

Unlocking Economic Potential: Financial Inclusion and Its Impact on Poverty Reduction.

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Abstract

Financial Inclusion is considered as one of the critical parts of economic development and poverty reduction, particularly in the developing countries. In the global context, the developing countries need to provide micro credit in the economically lower sections of the society. This study is explored how the financial inclusion helps an economy to reduce poverty and employment situations. The study also identified the financial inclusion is to provide access to all people have without inequality. And this empowers the individuals stimulate job opportunities through providing entrepreneurship support and it will lead to fosters inclusive growth. By bridging the gap between the unbanked population and formal financial institutions, financial inclusion. There are two major findings of this study, one is identified the relationship between financial inclusion and poverty alleviation. And also studied how to government interfere the growth of financial inclusion. Public-Private Partnership (PPP) model of micro credit strengthens the banking sector and it helps the developing countries to achieve higher economic growth in the long run perspective of development. The growth of Micro Finance Institutions (MFIs) has engaged as a significant driver of financial inclusion across the South Asian Countries and South East Asian Countries. A positive trend is evident in the increasing number of beneficiaries reflecting the expanding reach of microfinance services among low-income population. This paper analyses the direct and indirect effects of financial inclusion and poverty alleviation. This paper also examines the challenges such as over debt trap situation and digital literacy and the financial exclusion of vulnerable sections including economically weaker sections, fisherfolks, daily wage earners. The findings show that financial inclusion is not a panacea, but when implemented responsibly in developing countries, it unlocks economic potential and improves poor households' livelihoods. Strong fiscal and monetary support is essential for grassroots credit creation, helping policymakers reduce poverty and economic inequalities.

Keywords: Microfinance, Financial Inclusion, Poverty Alleviation, Developmental Finance, Inclusive Growth

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I. Introduction

Financial Inclusion is considered as one of the essential parts of development. The term financial inclusion is which refers to availability and use of formal financial products and services such as savings accounts, credit insurance and the payment system to provide all the segments of society. Achieving sustainable economic development and growth is the primary goal of all economies across the globe. Researchers and Scholars from various parts of the world have identified several factors, such as export earnings, foreign direct investment (FDI), foreign institutional investment (FII), and financial assistance from foreign nations and international organizations are helps to the inclusive development of the regions. Most people around the world, especially in developing countries, believe that financial inclusion is an increasingly important topic and one of the most effective long-term development strategies. In the global scenario, every developing economy promotes inclusive economic growth to reduce poverty.

Half of the world's population is excluded from using even the most basic formal financial services, despite the large potential benefits (Chair et al.,2009; Demirguc-Kunt and Klapper.,2015). The financial inclusion is not a micro-oriented policy initiative, but it has a macro level changing policy of an economy on the basis of their performance and roles. Over the last twenty years, Cambodia has emerged as the sixth fastest-growing economy globally, with financial inclusion playing a vital role in reducing poverty. With an average annual poverty reduction rate exceeding 1%, Cambodia ranks fourth worldwide in achieving successful poverty alleviation—an important target of the United Nations' Millennium Development Goals. As a result, the country's financial sector has expanded rapidly, creating greater opportunities for rural populations and low-income individuals.

It will encourage the financial supports to the adults for their education needs and it will also help the daily wages earners to taking credits also. Cambodia is a one of the emerging economies in the south east Asian region and this economy have a great socio-economic possibilities and opportunities in the future. Unlocking this

opportunity is projected to raise gross domestic product (GDP) by 9% to 14%, even in sizable economies like Indonesia and the Philippines. In Cambodia, the potential GDP growth could reach up to 32%. Capitalizing on this opportunity may also play a pivotal role in shaping the future of the financial services sector, especially in smaller markets like Cambodia and Myanmar, where formal financial institutions currently fulfil only a limited share of financial service needs. In Cambodia, the government needs to enhance collaborative efforts through public-private partnerships, which can contribute to job creation and help address challenges such as inequality and poverty.

