

IR-PERPUSTAKAAN UNIVERSITAS AIRLANGGA

DISSERTATION

**THE IMPACT OF DIGITAL TECHNOLOGY AND BUSINESS REGULATIONS ON
FINANCIAL INCLUSION AND SOCIO-ECONOMIC DEVELOPMENT IN LOW-
INCOME COUNTRIES**



Yusef Ali Yusef Yakubi

NIM 041817157317

DOCTORAL PROGRAM OF MANAGEMENT SCIENCE

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DISERTASI

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YUSEF YAKUBI

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DISSERTATION

To obtain a Doctoral Degree in Management Sciences

Under the Faculty of Economics and Business

University of Airlangga

By:

Yusef Ali Yusef Yakubi

NIM 041817157317

VALIDITY SHEET

**THIS DISSERTATION HAS BEEN APPROVED AT THE DATE
OF SEPTEMBER 1, 2022.**

By:

Promotor,



Prof. Drs. Basuki, M.COM(HONS), PhD., Ak., CA., CMA., ACPA

NIP.195805151985111001

Co-Promotor,



Prof. Dr. Rudi Purwono, SE., MSE

NIP. 196911031995121001

Known by

Head of Doctoral Study Program

Management Science



Prof Dr. Tanti Handriana, SE., M.Si

NIP. 196905181993032001

EXIMENERS COMMITTEE

This dissertation manuscript has been examined and assessed

By the Examiners Committee at the

Faculty of Economics and Business,

University of Airlangga

On October 3, 2022.

Examiners Committee

Chairman: Prof. Drs. Basuki, M.Com(Hons), PhD., Ak., CA., CMA, ACPA

Members: 1. Prof. Dr. Rudi Purwono, SE., MSE

2. Dr. Hj. Indrianawati Usman, SE.,M.Sc.

3. Dr. Windijarto, SE., MBA

4. Dr. Liliana Inggrit Wijaya

5. Dr. Fitri Ismiyanti, SE., M.Si

6. Dr. Puput Tri Komalasari, SE.,M.Si.,MM.

DECLARATION OF AUTHORSHIP

I,

Name : Yusef Ali Yusef Yakubi

NIM : 041817157317

Doctoral Program : Management Science

Declare that this thesis and the work presented in it are my own and has been generated by me as the result of my original research.

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- 5.I have acknowledged all my sources of help.

Surabaya, October 2022



Yusef Ali Yusef Yakubi

NIM 041817157317

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SUMMARY

This study empirically tests the impact of digital technology and business regulations on financial inclusion and socioeconomic development in low-income countries. Digital technology and business regulations are perceived to be powerful factors to spur financial inclusive economies and ease several social and economic ills and thus enhance the welfare of low-income nations. The study used secondary data collected for 77 low-income countries from different sources, including the World Bank, IMF, and UNDP. The study attempts to answer the following three main research questions: 1. Does the adoption of digital technology and business regulations spur financial inclusion and socioeconomic development in low-income countries? If so, to what extent? 2. Which elements of financial inclusion could inspire inclusive growth in low-income countries? 3. What effects can usage have on access and access on quality?

The overall principal and theoretical model of this study posits that digital technology factors directly influence both financial inclusion (particularly access and usage) and socioeconomic development. The study also postulates that business regulations factors have direct influences on both financial inclusion (especially quality and usage) and socioeconomic development. Furthermore, the study assumes that financial inclusion elements positively affect socioeconomic development. Finally, the study proposes that usage influences access and access influences quality within the financial inclusion components.

This study utilizes a "causal research approach" and employs structural equation modeling, which is used to display and investigate the causal relationships between variables. Smart PLS 3.

Software Package is employed for data analysis in this study, and it turned out to be optimal for running the measurement and structural analysis. The study examines the hypothesized relationships between variables by following Partial Least Squares (PLS-SEM) path modelling. PLS-SEM is a variance-based technique renowned as being a causal-predictive method of data analysis.

Both digital technology and business regulations have significantly influenced financial inclusion and socioeconomic development. However, amongst the three financial inclusion elements, only access affects the socioeconomic development process in this study.

International players, including donors and interested organizations, have to keep on planning programs and interventions that support both digital technology and business regulations adoption equally. FinTech companies, banks, and other financial institutions need to speed up and boost the digital financial services that are seemingly cost-effective, efficient, and can easily reach the unbanked population in urban and rural areas compared to the traditional financial channels.

This study bears some limitations that include the "homogeneity assumption," since the study assumes that low-income countries are identical. Low-income countries may share similar elements or even equal features however, they may also have different categories, ethical, social, cultural, morals and beliefs. Another limitation is that the number of observed indicators is relatively limited due to the unavailability of complete data.

Keywords: Digital Technology; Business Regulations; Financial Inclusion; Socioeconomic Development; Low-Income Countries

ABSTRACT

THE IMPACT OF DIGITAL TECHNOLOGY AND BUSINESS REGULATIONS ON FINANCIAL INCLUSION AND SOCIO-ECONOMIC DEVELOPMENT IN LOW- INCOME COUNTRIES

Yusef Ali Yusef Yakubi

This study aims to test the impact of digital technology and business regulations on financial inclusion and socioeconomic development in low-income countries. Digital technology and business regulations are perceived to be powerful factors to spur financial inclusive economies and ease several social and economic ills and thus enhance the welfare of low-income nations which represent most world regions. Secondary data were collected for 77 low-income countries from different sources including World Bank, IMF and UNDP while Smart PLS 3. software was employed for data analysis. This study is distinguished by casting a new angle of linking digital technology and business regulations as drivers of financial inclusion and socioeconomic development. It also presents financial inclusion as a means to an end. Furthermore, it contributes to the literature by providing empirical evidence on the significant positive impact of digital technology and business regulations on both financial inclusion and socioeconomic development using PLS-SEM method. Thus, stakeholders, governments and supporters ought to sustainably endorse adoption of digital finance and business environment to assist the poor low-income citizens get pulled into a better-quality life and more improved living standards.

Keywords: Digital Technology; Business Regulations; Financial Inclusion; Socioeconomic Development

Promotor,



Prof. Drs. Basuki, M.Com(Hons), PhD., Ak., CA., CMA

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List of Abbreviations

AVE	Average Variance Extracted
BusReg	Business Regulations
CR	Composite reliability
CPIA	Country Policy and Institutional Assessment
DAI	Digital Adoption Index
DigTech	Digital Technology
DOI	Diffusion of Innovation
G 20	Group of Twenty
GAFI	Global Alliance for Financial Inclusion
GDI	Gender Development Index
GNI	Gross National Income
GPFI	Global Partnership for Financial Inclusion
GPSS	Global Payments Systems Survey
HDI	Human Development Index
HTMT	Heterotrait-Monotrait
ICT	Information and Communication Technology
IDA	International Development Association
IMF, FAS	International Monetary Fund, Financial Access Survey
MENA	Middle East and North Africa
PLS-SEM	Partial Least Squares -Structural Equation Modeling
SEM	Structural Equation Modeling
SocioEconom	Socioeconomic
SPSS	Statistical Package for Social Sciences
SSA	Sub-Saharan Africa
TAM	Technology Acceptance Model
UNDP	United Nations Development Program
VIF	Variance Inflation Factor
WDI	World Development Indicators