impact of FI can vary by gender, household structure, education, household location, whether rural or urban, digital literacy, and income levels (Ekaputri et al., 2025; Kumari et al., 2025; Yu & Wu, 2026).

4.3 Data Collection and Analysis Methods

An online survey method of data collection is used in this study to ensure that it reaches a larger audience efficiently through social media and email. The survey includes structured questions to collect data on access to financial services, economic activity, and perceptions of how FI has impacted their economic status and opportunities. The survey is designed with Google Forms for systematic and organised data collection. Afterwards, the responses are transferred to the Statistical Package for the Social Sciences (SPSS) and analysed there. With the help of SPSS, detailed statistical analysis can be made by using regression and correlation to find out the relationship and effects between FI and poverty alleviation or income equality. This method is appropriate to achieve the objectives of the study to quantify the contribution of FI to economic growth and disparities in the ASEAN region. The survey approach can be relevant because respondents can supplement macro-level evidence with household-level evidence and evidence at the respondent level, for instance, when researchers are interested in understanding actual usage and access challenges, perceived benefits, and financial behaviour of low-income groups (Álvarez-Espiño et al., 2026; Pranitasari et al., 2026).

5. RESULTS AND DISCUSSION

A total of 515 respondents from various ASEAN countries, including Brunei Darussalam, Myanmar, Cambodia, Indonesia, Lao PDR, Malaysia, the Philippines, Singapore, Thailand, and Vietnam, were sampled for this study. The adult population targeted for this research consisted of those who were 25 years old and over, all of whom had access to financial services in the past year. These services comprised banking, microfinance, insurance, and other financial services. Such breadth and spectrum of participants enable a comprehensive picture of the impacts of FI for different socioeconomic and geographical segments of the ASEAN region. The aim is to gain insights into the impact of those financial services on poverty and income inequality among those different groups. The distribution between the different regions is useful because recent studies of ASEAN and Southeast Asian countries show that the impact of FI may vary depending on the country context, especially regarding financial infrastructure, financial development, and financial maturity (Quoc et al., 2025; Bui & Do, 2026; Demirkale et al., 2025).

5.1 Demographic Profile

The demographic profile of this study's respondents reveals diversity across the different ASEAN countries as well as the focus of gender in the context of FI. The study collected data from 515 respondents, with 216 male respondents (41.9%) and 299 female respondents (58.1%), as shown in Figure 2. This distribution is also particularly significant because FI and the gender gap in access to financial services are general themes in FI policies. The higher participation of females may be due to the increased awareness of financial services targeting females, who have been under-represented in financial systems. This aligns with the world's overall trend to favour FI strategies in order to empower women to contribute to family and community economic growth and development. This study is a valuable lens through which to view the effects of FI through gender distribution. The role of financial services in meeting the differential preferences of men and women and the potential for altering economic dynamics in households and communities must be taken into account. A gender lens approach can be used to better understand how FI can contribute to poverty alleviation and income equality. This is because financial access and financial control can have far-reaching consequences for gender-specific educational outcomes, entrepreneurship, and economic outcomes more generally.