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II. Review of Literature

There are different range of factors affects a country's degree of financial inclusion and financial development such as per capital income the effectiveness of governance, Institutional quality access to information and the strengthen of the regulatory framework (Allen et al.,2016; Karlan et al.,2014). The relationship between financial inclusion, inequality and its macro-economic contributions is not yet well studied. And it's have relatively limited research on the topic mainly the South East Asian Countries on developed economies pathway, definitely the financial inclusion studies important. Some of the countries like Mexico and Coast Rica where there was a rapid expansion of bank branches, Bruhn and love (2014) employed a natural experiment to demonstrate the greater access to financial services can lead to higher incomes for low-income individuals. The effect is primarily due to informal business owners being able to sustain their enterprises, which in turn contributes to increased overall employment. According to, Burgess and Pande (2005) reported a reduction in rural poverty in India following the expansion of bank branches in rural regions. However, their findings have been subject to criticism and debate by scholars such as Panagariya (2006) and Kochar (2011). Financial inclusion has been highly successful in South Asian countries. It has significantly helped poor and marginalized sections of society by reducing poverty and addressing income inequality (Sushanta Kumar Sethal et al.,2022). According to this study, the authors state that the availability, accessibility, and usage of formal financial services have been increasing significantly in South Asian countries. The authors observe that the Financial Inclusion Index in South Asian countries has shown a significant increase between 2004 and 2018. The implementation of this inclusive development strategy is beneficial to Southeast Asian countries such as Cambodia, Indonesia, Brunei, Myanmar, Vietnam, and Thailand.

In 2004, the Central Bank of India formed a committee to explore ways to enhance financial inclusion, which resulted in a report released in July 2005. Chaired by Mr. Khan, the Financial Reforms Committee made several key recommendations. Based on these, the Reserve Bank of India (RBI) issued a special circular in 2006 allowing the use of specific agencies, particularly Microfinance Institutions (MFIs), as intermediaries for delivering banking and financial services. These intermediaries were categorized into two types: Business Facilitators and Business Correspondents. This initiative by the RBI played a crucial role in promoting financial development and supporting the Public-Private Partnership (PPP) model across both rural and urban sectors. It also enabled private sector banks to significantly increase their outreach and involvement in India's financial

sector (Arunachalam, 2008). The authors explain that the financial inclusion strategy significantly helps the Indian economy in reducing poverty and improving related conditions. Despite the limitations of country-level data, the IMF has linked financial inclusion to various macroeconomic indicators, such as economic growth, stability, and equality (Sahay et al., 2015). Their findings indicate a potential positive association between financial inclusion and these outcomes; however, this relationship may be influenced by factors like per capita income levels and the quality of regulatory frameworks. Nevertheless, there is still a lack of rigorous evidence directly demonstrating the impact of financial inclusion on economic growth and inequality at the national level.

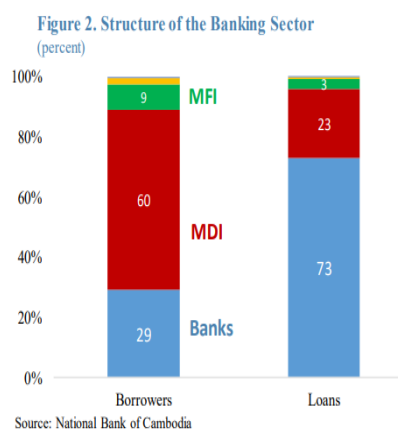
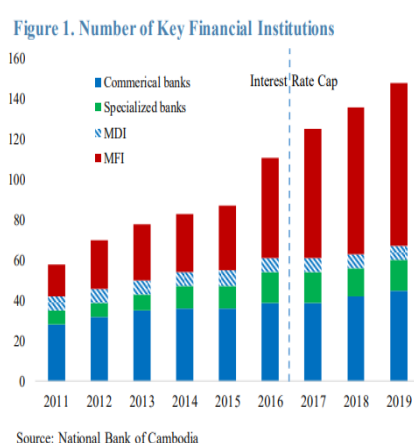
III. Methodology

This study adopts a qualitative and descriptive research approach to analyse the impact of financial inclusion on poverty alleviation and economic development, particularly in developing countries across South Asia and Southeast Asia. The methodology involves both secondary data analysis and literature review techniques to examine the relationship between financial inclusion, microfinance growth, and inclusive development. The study primarily uses secondary data from global financial institutions, national economic indicators, and scholarly literature related to microfinance, poverty reduction, and financial inclusion.

