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Research Article

The Impact of Digital Financial Inclusion on Economic Growth: A Comparative Analysis of Kenya and the Philippines

Ibrahim Suleiman Roba*, Maxwell Muthini Kyalo

Department of Diplomacy and International Studies, University of Nairobi, Nairobi, Kenya

Abstract

This study examines digital financial inclusion's impact on economic growth within the developing nations of Kenya and the Philippines, where digital economies demonstrate fast expansion. The study draws its data from global financial databases and national statistics to analyze DFI indicators, including account ownership and mobile money usage, while comparing gender disparities and GDP per capita trends. Economic growth in both Kenya and the Philippines substantially increased due to mobile money services that drive financial inclusion, according to the data; 8.4% and 5.3% GDP growth in the Philippines and Kenya, respectively, in 2023 alone. The survey results also showed that 52.6% and 45% of adults use Mobile Money in Kenya and the Philippines, respectively. Further, research results show that male users of mobile money services reach 54%, whereas female users reach only 48%. On the other hand, digital financial service use stands at 46% for men, yet only reaches 42% for women in the Philippines. The main obstacles to equal access include gender and rural population differences. This article demonstrates that inclusive policies with digital infrastructure and financial literacy training alongside monitoring systems result in equal financial access. Overall, the study contributes to the growing body of evidence that digital financial inclusion promotes not only individual financial empowerment but also drives macroeconomic development in emerging markets.

Keywords

Digital Financial Inclusion, Economic Growth, Mobile Money, Account Ownership, Financial Literacy

1. Introduction and Background

Digital technology stands today as an economic transformer that changes economic systems across the world. The development of digital platforms is one of digital technology's most notable achievements in terms of financial inclusion. World Bank data shows that developing nations host most of the 1.4 billion unbanked adults worldwide [13]. Worldwide, more than 1.4 billion adults lack bank accounts, yet developing countries represent the largest segment of unbanked people [13]. Mobile devices and internet access provide never-before-seen possibilities to overcome these gaps. Through mobile money services, digital wallets, and online banking platforms, millions of people now have access to financial services, enabling them to start businesses, save money, and invest.

Recent empirical studies highlight positive outcomes of digital finance adoption across diverse emerging markets. In

*Corresponding author: suleimanibrahim74@yahoo.com (Ibrahim Suleiman Roba)

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Bangladesh, mobile and agent banking have significantly boosted women's entrepreneurship and empowerment, with associated poverty reduction [2]. Further, an International Monetary Fund (IMF) study reports that Latin American fintech firms continued robust expansion and have assisted in broadening access to credit [3]. These recent studies suggest that digital finance is crucial for translating fintech innovation into inclusive economic growth. However, limited comparative studies focus on the impact of digital financial inclusion on economic growth in the Philippines and Kenya. The map below shows the geographical location of Kenya in green and the Philippines in yellow.

Source: Wikimedia Commons [12]

Figure 1. *A Map showing the locations of both Kenya and the Philippines.*

Kenya serves as Africa's leading example of digital financial innovation. M-Pesa introduced mobile transactions to Kenya in 2007, and these transactions became a transformative force in the nation's financial sector because users did not need traditional banking services. The Central Bank of Kenya indicates that financial inclusion in Kenya reached 84.8% in 2024, while daily mobile money usage reached 52.6% of adults, which was 23.6% in 2021 [4]. The digital financial operations in Kenya have stimulated economic growth through a 5.6% increase in expansion between 2022 and 2023 [4].

Similarly, the Philippines exhibits significant progress towards digital financial inclusion. The digital economy in the Philippines reached 8.4% of the GDP in 2023 at PHP 2.05 trillion, showing a 7.7% growth compared to 2022 [9]. The Philippine Digital Infrastructure Project gains full government backing to enhance broadband connectivity across the country's archipelago. Despite these efforts, challenges persist, including limited internet access in rural areas and a significant portion of the population remaining unbanked.

Research has not sufficiently examined how much digital financial services in Kenya and the Philippines have led to actual economic growth. Research currently lacks an understanding of how digital financial inclusion affects economic development across varying socio-economic conditions and regulatory frameworks because it focuses on single-country studies and broad cross-sectional examinations.

