The Impact of Inclusive Finance on the Development Level of Export Trade in Developing Regions of Southeast Asia and Africa

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Abstract: This paper investigates the impact of financial inclusion on export trade performance in developing regions, with a comparative focus on Southeast Asia and Africa. Anchored in a dual-path theoretical framework—reducing financing costs and supporting innovation—it examines how inclusive financial systems enhance export capacity and facilitate the expansion of high value-added exports. Through detailed case studies and cross-regional comparisons, the research highlights the differing models: Southeast Asia leverages technology-driven fintech systems and policy coordination to promote SME export competitiveness, while African countries rely on mobile money platforms to bridge infrastructure gaps and enable broader participation. The findings reveal that while both regions benefit from inclusive finance, Southeast Asia exhibits stronger export outcomes due to integrated financial ecosystems and institutional support. These insights provide valuable policy implications for tailoring inclusive finance strategies to specific regional contexts to foster sustainable economic growth and global trade integration.

1. Introduction

Financial inclusion has emerged as a key driver of fair economic growth, providing individuals and businesses with unobstructed access to financial services such as banking, credit, insurance, and secure savings mechanisms. By reducing socio-economic gaps, financial inclusion promotes broad-based development and contributes to greater macroeconomic stability[1]. For developing countries, financial inclusion plays a vital role in poverty alleviation by equipping disadvantaged populations with tools to smooth consumption, lighten financial shocks, and invest in education and entrepreneurship. Small and medium-sized enterprises (SMEs), which constitute a large portion of employment and economic activity in developing regions, considerably benefit from improved access to finance, enabling them to expand operations, drive innovation, and create jobs[2]. In Kenya, for instance, *M-Pesa* has dramatically increased financial engagement, enabling users to transfer money, access credit, and even conduct business transactions—all through mobile technology. This shift has empowered millions, particularly women and low-income households, by removing traditional banking barriers and reducing economic vulnerability [3].

In many economies, particularly developing countries or areas, financial exclusion is still a significant barrier to economic progress, leaving large proportion of the population without the tools to manage risk, invest in opportunities, or build financial security. However, the popularity of digital banking and mobile money platforms, such as Kenya's *M-Pesa*, has completely changed access to financial services, especially for previously unbanked populations [3]. Ultimately, financial inclusion is not merely a policy goal but a powerful enabler of sustainable growth, economic resilience, and social mobility in rising markets.

Export trade serves as a catalyst for economic development, particularly in developing economies seeking to integrate into global markets. By taking advantage of larger international demand, these countries or areas can expand production, enhance efficiency, and achieve economies of scale, thereby fostering industrial growth and strengthening economic resilience.

Beyond direct economic gains, export-oriented economies benefit from increased foreign exchange earnings, which are essential for funding infrastructure projects, importing advanced

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technologies, and stabilizing national currencies. A strong export sector stimulates improvements in logistics, transportation networks, and regulatory frameworks, as nations seek to meet international trade standards and attract foreign investment in competitive market. For example, Vietnam's logistics and port infrastructure have quickly expanded to support its growing trade sector, reinforcing its position in global supply chains[4]. Additionally, economies that focus on export-led development tend to exhibit strong correlations between trade performance, GDP growth, and poverty alleviation. Empirical studies indicate that nations like China, South Korea, and Malaysia, which have pursued export-driven industrialization, have successfully improved living standards, created millions of jobs, and fostered sustained economic progress.

Participation in global value chains enables firms to adopt advanced technologies, improve productivity, and diversify their industrial base, finally enhancing long-term competitiveness [5]. For instance, Vietnam's export-driven manufacturing sector, particularly in electronics and textiles, has played a crucial role in transforming the country from a low-income to a middle-income economy[6]. Moreover, Bangladesh's booming garment industry, fueled by competitive labor costs and strong global demand, has positioned the country among the world's leading textile exporters, significantly boosting employment and GDP growth [7].

As a result, developing nations which implement strategic export expansion policies not only enhance their global competitiveness but also lay the basic for long-term, inclusive economic growth.

