

THE EFFECT OF FINANCIAL INCLUSION AND FINANCIAL TECHNOLOGY ON VIETNAMESE MONETARY POLICY EFFECTIVENESS

Abstract

This paper aims to investigate the influence of financial inclusion on monetary policy effectiveness in Vietnam with a more comprehensive measurement of financial inclusion. Using the Fully Modified Least Squares (FMOLS) method with the observation period of 2009Q1 to 2019Q4, the results reveal that an improve in accessibility to financial products such as loans or deposits reduce the inflation rate, which helps to stabilize the price level in Vietnam. Additionally, this study is different from previous research by considering the role of (financial technology) FinTech in the relationship between financial inclusion and monetary policy in Vietnam as FinTech is considered an irreversible trend as it brings a lot of benefits for the economic development. However, we find a negligible impact of financial innovations on the monetary policy. Based on these empirical results, we also provide suggestions for developing financial inclusion and enhancing the role of technological innovations for the Vietnam financial market in the future.