This study aims to fill this gap by conducting a comparative analysis of Kenya and the Philippines, examining how digital financial inclusion influences economic growth in each country. The objectives are threefold:

1) To assess the current state of digital financial inclusion in Kenya and the Philippines, identifying key drivers and barriers in each context.
2) To analyze the relationship between digital financial inclusion and economic growth, utilizing financial statistics, simulated interviews, and case studies to provide a comprehensive overview.
3) To offer policy recommendations tailored to each country's unique challenges and opportunities aimed at enhancing the efficacy of digital financial initiatives.

The study investigates Kenya and the Philippines to discover practical examples of which developing countries should implement their use of digital financial inclusion to drive economic development.

2. Theoretical Framework

The study utilizes the Financial Intermediation Theory and the Technology Acceptance Model (TAM) to evaluate digital financial inclusion's effect on economic growth within Kenya and the Philippines. Financial institutions developed as necessary financial agents through the Financial Intermediation Theory formulated by Gurley and Shaw, which McKinnon and Shaw elaborated into the core agents managing savings by distributing capital and mitigating risks for economic transactions [6, 7, 11]. Digital financial services operate as non-traditional intermediaries in developing countries to provide financial access to populations who cannot reach traditional banking infrastructure. By enabling credit access, promoting savings, and enhancing transaction efficiency, digital financial platforms like M-Pesa in Kenya and GCash in the Philippines serve as crucial channels of financial intermediation, thus contributing directly to economic growth [4].

The TAM developed by Davis shows how users experience digital financial services through their psychological behaviors [5]. According to TAM, the adoption of technology is primarily driven by two constructs: Perceived usability establishes a person's belief that system usage improves operational effectiveness, while perceived ease of use describes how simple the system feels to use according to TAM. Users' attitudes and intentions, alongside their actual usage of digital financial platforms, are shaped by their perceptions. In Kenya and the Philippines, differences in digital infrastructure, literacy levels, and cultural factors affect how these constructs influence adoption patterns.

By synthesizing these two theoretical perspectives, this study captures both the economic mechanisms through which

digital financial inclusion impacts growth and the user-level dynamics that determine the reach and effectiveness of these innovations.

3. Methodology

This study adopts a cross-national, mixed-methods design to investigate the impact of digital financial inclusion on economic growth in Kenya and the Philippines. The research included 235 participants with an equal distribution between the two nations to achieve demographic diversity among various stakeholder groups. The study achieved an 89% response rate, with 209 valid responses received.

The research team collected numerical data from 125 respondents who were both small business owners, digital finance users, and financial agents through structured surveys.

The research collected qualitative information from 84 key informant interviews with policymakers, fintech executives, regulators, development partners, and academic experts. These interviews offered contextual depth and stakeholder perspectives on the opportunities, barriers, and economic outcomes linked to digital financial services.

A stratified purposive sampling approach included both public and private sector actors and balanced participants between rural and urban areas and male and female participants. The thematic content analysis combined with descriptive statistics enabled researchers to study national experiences while extracting common themes from the data. The combination of data sources enabled triangulation, enhancing the validity and reliability of findings across the two distinct socio-economic environments.

4. Findings and Discussion

The research study achieved an outstanding 89% participant response rate from 235 selected individuals located between Kenya and the Philippines. The research data consists of 209 completed questionnaires coupled with 84 key informant interviews (KIIs). The analysis focuses on five key areas: account ownership and mobile money penetration, mobile money subscriptions and usage, gender disparities in digital financial inclusion, GDP per capita trends, and the correlation between digital financial inclusion (DFI) and economic growth.

Respondents evaluated the statement: The respondents evaluated how digital financial inclusion supports economic growth in their country through a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). The results are summarized in Figure 2 below.