The economies of Southeast Asia and Africa exhibit diverse economic structures presenting unique opportunities and challenges in the fields of financial inclusion and export trade. Southeast Asian nations, under the umbrella of the Association of Southeast Asian Nations (ASEAN), have demonstrated notable economic resilience, driven by regional integration, expanding trade networks and strong policy coordination. The region comprises a series of economies—ranging from advanced markets like Singapore and Malaysia to rapidly developing countries such as Vietnam, Indonesia, and the Philippines. Much their economic achievements result from robust export sectors, strategic geographic positioning, and active participation in global supply chains.

In contrast, African economies, despite their rich natural resources and youthful populations, face structural challenges including inadequate infrastructure, limited financial access, and less diversified economic bases. However, recent advancements in financial technology (fintech) and mobile banking have significantly enlarged financial inclusion, offering new avenues for economic transformation. For instance, companies like Moniepoint in Nigeria have developed digital payment platforms that facilitate financial transactions for small and medium-sized enterprises (SMEs), thereby supporting business operations and trade activities. Similarly, M-KOPA in East Africa provides asset financing solutions for essential goods, enabling individuals to improve their livelihoods and participate more effectively in the economy.

Given the different levels of economic development and financial inclusion practices between Southeast Asia and Africa, examining their impact of financial inclusion on export trade holds important theoretical and practical value. In Southeast Asia, financial inclusion has been largely facilitated by mature banking systems, regulatory frameworks and capital market. Which have provided SMEs with access to credit and trade finance, supporting their integration into export market. Meanwhile, in Africa, fintech innovations are creating new ways for businesses to engage in international trade by reducing transaction cost, improving payment efficiency, and expanding financial access. Understanding how these distinct approaches influence export performance can offer critical insights for policymakers, business and financial institutions seeking to optimize trade competitiveness and promote sustainable economic growth.

Based on the dual-path framework of financial inclusion—namely reducing financing costs and fostering innovation—this paper investigates how inclusive finance enhances export performance and why regional models differ in effectiveness. It raises two key questions: (1) How does financial inclusion improve export performance through cost reduction and innovation support? and (2) Why do Southeast Asian and African models differ in translating financial inclusion into export competitiveness?

Inclusive finance plays a transformative role in enhancing export competitiveness by enabling small and medium-sized enterprises (SMEs) to participate in global value chains. To fully realize this potential, inclusive financial strategies must be aligned with infrastructure and trade policies—for example, improving electricity coverage in Kenya to support digital finance. This is particularly crucial for promoting agricultural exports in Africa and manufacturing integration in Southeast Asia.

2. Characteristics of Inclusive Finance and Traditional Finance

Financial inclusion is important to equitable growth, providing individuals and businesses with access to essential financial services like banking, credit, insurance, and savings. The core strength of financial inclusion lies in its ability to remove barriers traditionally faced by underserved populations, characterized particularly by enhanced accessibility, affordability, and sustainability.

Accessibility removes obstacles to financial services by taking advantages of technological advancements such as digital banking and mobile money platforms. For instance, Kenya's mobile money service, M-Pesa, has essentially expanded financial accessibility for rural and urban unbanked populations, enabling convenient financial transactions and empowering millions economically[3]. Affordability is another important characteristic, marked by the reduction in transaction costs associated with accessing financial services. Platforms such as M-Pesa in Kenya and GCash in the Philippines show how low-cost digital transactions have dramatically increased financial participation among economically disadvantaged groups, providing them opportunities to engage in entrepreneurial activities and improve savings[1]. Lastly, sustainability in financial inclusion is exemplified through institutions such as Bangladesh's Grameen Bank, which keeps a balance between social objectives and commercial viability, demonstrating that financial inclusion practices can be successfully consistent with profitability. Grameen Bank's model combines microfinance with social responsibility, offering loans primarily to women and small-scale entrepreneurs, thereby sustaining both financial viability and social impact over the long term[2]. Thus, the diversified nature of financial inclusion positions it as not only an equitable economic imperative but also a viable model for sustainable growth and development.