Framework Analysis

The framework analysis analyses how financial inclusion contributes to poverty reduction and economic potential in Cambodia and Southeast Asian countries through the different type of dimensions. Expansion of digital divide helps the developing countries of southeast Asian regions. Financial inclusion plays a prominent role in the long-term development of Cambodia. The government of Cambodia needs to implement a more structured financial inclusion strategy by promoting the establishment of additional microfinance institutions to support economic activities. The Cambodian economy has significant potential for development, and strong liberalisation policies will certainly contribute to its progress. In a developing economy, marginalised communities require greater access to priority sector lending, which further increases the need for comprehensive financial inclusion. The marginalised and illiterate populations at that time required targeted support services, including education, healthcare, and various economic development programmes. In Cambodia, the majority of the beneficiaries of these initiatives are women. A 2017 MAP Diagnostic Report examined the demand for, supply of, and regulation of financial services in Cambodia. The report highlighted measures aimed at achieving national objectives related to economic growth and improved livelihoods. It also provided a comprehensive roadmap to define, prioritize, coordinate, and monitor these measures, while offering recommendations to enhance financial inclusion in the country. The number of microfinance institutions grew significantly, rising from just 7 in 2004 to 82 by 2019. Similarly, the borrower base doubled, reaching 2.1 million between 2010 and 2019. Despite this rapid growth, the sector faces multiple challenges such as heavy dependence on foreign funding, high financing costs, rising concerns about borrower over-indebtedness, and limited financial literacy among clients.

Figure1: Number of Key Financial Institutions.



Source: National Bank of Cambodia

Cambodia has a lot of banking operations. AS per the estimation of the International Monetary Fund (IMF) most of the banks are operating in the microfinance sector and rural banks. There are 39 commercial banks here and 15 numbers are specialised banks. In this figure is shows the Rural Credit banks and MFIs are very strong in the Cambodia government.

During the year 2011 the rate of microfinance institutions is very low, it shows the demand for credit from the poor people are less. After the 2016, the Cambodia government reduce interest rate cap, the MFIs banks' lending rate is also increased. This shows that the need for credit among women has also increased. The habit of taking multiple loans is rapidly increasing among people around the world, especially in developing countries. A key factor driving increased borrowing from microcredit institutions is the gap between low wage rates and high consumption expenditure. This problem is not limited to South Asian countries; they are also significantly affected by it. The rising credit demand in South Asian countries can be attributed to multiple factors such as high population density, widespread income inequality, and elevated poverty rates.

Microfinance activities of Cambodia

Currently the microfinance institutions are noted financial inclusion providing the economy. There are many microfinance institutions in Cambodia providing financial and non-financial loans and other services to satisfy the clients needs. This economy MFIs are providing SHGs loans to the rural people that will includes individual lending and group lending facilities to the poor sections of the society. And some of the people are taking credit and that will start an entrepreneurship or start up businesses and gets return benefits future. Another important procedure of the micro finance sector is they will provide credits through digital or mobile banking. As per the report of Asian Development Bank, 80 percentage of MFIs clients in rural area and 81 percentage are woman beneficiaries in the households. Cambodia government is providing the woman empowerment and good cash management skills through microfinance. Cambodia has a population around 13.8 million, most of the population around 85 percentage are lives in the rural areas. Totally 36 percentage of population comes under the poverty line. The rural area had more helpful in the microfinance banks and the commercial and specialised banks is only operates in Phenom Pennah and other major town or cities.

Policy Measures to Enhance Financial Inclusion in Cambodia and the Southeast Asia Region.