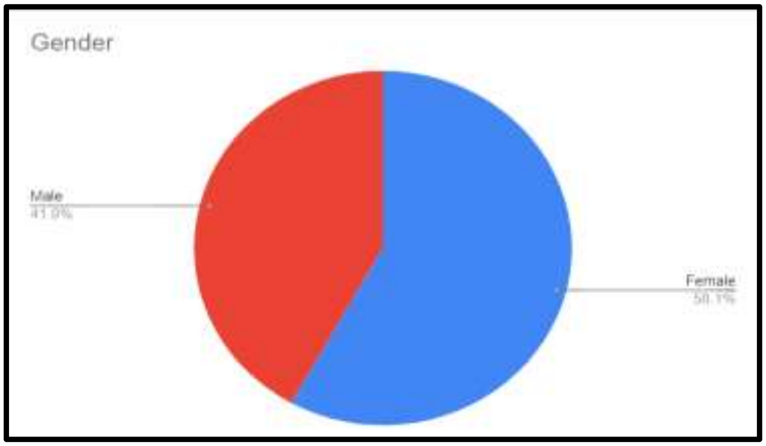

Figure 2: Gender Distribution

Figure 3 presents data on the age group distribution of the 515 respondents in the study. The respondents were divided based on their age groups, and the findings showed that there was a clear trend, as 47.2% (243 respondents) were aged 45 years and above. The high percentage of this group indicates that an approaching retirement population can be impacted by FI, too, therefore showing the importance of FI in supporting economic independence during the retirement stage. There were 153 respondents aged 35 to 44, which could be a critical age to look closely at financial planning and security, considering that mature adults are likely to be at the height of their family and employment responsibilities. The youngest age group, 25 to 34 years, makes up 23.1% of the sample (119 respondents); their involvement in this age band is linked to a younger adult population that is beginning to establish its financial foundation. Interestingly, in this distribution, FI is meaningful, as the financial needs and aspirations are varied across the ASEAN context and among age groups.

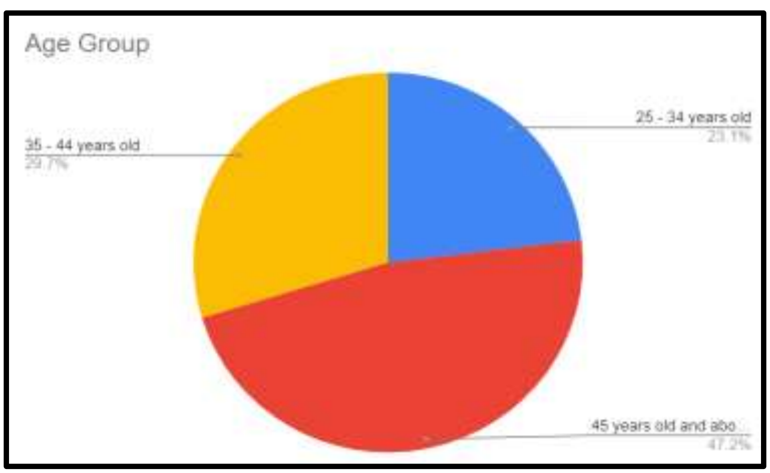

Figure 3: Age Group Distribution

Figure 4 shows the distribution of respondents according to their ASEAN country of residence,

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indicating the distribution of respondents across the different countries. Malaysia, with the highest number of respondents (153), indicates that there is high interaction related to the topic of FI in this country. This could be an indicator of Malaysia's dynamic economic structure and its intention to enhance financial services for its citizens. Singapore is next, with 99 respondents, reflecting Singapore's role as a significant financial hub with a keen interest in the development of inclusive finance. Vietnam is also well represented with 58 respondents, showing that the need for and significance of FI is growing in a fast-growing economy. At a medium level of engagement, Thailand and the Philippines have 37 and 34 respondents, respectively. This may reflect different levels of financial infrastructure development in the two countries. The participation in the survey in Indonesia (25 respondents) and Myanmar (27 respondents) is lower, which might be related to various challenges and access to financial services. The participation from Cambodia (34), Brunei (15), and Lao PDR (13) could be due to their lower population sizes or the level of prioritisation of FI programmes in these countries. The number of stakeholder contributions varies across these countries, which is indicative of the varying focus on FI in the countries, and it can support a cross-country analysis in ASEAN on the impact of FI in economic areas.