Unlike financial inclusion, traditional finance is characterized by several inherent limitations, especially high barriers to entry, expensive transaction costs, and limited innovation, all of which significantly restrict its capacity to promote inclusive economic development. Conventional banking systems set high barriers to entry, which often require substantial collateral, documentation, and established credit histories, effectively excluding lower-income individuals and small businesses from basically financial services. These entry barriers extend social economic disparities by systematically denying financial opportunities to those who most need them. In addition, traditional financial institution operates at high costs due to their reliance on extensive physical network, administrative expenses, and strict regulatory requirements. These overheads are finally transformed to consumers through service fees, disproportionately burdening low-income individuals and small companies. Moreover, traditional finance is widely criticized for its slow adoption of innovation, particularly in developing financial products for low-income or remote populations. Conventional banks are often influenced by legacy systems, inflexible regulations, and a conservative risk-averse culture making them slow to adopt to adapt to evolving economic needs. As a result, traditional financial systems struggle to adapt quickly to changing economic conditions and fail to meet the financial expectation of underserved populations. This lack of innovation leads to inefficiencies, limiting the scope and speed at which financial services can be extended to unbanked and underbanked communities, particularly in developing economies.

3. Different Financial Models in Southeast Asia and Africa

The contrasting characteristics of financial inclusion and traditional finance manifest differently across Southeast Asia and Africa, shaping distinct economic and policy outcomes with significant theoretical and practical implications. Financial inclusion in Southeast Asia is mainly technology-driven, supported by advanced regulatory frameworks that facilitate SMEs' access to finance, promote e-commerce, and enable seamless cross-border transactions [8]. Platforms such as Vietnam's MoMo highlight this regional trend, offering integrated services such as utility bill payments, online shopping, entertainment consumption, and cross-border remittances, which enhance SMEs' competitiveness in international markets.

In contrast, Africa's financial inclusion landscape is shaped by mobile-based fintech solutions and hybrid agent-banking models, which light gaps left by traditional financial institutions in underserved regions. Nigeria's Moniepoint and East Africa's M-KOPA illustrate this approach by providing tailored financial solutions for sectors integral to Africa's economy, including agriculture and small-scale commerce[9]. Moniepoint facilitates digital payments for SMEs, reducing transaction costs and improving operational efficiency, while M-KOPA offers asset financing, enabling low-income households to acquire essential goods and participate more actively in economic activities. Regulatory and policy environments in Southeast Asia and Africa take different approaches to financial inclusion. Southeast Asian nations benefit from well-developed banking systems and integrated capital markets, enabling financial institutions to support export-driven growth [10]. Vietnam, for example, has seen a 15% increase in exports, largely due to improved logistics and infrastructure investments that facilitate smoother cross-border transactions. In contrast, African nations rely on regulatory flexibility to encourage fintech innovation, bypassing traditional banking limitations to expand financial access—particularly in rural areas where agriculture dominates economic activity[9]. Understanding these distinct financial inclusion models provides important insights for policymakers and financial institutions seeking to enhance trade competitiveness and foster inclusive, sustainable development. As shown in Table 1, it summarizes key differences in financial inclusion models between Southeast Asia and Africa, highlighting their structural characteristics, sectoral focus, and policy orientation.

Table 1: Comparative Features of Financial Inclusion Models in Southeast Asia and Africa

Dimension	**Southeast Aisa**	**Africa**
Core model	Technology-driven (FinTech, mobile apps)	Mobile money + agent-banking hybrid
Representative Platforms	MoMo (Vietnam), GCash (Philippines), GoPay (Indonesia)	Moniepoint (Nigeria), M-KOPA (East Africa), M-PESA (Kenya)
Key Sectors Served	SMEs, e-commerce, cross-border trade	Agriculture, small-scale commerce, low-income households
Typical Services	Utility payments, online shopping, entertainment, remittances	Digital payments, asset financing, microloans
Regulatory Focus	Institutional frameworks, stable banking systems, export facilitation	Regulatory flexibility to support fintech innovation
Infrastructure Support	Developed logistics networks, capital markets integration	Limited infrastructure; digital tools compensate for weak physical networks
Export Impact Example	Vietnam: 15% export increase due to improved logistics and financial integration	Kenya: Increased participation in agriculture exports via digital finance access