Both Monetary and Fiscal Policy Measures to need support financial Inclusion in Cambodia and Southeast Asia. Monetary policy measures hold significant importance in shaping the economic conditions of lower-income people especially the developing countries. Monetary policy ensures financial stability, controls the general price level in the economy, and supports the achievement of economic growth and development. Cambodia and Southeast Asian countries have a wide range of possibilities and significant scope for advancing financial inclusion. To enhance financial inclusion, the Cambodian government should adopt effective monetary policy measures. Adjustments to the interest rate regime and related policy decisions can play a vital role in facilitating greater access to financial services to the lower income class sections. Promoting low-interest rate lending for Microfinance Institutions (MFIs), small financial banks, and credit cooperative banks by the governments of Southeast Asia can effectively enhance credit accessibility for the broader population. This will provide easier access to financial services for the underserved and low-income segments of the population in Southeast Asian countries. Monetary authorities can subsidize credit for underserved sectors such as agriculture, micro, small, and medium enterprises (MSMEs), rural households, and small-scale industrial workers. Another important measure is for central banks to increase priority sector lending, which can be highly effective in reducing poverty and inequality among the population.

Commercial banks mandated to provide more subsidized credit to microfinance institutions and rural banks. The Cambodian government can allocate a larger portion of the budget to priority sectors in order to strengthen rural development and promote women's empowerment. Priority sector lending has proven to be highly effective in South Asian countries like India and China. Every economy in the region needs to enhance cooperation and allocate budgets efficiently to help mitigate developmental traps.

Promoting digital payments and mobile banking is an effective step toward enhancing financial inclusion. In Southeast Asia, encouraging a transition from cash-based to digital transactions through the development of affordable payment platforms and real-time settlement systems can play a vital role. These systems help streamline operations and minimize avoidable administrative costs. Some of the fiscal policy measures also support inclusive development.

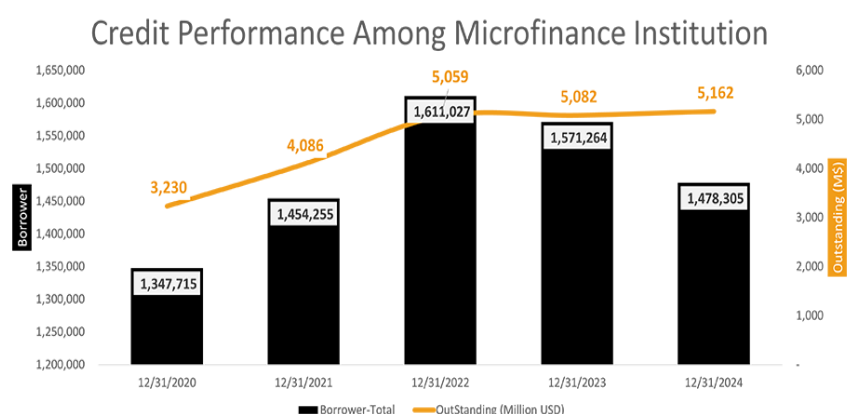
Direct public spending on financial infrastructure helps expand rural bank branches and makes mobile banking technology more accessible and easier to implement.

Investment from global companies can help utilize Cambodia's economy more efficiently and generate employment opportunities. The Government of India has successfully implemented the Jan Dhan–Aadhaar–Mobile (JAM) system, through which beneficiaries receive funds via Direct Benefit Transfer (DBT). This model has been highly effective in India, and a similar technology-driven banking system should be introduced by the Cambodian government. Additionally, the government should implement tax exemption policies on digital wallet transactions and savings products used by low-income groups. Encouraging public-private partnerships would also strengthen the economy and support long-term development goals. Moreover, providing financial literacy programs, workshops, and credit scoring systems for high-performing microfinance institutions would positively contribute to Cambodia's economic progress.

Recent Status of Microfinance in Cambodia:

Cambodia is experiencing a fast and significant transformation in digital financial inclusion, driven by platforms such as Bakong, widespread use of mobile money, expanding microfinance services, and initiatives focused on gender equity. Alongside this progress, regulatory measures and fintech development are advancing together. However, to achieve truly inclusive and fair financial access across the country, it is crucial to improve digital literacy, address credit risk challenges, and strengthen cybersecurity. Over the past five years, financial inclusion in the Cambodian economy has increased. There are many factors that have influenced the increase in the rate of credit uptake in Cambodian economy.

Figure 2: Credit Performance among Microfinance Institutions after Covid-19 pandemic During the period of 2020 to 2024.