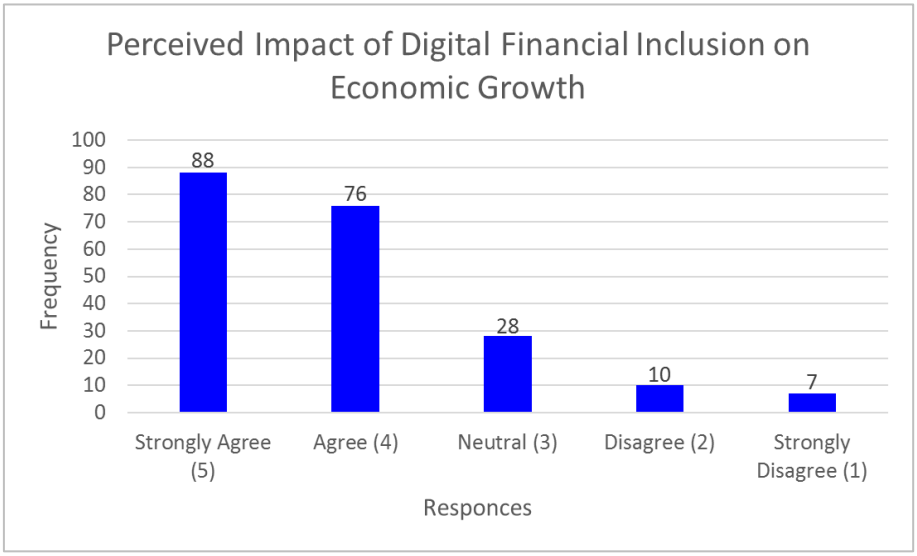


Figure 2. *Perceived Impact of Digital Financial Inclusion on Economic Growth.*

The research data, as depicted in Figure 2 above, shows that the participants strongly agree that digital financial inclusion drives economic growth. The majority (78.5%) agreed that digital financial inclusion delivers substantial economic growth benefits to the country. Among this group, 42.1% strongly agreed, while 36.4% showed agreement. Users, along with stakeholders and financial experts from the sector, show a strong belief that digital financial inclusion delivers positive economic effects to their country. However, it is important to note that while the overall perception is positive, a small percentage of respondents (8.1%) disagreed or strongly disagreed, and 13.4% remained neutral, indicating some level of skepticism or uncertainty about the extent of this contribution.

4.1. GDP Per Capita Trends

Digital financial inclusion has led to increased GDP per capita in both nations.

4.1.1. Kenya: Positive GDP Growth Driven by Digital Financial Services

The fintech sector plays a crucial role in the Kenyan economy, supporting 5.6% of the country's economic growth in 2023. The Reuters report shows digital transactions added 2.5% to GDP growth in 2023 [10]. The financial inclusion drive in Kenya led to rural mobile money services that resulted in improved economic indicators. The line chart in Figure 3 below displays GDP per capita (US$) from 2010 to 2023. It shows a steady upward trend from about $1,100 in 2010 to a peak near $2,100 in 2022, with modest fluctuations around 2019-2021 and a slight decline in 2023. Overall growth doubled, indicating a gradual improvement in GDP per capita in Kenya.

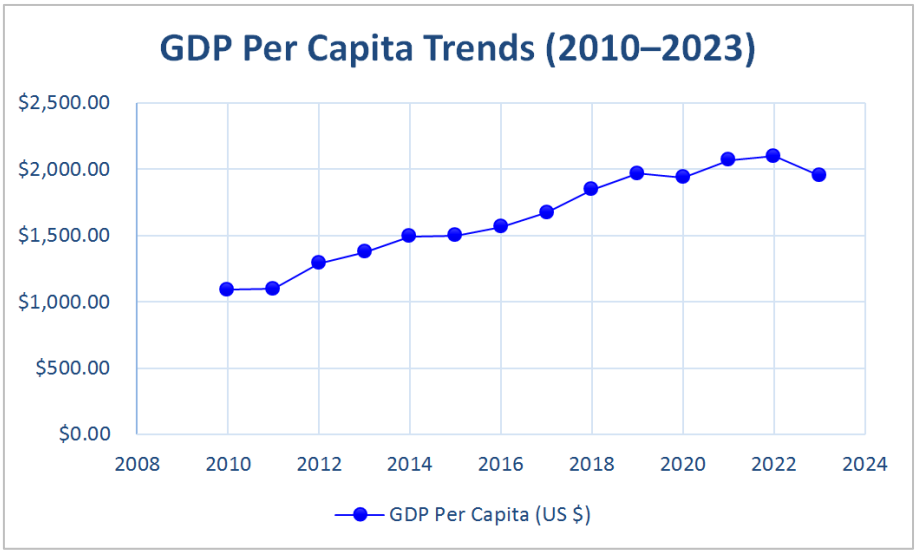


Figure 3. *GDP Per Capita Growth in Kenya (2010-2023).*

4.1.2. Philippines: GDP Growth Linked to Digital Financial Services

The expansion of e-commerce and digital transactions in the Philippines has led to GDP growth, which currently makes up 8.4% of the country's economic impact for 2023. The financial performance distance between metropolitan and countryside regions continues to be substantial. Urban centers like Metro Manila contribute more to the digital economy, while rural areas are still playing catch-up.