4. The Impact Mechanisms of Financial Inclusion on Export Performance

Financial inclusion enhances export trade through multiple channels, of which two primary pathways are widely discussed in recent literature: (1) reducing financing costs to increase capital investment, and (2) supporting start-ups to boost high value-added exports. These mechanisms have been empirically supported across both Southeast Asia and Africa, where financial inclusion has enabled small producers and emerging enterprises to overcome traditional barriers and participate more actively in international trade.

4.1 Reducing Financing Costs to Enhance Capital Investment and Export Capacity

One major pathway through which financial inclusion promotes export activity is by reducing financing costs, thereby allowing firms to invest in advanced equipment and scale up their production capacity.[11] Inclusive financial systems help alleviate borrowing constraints for SMEs and agricultural producers by providing tailored financial services, including simplified credit access, reduced collateral requirements, and lower interest rates[1]. This enhances firms' ability to make capital investments that are essential for scaling operations and meeting international export standards.

When firms can access affordable financing, they are more likely to invest in productivity-enhancing technologies, thereby increasing their export competitiveness. This link is particularly evident in developing economies, where limited access to formal credit markets has historically hindered firms from engaging in global value chains.

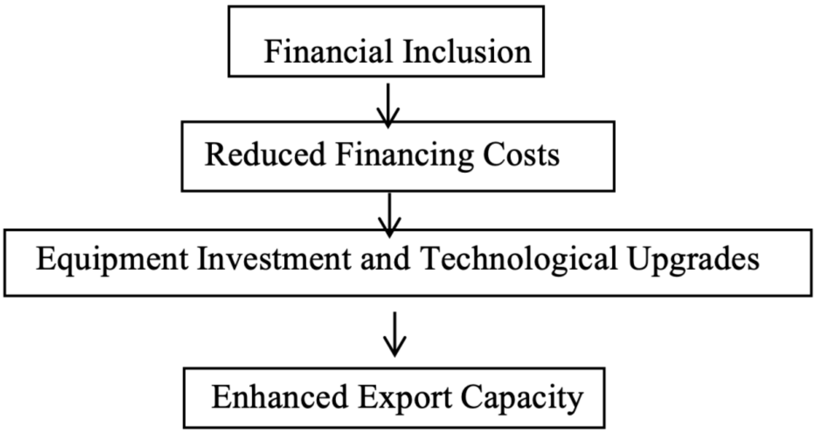

Figure 1: How Financial Inclusion Enhances Export Capacity via Cost Reduction and Capital Investment

Thus, the pathway in Figure 1 follows a clear logic: financial inclusion → reduced financing costs → equipment investment and technological upgrades → enhanced export capacity. These findings underscore how financial accessibility enables firms, especially small producers, to meet the scale and quality demands of international markets.

Empirical evidence from Africa and Southeast Asia substantiates this pathway. In Nigeria, digital wallet-based loans provided through inclusive financial platforms have enabled smallholder farmers to purchase modern agricultural machinery. As a result, the export of certified agricultural products rose by 30%, driven by improved production efficiency and compliance with international quality standards[12]. Similarly, in Indonesia, GoPay partnered with local banks to introduce a "Small and Micro Export Loan" scheme, offering interest rates 3–5 percentage points lower than traditional loans. This measure facilitated capital investments in palm oil production, directly contributing to increased export volumes[6].

4.2 Supporting Start-ups to Boost High Value-Added Exports through Innovation

The second major pathway identified in the literature is that financial inclusion promotes exports by supporting start-ups, thereby fostering technological innovation and the development of high value-added products. Start-ups frequently face severe financial constraints in their early stages, which limits their ability to innovate or enter international markets. Inclusive financial systems address these limitations by providing digital credit, mobile microloans, and supply chain financing, all accessible even to unbanked entrepreneurs [13].