Source: Cambodia Microfinance Association

One of the most important segments of financial inclusion is microfinance. The demand for credit from microfinance institutions generally shows an increasing trend. In the year 2020, microfinance credit uptake in Cambodia remained relatively stagnant, with 13.47 lakh beneficiaries accessing loans from various microfinance institutions. The shadow of the COVID-19 pandemic loomed large, suppressing economic activity and dampening the appetite for credit. However, as the nation began to emerge from the crisis, signs of recovery slowly surfaced. By 2021, the number of borrowers rose to 14.54 lakh, signalling a cautious but hopeful resurgence. Then came 2022—a turning point. This year recorded the highest spike in microfinance borrowing between 2020 and 2024, with a staggering 16.11 lakh individuals seeking credit. The microfinance sector expanded its reach, energizing rural economies and reviving small enterprises across the country.

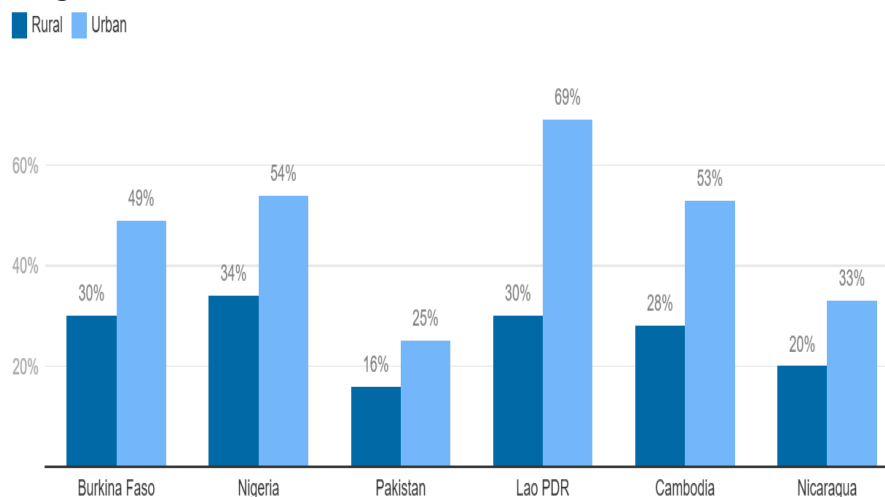
This dramatic upswing reveals a powerful truth: the economic wounds inflicted by the pandemic had deeply scarred Cambodia and much of Southeast Asia. Yet, through resilience and the growing strength of microfinance institutions, a path to recovery was carved. The surge in borrowers is not just a statistic—it is a story of rebuilding, empowerment, and the relentless human drive to rise after a fall. In 2024, Cambodia's microfinance landscape faced a sobering

shift. The number of borrowers declined noticeably, even as total loan outstandings showed only a modest increase. Beneath these figures lay a deeper truth: fewer individuals were turning to microfinance, signalling a growing disconnect between the system and the people it once served so well. The reasons were layered and urgent. Most notably, borrowers began to seek larger loans—funds that microcredit could no longer provide. As aspirations grew, the small-scale loans that once empowered families and small businesses now fell short of meeting expanding needs. Microfinance, once a symbol of hope, struggled to keep pace. Compounding the issue was the ongoing global instability. The Russia-Ukraine war cast long economic shadows, worsening inflation, disrupting supply chains, and triggering a ripple of financial anxiety across Southeast Asia. In Cambodia, the impact was deeply felt. Low-income households, already walking a financial tightrope, now faced mounting insecurities—rising joblessness, shrinking incomes, and a growing fear of loan default.

The confidence that once buoyed microfinance began to falter. Borrowers hesitated. Institutions tightened. And the economic strain deepened. The year 2024 did not just mark a statistical dip—it revealed the cracks in the foundation of a sector once hailed as the engine of grassroots empowerment. As Cambodia grappled with global and local crises, it became clear: to remain relevant and resilient, the microfinance sector must evolve, adapt, and rise anew from these turbulent times. The Cambodian government needs to give greater priority to the

grassroots level, as it is essential for long-term economic development. As the country undergoes rapid digital transformation and embraces digital payments, there is significant potential to harness a broad range of alternative data generated through payment behaviours and digital footprints. Globally, such data have proven to be powerful enablers of digital financial inclusion, helping to extend credit access to underserved populations. People living in rural areas continue to face higher rates of financial exclusion in many countries.