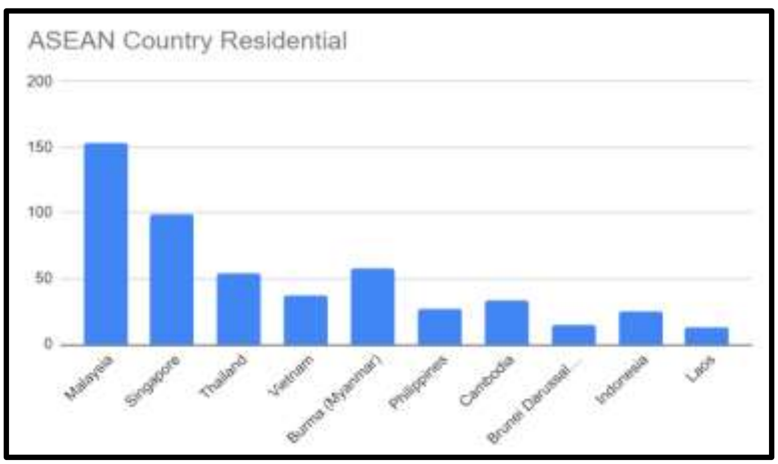

Figure 4: ASEAN Country Residential Distribution

5.2 Relationship between the Role of Financial Inclusion in Enhancing Poverty Alleviation Efforts across ASEAN nations.

The objective of the research is to analyse the contribution of FI in poverty alleviation in the ASEAN countries, under Research Objective 1. The regression result as shown in Table 1 is significant, which can be interpreted as showing that the importance of FI in poverty alleviation is clearly seen. From the results, it can be seen that FI has a significant effect on poverty alleviation because of the examination of the standardized coefficient ($\beta = 0.712$), as well as the t-value of 22.943 with a p-value of < 0.001. This is a relatively high β value, which indicates that FI is a good

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predictor of poverty alleviation because the more financially included people are, the more poverty alleviation efforts can improve. The high level of statistical significance reinforces the point that FI is not only good, but significant in terms of the socioeconomic status of the citizens of ASEAN. The positive and high β coefficient indicates that FI is one of the important factors for poverty alleviation, consistent with the theoretical underpinning and other empirical research, which calls for promoting FI to enable the empowerment of less prosperous groups. The findings from this research will conclude that the role of FI is positively correlated with poverty alleviation in ASEAN countries; therefore, H1 is accepted. This hypothesis is supported by the findings of the empirical study as it is well established in the literature that FI can be a key driver in reducing poverty levels by implementing FI strategies. For policymakers and stakeholders in this region, this is an important finding, signifying the need for tailored FI policies that will translate to improved financial services access, which will consequently boost broader economic growth and social development in this region.

Table 1: Coefficients of Multiple Regression

	Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.060	0.133		7.968	<0.001
	Financial Inclusion	0.730	0.032	0.712	22.943	<0.001

Dependent Variable: Poverty Alleviation

5.3 Relationship between the Role of Financial Inclusion in Promoting Income Equality across ASEAN nations.

The objective of the research is to explore the correlation between the role of FI and income equality in ASEAN countries. Table 2 shows the results of regression analysis on the importance of FI for income equality in ASEAN countries, which helps reinforce the important role of FI in income equality between countries. The results show that FI significantly contributes to the increase in the level of income equality, where the standardized coefficient (β) is equal to 0.489, the t-value is 12.714, and the p-value is less than 0.001. This suggests a strong and positive correlation between FI and efforts to promote more equitable income distributions within the population. The sizable β coefficient suggests that enhancements in FI are effectively linked to decreases in income disparities, promoting a more balanced economic environment. The results are critical to the knowledge of the wider implications of FI beyond poverty reduction. The evidence suggests that FI is good at reducing poverty and plays a key role in balancing the economic playing field and reducing income inequality. This is consistent with the theory and

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literature that have emphasised the role of inclusive financial systems in creating economic growth in an equitable manner. From the results of the hypothesis test derived from the regression results with a significant level of 0.05, the conclusion that can be drawn is that Hypothesis 2 (H2) is accepted, which means that FI has a positive correlation with income equality in ASEAN countries. The high correlation signifies the importance of ASEAN policymakers paying attention to and further developing FI programmes. An increase in access to financial services should not be the only focus of such policies; they should also strive to make financial services equitable and accessible for all sectors of society, particularly those that are economically marginalised. The evidence clearly demonstrates that FI has a double function of alleviating poverty and increasing income equality, which is definitely a key factor in achieving sustainable economic and social development in the ASEAN region. Relevant portions of all this data can be used as powerful evidence for stakeholders and policymakers to push for greater action in creating FI and achieving larger regional goals of equality and prosperity.