Accessing to financial services is positively associated with higher R&D investment among SMEs in emerging markets. Increased investment in innovation enables firms to improve the complexity, functionality, and market competitiveness of their products, thereby strengthening their position in high-value export sectors [14]. Financial inclusion, especially when facilitated by fintech innovations, empowers startups to enter cross-border e-commerce and participate in global supply chains.

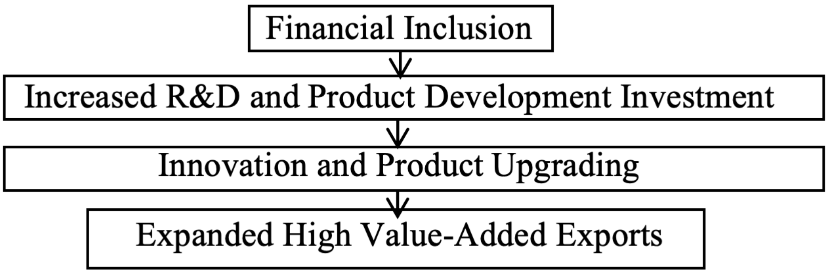

Figure 2: How Financial Inclusion Promotes High Value-Added Exports via Innovation and R&D Investment

This mechanism in Figure 2 follows the sequence: financial inclusion → increased R&D or product development investment → innovation and product upgrading → expanded high value-added exports. As financial inclusion enables smaller and newer firms to compete globally, it contributes not only to higher export earnings but also to economic diversification and resilience in developing countries.

Field-level evidence supports this mechanism. In Vietnam, many SMEs leveraged supply chain financing provided by Ant Group to expand into B2B cross-border e-commerce platforms. This initiative resulted in a 15% annual increase in B2B exports, largely due to the firms' improved logistics capacity, product quality, and fulfillment capabilities[6]. In Kenya, small craft-based enterprises used M-PESA microloans to fund product development and marketing, leading to a 20% increase in the added value of their exported handicrafts[12].

Table 2: Regional Differences in Financial Inclusion Models

Characteristic	South-east Aisa	African
Model	Fintech integration: Mobile banking penetration rate is 62%, and 75% of corporate loans are accessed through online channels (IMF, 2023)[15].	Mobile money dominance: Agent banking outlet coverage is only 28%, but mobile payment penetration exceeds 60% (GSMA, 2023)[12].
Policy	Policy coordination: ASEAN member states signed capacity cooperation agreements to reduce logistics costs and facilitate regional trade.	Policy limitations: Nigeria's rural power grid coverage is only 40%, restricting the use of electronic equipment essential for digital finance.

Table 2 highlights the structural divergence in financial inclusion models across regions. In South-east Asia, coordinated regional policies and advanced digital infrastructure support fintech-driven financial inclusion. In contrast, African financial inclusion is shaped by infrastructural limitations, particularly insufficient rural power grid coverage, which reinforces the dominance of mobile money solutions. Financial technology and traditional banking systems in Southeast Asia are highly integrated, offering diversified financial channels that support export-oriented business development and enhance regional trade competitiveness. The region's high mobile banking penetration rate, coupled with efficient digital lending systems, reflects a mature and adaptive digital financial ecosystem (IMF, 2023)[15]. Furthermore, regional policy coordination under ASEAN frameworks has improved cross-border infrastructure and lowered trade-related transaction costs.

The theoretical basis for Southeast Asia's financial inclusion is grounded in the principle of economies of scale, which suggests that expanding financial access through technology can lower marginal costs and improve capital allocation efficiency [16]. Financial technology (fintech) enables the delivery of financial services at scale, leveraging automation, mobile banking, and online lending platforms to reduce transaction costs and improve financial service delivery.

In Southeast Asia, digital financial services such as mobile banking and fintech lending platforms are closely integrated with traditional financial systems. For example, the region has achieved a mobile banking penetration rate of 62%, and approximately 75% of corporate loans are facilitated through online channels [15]. Such technological adoption enhances the capacity of small and medium-sized enterprises (SMEs) to access finance, scale operations, and participate in international trade. Furthermore, ASEAN member states have enhanced these benefits through policy coordination, including agreements aimed at reducing logistics costs and promoting cross-border trade, thereby streamlining regional cooperation.