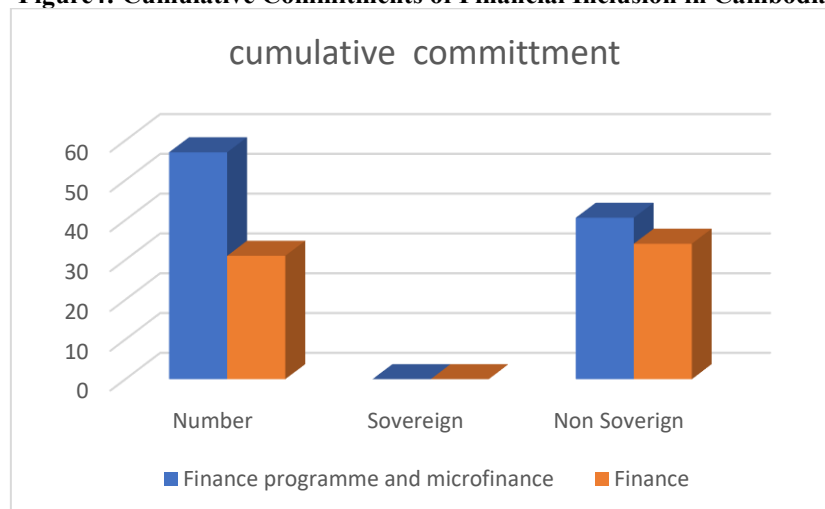
Figure 3: Microfinance Access: Rural vs. Urban divide of selected countries.



Source: Global Findex

Credit uptake in rural Cambodia is significantly lower compared to urban areas. According to the 2021 Global Findex estimates, financial exclusion in rural regions stands at 28%. In contrast, 53% of urban residents reported owning an account. This disparity highlights that rural populations are less likely to access credit from microfinance institutions, largely due to issues such as inequality, the digital divide, and limited financial infrastructure. Laos, Nigeria, and other Southeast Asian economies are facing similar challenges. In most Southeast Asian countries, financial inclusion is significantly higher in urban areas compared to rural regions. This imbalance is not a healthy path for sustainable economic growth. In the modern world, digitalization is recognized as a key driver of financial inclusion across the Southeast Asian region. There are various factors that help in getting more loans from microfinance institutions in urban areas, but it must be said that this situation is not there in rural areas. This will provide better financial infrastructure to low-income people. Strengthening partnerships with institutions like the Asian Development Bank can greatly support these countries in achieving long-term economic development.

Figure4: Cumulative Commitments of Financial Inclusion in Cambodia



Source: ADB's Database,2022

The graph reveals a striking reality: the microfinance sector has become a central focus of government support, often eclipsing attention given to traditional banking activities. This growing emphasis underscores a deeper truth—the majority of low-income communities now rely heavily on microfinance institutions as their primary source of credit to meet urgent financial needs. For many, these institutions are not just lenders, but lifelines. Their dependence speaks volumes about the gaps in formal banking access and the critical role microfinance plays in sustaining the financial pulse of Cambodia's most vulnerable populations. The number of microfinance institutions (MFIs) in Cambodia is significantly higher compared to nationalized banks. A total of 57 registered MFIs is currently operating in the country, along with 31 other types of credit institutions. This trend indicates that the general public is more inclined toward MFIs than traditional banks. The primary reasons for this preference include the absence of collateral requirements and the high rate of unemployment, which makes access to formal banking services more difficult for many individuals.

Table 1: Comparison of Alternative financial lending and Conventional Lending of South Eastern Asia.

Economy	Total conventional (2) + (3) + (4)	Commercial banks	Credit unions and credit cooperatives	Microfinance institutions	Alternative lending
Brunei Darussalam	29.1	29.1	—	—	—
Cambodia	117.3	90.6	—	26.7	0.0
PRC	111.4	108.4	3.0	—	0.6
India	53.3	48.6	4.7	—	0.1
Indonesia	35.5	35.5	—	—	0.1
Lao PDR	46.0	45.3	0.1	0.6	—
Malaysia	109.4	109.4	—	—	0.0
Myanmar	24.3	22.8	—	1.5	0.0
Philippines	34.0	34.0	0.0	—	0.0
Singapore	136.4	136.4	—	—	0.1
Thailand	83.3	70.8	12.5	—	0.0
Vietnam	134.9	133.0	2.0	—	0.0

Source: IMF Financial Access Survey database, IMF World Financial

Outlook database.

