

ABSTRACT

This study examines the relationship between financial inclusion and inflation in nine selected ASEAN (Association of Southeast Asian Nation) countries for the period 2010-2019. To answer the main objective of this study, the Vector Error Correction Model (VECM) is used to analyze the effect of financial inclusion on inflation (consumer price index). In addition, to examine the causality between financial inclusion and inflation. The data used are panels and collected through secondary sources. The results showed that financial inclusion had a negative effect on inflation; it indicates that an increase in financial inclusion will lower inflation in Indonesia, Malaysia, Thailand, Philippines, Singapore, Vietnam, Cambodia, Myanmar, and Lao PDR. Moreover, a causality exists between financial inclusion indicators and inflation in selected ASEAN countries. This study concludes that financial inclusion through access and usage of financial services may influence the inflation rate in nine selected ASEAN countries.

Keywords: financial inclusion; inflation; VECM; Causality; ASEAN