Table 2: Coefficients of Multiple Regression

	Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.723	0.182		9.489	<0.001
	Financial Inclusion	0.552	0.043	0.489	12.714	<0.001

Dependent Variable: Income Equality

6. DISCUSSION

Within the scope of this study, the results show that FI has a high level of importance in reducing poverty in ASEAN countries, which is very relevant to the objective and hypotheses of this study. The result of the regression presented in Table 2 shows that FI has a strong positive relationship with poverty alleviation, with $\beta = 0.712$ and $p < 0.001$, substantiating the hypothesis that better FI is directly related to better poverty alleviation. This correlation highlights the impactful role that FI can play as a catalyst for socioeconomic development. Likewise, Nasution et al. (2023) and Chinnakum (2023) have pointed out the vital role of financial services in improving individual welfare, particularly in less developed and less affluent regions within ASEAN. Such scholars stated that better access to financial services, including savings, credit facilities, and insurance policies, enables people to manage economic risk, invest in entrepreneurship, and access education, which eventually assists in reducing poverty. The results of this present study are also in line with Khudoykulov et al. (2026), who noted that there exists a connection between poverty alleviation and some pathways of FI in Asian countries, including credit, saving, payment, and insurance. This study extends this by quantitatively demonstrating the power of this link and, in doing so, it gives empirical evidence of the policy attempts to promote FI to combat poverty in each of the ASEAN economies. Additionally, studies on rural FI show that poverty alleviation efforts should adopt two perspectives: the first is access to financial services, and the second is the capacity of households to use financial services to improve their livelihoods, reduce their vulnerability, and facilitate their entrepreneurship (Keshari & Tiwari, 2026; Chen & Dai, 2026).

The findings of the second objective of this study can be seen in Table 3, which shows that the value of β is high, namely 0.489, with $p < 0.001$, indicating that there is a strong relationship between FI and income equality. This finding indicates that the higher the financial access, the higher the income equality of the population in ASEAN, which validates H2. This relationship is especially important within the ASEAN region, which has a great difference in economic development between and within countries. Here, FI is also a social instrument, which helps marginalised people access finance and thus brings down the income disparity. This is aligned with the findings of Wong et al. (2023) and Ratnawati (2020), who stated that access to financial services is crucial for minimising the systemic income gap and promoting inclusive economic growth. This is aided by Paidi (2026), who found that FI negatively affects income inequality in Indonesia at the provincial level, and Rubio and León (2025), who indicated that FI positively affects poverty reduction and inequality reduction when translated into financial services utilisation. The current study builds on this knowledge base by offering concrete quantitative evidence that FI can be one of the levers to reduce income inequality, which can then inform better-targeted policy action at improving the financial well-being of all segments of society in ASEAN. However, caution must be exercised when interpreting these findings, as FI can exacerbate inequality if the financial gains from FI are greater for wealthier groups than they are for less wealthy groups, as highlighted by Hasan et al. (2026).

It can be seen that the results of this comprehensive study, which continues from previous studies, show that FI can have two sides: in terms of poverty alleviation and in terms of income equality in the ASEAN region. The positive achievements that have been experienced underscore the role of financial policies in not only increasing access to financial services but also making them accessible to meet a number of the needs of the people. The ASEAN Secretariat can also be instrumental in coordinating these efforts, as proposed by Erlando et al. (2020), so that FI policies can be integrated into economic and development policies. Through its promotion of initiatives that focus on financial literacy, equitable access to financial resources, and the integration of digital financial services, ASEAN will be able to improve sustainable economic development, as well as tackle issues such as poverty and income inequality. Given the current state of DFI, evidence suggests that digital payments, mobile money, digital credit, rural finance, and FinTech regulation should also be included in such programmes as vital components of sustainable development and inclusive growth (Kattan-Rodríguez & Galindo-Manrique, 2025; Đặng & Boratyńska, 2026;

Demirkale et al., 2025). The results of this study emphasise the need to adopt a more comprehensive policy-making process to address FI, which can be used as a stepping stone to building a better, fairer, and more prosperous ASEAN community. It should also take into account the digital divide, as digital inclusive finance will not bring about common prosperity unless users have digital infrastructure access, usage empowerment, and financial empowerment (Wei et al., 2025).