This table shows the comparative analysis of alternative financial lending and the conventional lending of the major south east Asian countries. Only one country Cambodia is taken more credits from the micro finance institutions. The Cambodia is reported 26.7 percentage of total population in the are takes loans from the MFIs and followed by Myanmar (1.5), Lao PDR (0.6) percentages in the south east Asia. The outlook report says there is no much more declines in the commercial banks. But onething that the most of the credit takes here is urban area people. This shows the trend of taken loans in the Cambodia is beneficial for the long run period of development. And also, Cambodia government is need to provide more budget allocation and policy implication to the credit cooperative societies is good.

Future Possibilities and Challenges of Financial Inclusion of Cambodia

The Cambodian economy's goal of becoming an upper middle-income country by 2030 and a high-income county by 2050 is achievable. For that, sustainable operations in the financial sector are essential. There is no doubt that the government of Cambodia needs to address various obstacles to achieve development goals. Although percapita income is increasing rapidly, it remains low compared to most neighbouring countries. And more subsidized micro credit loans need to the grassroots to alleviate to alleviate poverty. According to the Millennium Development Goals of the United Nations, the Cambodian economy is ranked fourth in the world for successful poverty reduction. This indicates that the government of Cambodia is providing greater financial opportunities to poor people in rural areas, with a particular focus on low-income segments of society. The

Cambodian government has strong potential to further strengthen connections between people and the banking sector, which would help achieve long-term economic development.

It is also important to encourage savings through formal financial institutions, enabling small and medium enterprises (SMEs) to access affordable financial services via financial inclusion. Digitalization plays a crucial role in supporting the Cambodian economy by expanding access to credit and encouraging borrowing among the population. The widespread use of mobile connectivity for delivering financial services has significantly improved the efficiency and reach of banking activities. Furthermore, prioritizing credit and subsidies for socially and economically disadvantaged groups would be a more effective strategy for inclusive economic development. In the years ahead, Cambodia and the broader Southeast Asian region are poised to forge robust technological and financial partnerships with leading developed nations and global institutions. These alliances will not only accelerate innovation and economic resilience but also pave the way for transformative growth. Expanding capacity-building initiatives, offering comprehensive training for employees, and promoting digital financial literacy programs will play a vital role in shaping Cambodia's future. Together, these efforts will empower the workforce, deepen financial inclusion, and drive the nation toward a more inclusive and sustainable economic horizon.

In this evolving economy, the role and oversight of the government are more crucial than ever. Stronger regulation is not just a policy choice—it is a necessity. The microfinance sector, while intended as a tool for empowerment, has at times cast a darker shadow, giving rise to exploitative practices that echo modern forms of debt bondage in parts of Southeast Asia, particularly in countries like Cambodia and Thailand. In Cambodia, many borrowers—often from low-income, rural communities—resort to microfinance loans out of desperation, frequently for consumption needs rather than productive investments. Trapped by high-interest rates and irregular income, they struggle to meet their repayment obligations. Most alarming is the rising incidence of land confiscation—when borrowers cannot repay, they risk losing their only means of livelihood. Without timely government intervention and ethical oversight, this system threatens to undermine the very development it seeks to support.

Funds are costly and need more matured loans, the most of micro finance institutions providing funds and its interest rate is high for the poorer sections. It is most important challenges of the Cambodian economy. The people need for loans with longer maturity period. Another important challenge of this economy affected is financial literacy is very less, that is also affects the credit taking behaviours among the clients from the rural area. The limited literacy remains the Cambodia and that is also affect the successful implementation of financial inclusion in the lower level. There are almost no branches of banking institutions operating in the rural area it is create time lag issues of credit taking. This will negatively affect the economy, the movement of cash for MFIs also very difficult the government need to start a new branch more on the rural villages.