Thus, Southeast Asia's approach to financial inclusion aligns with the economies of scale theory, whereby fintech innovation optimizes resource allocation, reduces cost per transaction, and promotes trade competitiveness.

In contrast, financial inclusion in many African countries is primarily driven by mobile money platforms instead of traditional banking institutions. Although the adoption of mobile payments has been impressive—exceeding 60% in several countries—structural challenges persist. For instance, only 28% of the population has access to agent banking outlets, and infrastructural deficits—such as limited rural electrification (e.g., only 40% coverage in Nigeria)—constrain the scalability of digital financial tools [12]. These constraints significantly reduce the potential of financial inclusion to support export-led growth. Consequently, although both regions have made notable progress in expanding financial access, Southeast Asia enjoys a more comprehensive integration of policy, technological infrastructure, and institutional frameworks than Africa, where infrastructural and regulatory gaps remain pronounced.

In addition, the theoretical foundation for financial inclusion in Africa is rooted in the inclusive finance theory, which emphasizes the need to eliminate financial exclusion and address market segmentation. Financial inclusion prioritizes the integration of marginalized groups into formal financial systems, thereby resolving structural financial inequalities [17].

African financial inclusion efforts are often driven by mobile money platforms such as M-PESA, which reduce dependence on traditional banking infrastructure. These technologies enable financial access in rural and underserved areas by allowing users to make payments, receive loans, and conduct business transactions through mobile devices. Despite low coverage of formal bank branches—only 28% agent banking outlet coverage—mobile payment penetration in Africa exceeds 60% in many countries [12].

The region's focus on mobile-based financial inclusion helps overcome physical and institutional barriers, supporting export activities in agriculture, handicrafts, and informal trade. However, infrastructural limitations, such as Nigeria's rural electrification rate of just 40%, continue to hinder the expansion of digital finance[6].

Thus, Africa's model reflects the inclusive finance paradigm, where expanding mobile access and ensuring equity in financial services helps resolve market segmentation, enabling broader participation in export trade.

5. Conclusion

This paper underscores the critical role that financial inclusion plays in strengthening export competitiveness across developing regions, with a comparative analysis between Southeast Asia and Africa. By employing a dual-path theoretical framework—lowering financing costs and fostering innovation—the study demonstrates how inclusive financial systems empower small and medium-sized enterprises (SMEs) and marginalized producers to participate more actively in global trade.

In Southeast Asia, the synergy between fintech innovation, strong institutional frameworks, and regional policy coordination has created a robust financial ecosystem. This ecosystem not only supports SMEs through lower-cost financing and digital access to trade finance but also facilitates participation in high value-added export sectors. The region's experience confirms the economic theory of economies of scale, where technology-driven financial inclusion lowers marginal transaction costs and enables broader access to capital, driving export-led growth.

Conversely, in Africa, the mobile money revolution has significantly expanded financial access, particularly in underserved rural areas. Although this has enabled meaningful engagement in export-related activities—especially in agriculture and artisanal industries—structural limitations such as weak infrastructure and limited formal financial intermediation continue to constrain export potential. Nonetheless, the inclusive finance model in Africa reflects a strong commitment to eliminating market segmentation and broadening economic participation through mobile-based solutions.

The cross-regional comparison reveals that while both models deliver tangible trade benefits, Southeast Asia's more integrated financial and policy landscape yields superior export outcomes. This finding offers a valuable lesson: financial inclusion strategies must be context-specific, aligning technological innovation with supportive infrastructure, regulatory reform, and trade facilitation measures.

Ultimately, promoting financial inclusion is not a one-size-fits-all solution but rather a tailored policy imperative that can unlock export potential and inclusive growth. For policymakers, development institutions, and business leaders, this research suggests that sustained investment in financial infrastructure, coupled with digital innovation and institutional coordination, is essential to transforming financial inclusion into a powerful engine of export expansion and economic development.

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