7. IMPLICATIONS OF THE STUDY

This study has some important policy implications for policymakers, financial institutions, and stakeholders in the ASEAN region involved in the development and implementation of FI policies. The consequences of these implications lie in many fields, such as policymaking, strategic planning, and community outreach. The findings from this study show that FI has a strong relationship with poverty alleviation, which means that ASEAN governments should put more attention on developing financial policies focused on expanding financial services to those who are not well served. This should involve not only improving access to financial services and financial facilities but also promoting a favourable financial regulatory environment to increase the development of microfinance and FinTech solutions. This is also corroborated by Azmeh (2025), who revealed that financial innovation has a linkage with the reduction of poverty and inequality, and such linkage between financial globalisation, poverty, and inequality can be moderated by FinTech and FI. Policies should aim to lower the barriers to entry for poorer segments of society to access financial products and design financial products for these groups. Other new evidence suggests that FI is a prerequisite for rural communities and must include both financial accounts and savings services, credit services, insurance services, financial digital connectivity, financial literacy, and trust-building mechanisms (Keshari & Tiwari, 2026; Sethi et al., 2025).

ASEAN-based financial institutions play an important role in promoting FI. The study highlights the contribution that these institutions can make in terms of positive financial effects in the fight against poverty, as well as in reducing economic inequalities, by designing financial products that are proactively accessible and affordable to all social classes, particularly the poorest class. Financial services providers such as banks can make improvements in the design of their products, credit scoring, and risk assessments to help meet the needs of a wider range of customers. The importance of financial literacy as a mediator between FI programmes and their effectiveness is very important. Based on the results, ASEAN countries need a comprehensive financial education programme that can provide understanding and support the use of financial services. For education programmes to be accessible and effective, they must be culturally relevant and available in the local languages. The importance of the point is heightened due to the fact that DFI can render the poorest digital financial users invisible when they are unable to make decisions or lack consumer protection, confidence, or digital literacy (Álvarez-Espiño et al., 2026; Song et al., 2025).

The development of new FI is possible if there is a rapid change in the distribution of digital financial products and services in the ASEAN region. Digital platforms can lessen geographical barriers and other constraints, lower costs, and help bring financial services to rural and remote populations. Policymakers must create environments conducive to digital infrastructure development, as well as laws to ensure and safeguard the safety and reliability of digital transactions. Communities need to be engaged to understand their financial needs and challenges when accessing financial services. This solution will guarantee that FI policies are not only inclusive but also effective at the grassroots level. It is imperative that inclusive policies consider the specific problems of various groups, such as women, the elderly, and ethnic minorities, and strive to attain equitable and inclusive FI. However, the role of gender-responsive policies is even more urgent in light of evidence from Indonesia and Asia that females, female-headed households, and women-led micro and small enterprises are more vulnerable to exclusion from financial services, digital literacy, credit, and business skills (Kumari et al., 2025; Ekaputri et al., 2025; Pranitasari et al., 2026). One lesson for ASEAN policymakers is that FI is also a poverty preventer, not just a poverty reducer. The literature on financial vulnerability suggests that financial resilience, household inclusive finance, and digital payments can act as a buffer for households against shocks and sustain their financial status to reduce vulnerability to shocks and falling back into poverty (Xu & Zhang, 2025; Liu & Ren, 2026; Sethi et al., 2025). Therefore, it is necessary to involve emergency savings, cheap insurance, responsible lending, and financial education in addressing financial crises in FI schemes.

8. CONCLUSION AND RECOMMENDATION

This study has thoroughly demonstrated the importance of FI in terms of poverty alleviation and achieving income equality in the ASEAN region. FI can help people better manage their economic status, boost their investment potential for education and business opportunities, and help address inequality in income and poverty rates. These findings corroborate recent evidence suggesting that FI, FinTech, and inclusive finance can contribute to poverty reduction and income convergence and are instrumental in driving rural resilience and sustainable development with proper financial literacy, infrastructure, and financial policy design. Based on the empirical evidence, it can be concluded that a FI policy should be adopted and should consider the diversity of the needs of the people in ASEAN. These should include means to access financial services and should boost financial literacy and promote innovation and consumer protection through regulation. FI is a fundamental element of sustainable and inclusive growth in ASEAN. ASEAN policymakers need to step up the drive towards FI and continue to ensure that FI is integrated into economic and social policies. Through this integration, FI will help make the ASEAN region more resilient and prosperous, moving towards more equitable economic development and upliftment of all ASEAN people. The study also recognises that FI must be inclusive. Lastly, FI needs to be embraced and promoted as an essential element in the creation of a prosperous, equitable, and inclusive ASEAN community.

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