What kind of Strategical Policy needed Cambodian Economy for a Successive implementation of Financial Inclusion.

- ❖ Financial Literacy need to be strengthened.
- ❖ Need continuous expansion of digital finance.
- ❖ To need more strengthen of consumer protection
- ❖ Need to promoting financial inclusion through technology.
- ❖ Strengthening Collaboration: the Cambodia government is need to continue collaboration between Private sector and other developing partners is essential to achieve the goals of national financial inclusion.

Policy Implications

There are different kind of monetary and fiscal policy implications are needing the Cambodian economy to expand the financial inclusion and poverty alleviation. First upon to provide financial education strongly on the national school curriculum. And must to provide credit guarantees to Small and Medium Enterprises to borrowers. That will impact positively in the economy. Increase the performance-based credit lending to the best way to expands inclusive and sustainable development of Cambodia's economy. Provide subsidized credits to the Self-Help Groups to start entrepreneurship for woman's households' better policy implication. It will lead to income generating activities smoothly and they will get revenue from that source. Government needs to provide subsidized loans through microfinance to increase the production of handloom and cultural items to export global market. This strategy helps to provide a strong foundation to the women empowerment in Cambodia. Another important thing is that, Government will expand digitalisation activities in the rural area is more relevant. And also provide the permission and liberalised strategies to operate more MFIs institutions in the rural area. And completely utilize the possibilities of digital financial era. Reduce interest rate is increase the demand for taking credit from the micro finance institutions.

IV. Findings and Discussions

This study provides an empirical and conceptual insights into the role of financial inclusion in poverty alleviation process and inclusive economic development in Cambodian economy, with comparative references to selected Southeast Asian economies. The findings indicate that financial inclusion has emerged as a critical policy instrument for enhancing access to formal financial services among low-income and marginalized populations, particularly in the rural areas.

The study also finds a positive relationship between financial inclusion and poverty reduction. The expansion of microfinance institutions (MFIs), rural banks, and digital financial services has helped to improve the quality of life of low-income households that were previously excluded from the formal financial system by providing access to credit, and has helped to improve their living standards. Increased access to credit has enabled poor households to facilitate consumption, engage in small-scale trade, micro-entrepreneurship, manage income shocks, and invest in agriculture and other small-scale income-generating activities. While these results support previous studies that suggest that access to finance leads to improved household well-being and reduced poverty, more effective government interventions are needed. The study found that women beneficiaries, who make up a significant proportion of microfinance clients in Cambodia, have experienced greater financial participation and financial autonomy, and have been instrumental in ensuring their financial empowerment. Financial inclusion has emerged as a tool for women's empowerment and inclusive growth. It was also found that a country like Cambodia has one of the highest levels of borrowing among Southeast Asian countries. Without financial inclusion, it is difficult for this economy to move towards development.

Microfinance institutions have played a key role in Cambodia's financial inclusion. Their less restrictive lending procedures are highly beneficial to low-income groups. Low collateral requirements and easy access to financial services at the doorsteps of households have helped attract rural households. MFIs have also been able to provide loans to low-income groups more easily, and have outperformed commercial banks. The rapid growth in the number of MFI borrowers is a notable achievement. It has also been found that microfinance institutions have grown rapidly as a source of finance, from a temporary relief measure to a temporary relief measure.

V. Conclusion

This study finds it the Cambodia economy is in need of much more policy implications to achieve long run economic goals. Cambodia needs to be transformed into a nation that can strengthen its digital economy. For this effective financial planning is essential. For this, the students and women in rural areas need to be given detailed information about the financial technology. The public private partnership is also an important thing in the growth of financial inclusion. All the Southeast Asian countries are in need of cooperative actions in the expansion of financial inclusion in the future. Some kind of monetary and fiscal policy measures are also needed in the economy in the long run perspective of development. Raising per capita income is to distribute all the people equally, otherwise it is negatively affecting the economy. The economy of Cambodia has very good potential in the digital infrastructure and technology. Without having a strong literacy the financial inclusion process is not possible. And the debt vulnerabilities are seeming the major issue here, the interest on loans is definitely needed to be reduced. The monetary authorities are taking proper actions to reduce the interest rate.

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