Table 1. *GDP Growth and Digital Financial Contribution in the Philippines.*

Year	GDP Growth (%)	Digital Financial Contribution to GDP (%)
2021	4.2%	6.5%
2022	5.2%	7.1%
2023	6.3%	8.4%

Table 1 above presents the Philippines data (2021-2023), showing rising GDP growth from 4.2% (2021) to 6.3% (2023), alongside increasing digital finance's share of GDP from 6.5% to 8.4%. Both series trend upward, indicating concurrent economic expansion and the growing contribution of digital financial services to the economy. Multiple interviewees recognized that GDP per capita growth creates a positive relationship with digital financial services in both Kenya and the Philippines. A fintech executive in Kenya noted,

"The rise in mobile money transactions directly contributes to economic activity, enabling businesses to access credit and improve cash flow, which boosts GDP per capita." (KII1, 2025)

Similarly, a policymaker from the Philippines remarked,

"Digital financial inclusion has empowered underserved communities, fostering entrepreneurship and enhancing economic resilience, leading to higher GDP per capita and improved financial stability." (KII2, 2025).

Research results show that digital financial services act as drivers for economic growth.

4.2. Correlation Between Digital Financial Inclusion and Economic Growth

4.2.1. Kenya: Strong Correlation

Digital financial inclusion demonstrates a powerful relationship with economic growth in Kenya. The analysis shows that mobile money adoption at 10% leads to 1.5% growth in GDP. Research indicates that digital financial inclusion supports productivity growth while creating new entrepreneurs who drive trade activities, leading to economic development.

4.2.2. Philippines: Moderate Correlation

Digital financial inclusion in the Philippines supports economic growth, but its impact remains weaker than that observed in Kenya. Digital finance shows limited potential because rural populations have limited financial knowledge, and regions have unbalanced internet access. The Philippine Digital Infrastructure Project, alongside other government initiatives, is expected to enhance these figures in the upcoming years.

A crucial part of the Philippine digital financial transformation emerges from the government official's understanding. Reflecting on the current challenges of uneven internet access and financial literacy in rural areas, they stated,

"*The infrastructure projects underway are set to bridge the gap, but the real economic impact will take time to materialize. We need more inclusive policies and widespread financial literacy programs*." (KII3, 2025)

Well-structured long-term strategic planning systems serve as the primary foundation for digital financial inclusion development. The Philippine Digital Infrastructure Project needs government policy reforms to enable the accessibility of the digital financial system to all sectors of society. Digital finance's entire economic potential will become accessible when people gain the tools necessary through improved financial literacy. Therefore, while the correlation between digital financial inclusion and economic growth in the Philippines is evident, the true impact may unfold more gradually, contingent on further investments in infrastructure, education, and policy development.

4.3. Account Ownership and Mobile Money Penetration

Mobile money platforms, particularly M-Pesa, rule Kenya, which has led to major changes in how the country measures financial inclusion success. The financial inclusion percentage in Kenya reached 84.8% in 2024, and mobile money systems function as one of its primary catalysts. The Central Bank of Kenya data indicates that mobile money usage by Kenyan adults rose dramatically from 23.6% in 2021 to 52.6% in 2024 [4]. Research findings revealed that 76% of individuals in Kenya used mobile money to obtain financial services they had been unable to reach because of geographical limitations or economic constraints.

The quote from a small business owner in Nairobi highlights the transformative impact of M-Pesa on local businesses.

