

Fintech Adoption And Financial Inclusion: Global Versus GCC Countries Empirical Evidence

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Abstract

This study examines the relationship between FinTech adoption and financial inclusion. We further examine how the COVID-19 pandemic influenced the relationship between FinTech adoption and financial inclusion. Additionally, it investigates the existence of the non-linear relationship between FinTech adoption and financial inclusion. Moreover, we investigate the relationship between FinTech adoption and financial inclusion across Gulf Cooperation Council (GCC) countries and non-GCC countries. Our study employs a comprehensive panel dataset comprising 194 countries over the period 2000-2023. The dataset is constructed by merging multiple data sources (UNTCAD, ITU, V-Dem dataset and WDI). Pooled OLS and fixed effects (One Way Error and Two Way Error) models were employed in conducting the estimations. Across all models, the findings identify a positive relationship between FinTech adoption and financial inclusion. Moreover, our findings document an inverted U-shaped relationship between FinTech adoption and financial inclusion. Interestingly, our finding shows a U-shaped pattern between FinTech adoption and financial inclusion for GCC countries rather than an inverted U-shape for non-GCC countries. Finally, the empirical results reveal a positive and significant relationship between FinTech and financial inclusion in the pre-COVID period, while in the post-COVID period there is no significant relationship. The pre-pandemic relationship showed a clear inverted U-shape with well-defined turning points, suggesting an optimal level of FinTech adoption for maximising financial inclusion. Our findings have direct benefit to FinTech companies, financial institutions and policy makers as it directs them on the scalability of FinTech adoption and the extent to which this drives financial inclusion.

Keywords

FinTech adoption, Financial inclusion, Digital financial services, Financial technology, GCC countries.

JEL Classification : G21; G23; O33

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