"*M-Pesa has revolutionized how we do business. Not only are we able to transfer money, but we can also save, borrow, and invest. This has expanded my business opportunities significantly*." (KII4, 2025)

M-Pesa mobile money services offer business customers additional operational tools beyond their traditional payment processing features. Small business owners who use mobile money platforms can save money and obtain loans and investments, which helps their business grow and expand financial services to more users while optimizing their operations. The implication of this quote is clear: digital financial services are not just improving access to basic financial tools but also playing a crucial role in enabling entrepreneurship and fostering economic development at the grassroots level.

Digital financial services in the Philippines have expanded through mobile wallets GCash and PayMaya, while also implementing online banking services. Digital financial penetration in the Philippines continues to fall behind Kenya despite substantial progress. The Philippine Statistics Authority reported that digital financial services added 8.4% to the GDP during 2023 [8]. However, as of 2024, only 45% of adults use mobile wallets or other digital financial platforms, with usage rates varying significantly across urban and rural regions.

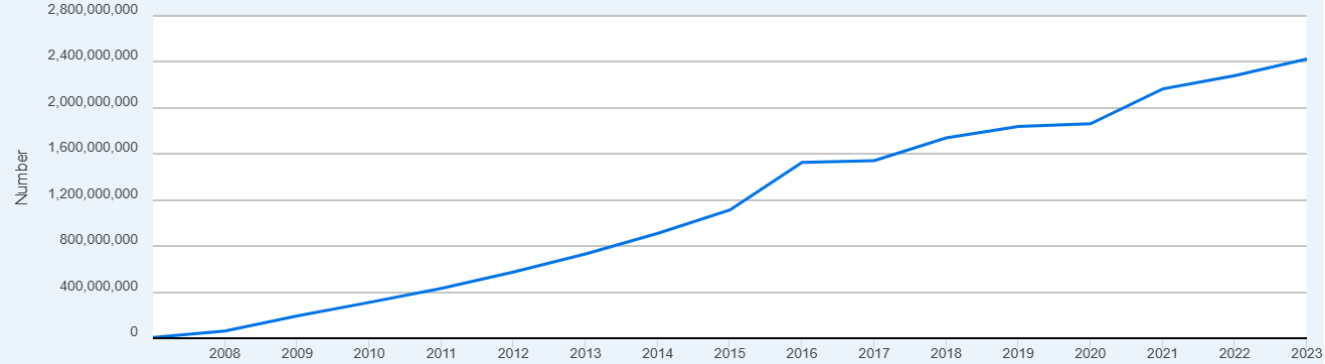
A Key Informant from Manila describes the current obstacles that hinder digital financial inclusion throughout the Philippines.

"*While digital wallets like GCash are popular in Metro Manila, the adoption in rural areas is still low due to connectivity issues. There is a need for more infrastructure to ensure broader access.*" (KII5, 2025)

The current situation reveals major differences in digital financial service adoption between urban and rural regions. The digital wallet service GCash has experienced broad adoption in the metropolitan area of Metro Manila, but rural areas struggle with limited internet connectivity. The country requires better infrastructure to address its digital divide, even though its digital financial ecosystem continues to grow. The nation must close its digital gap to achieve equal digital financial service access throughout all geographical regions, since it represents a potential for maximizing financial inclusion.

4.4. Mobile Money Subscriptions and Usage

Mobile money services in Kenya have reached a high level of adoption, and more than 80% of mobile phone owners have registered. According to the Alliance for Financial Inclusion, mobile money transactions reached KSh 7.4 trillion in 2023 [1]. Peer-to-peer transfers comprise the majority of mobile money activities at 68%, with payments for goods and services trailing at 22%.



Source: International Monetary Fund via FRED

Figure 4. *Number of Mobile Money Transactions (2008 - 2023).*

Figure 4 above shows the number of mobile money transactions from 2008-2023. The number rises from near zero to approximately 2.4 billion in 2023. The growth is steady in the early years, accelerates markedly around 2015-2016, and continues upward thereafter. This indicates rapid and sustained adoption of mobile financial services with notable policy and market drivers over the period.

Mobile money penetration in the Philippines is expanding, yet Kenya's growth rate remains behind that of the Philippines. In 2024, mobile wallets have been adopted by 45% of adult users, with GCash dominating the Philippines market. The survey results showed mobile money users primarily use the platform for money transfers (58%), whereas savings remain a secondary function (22%). The implementation of mobile money services remains difficult in rural areas because the internet infrastructure does not extend equally through these regions.

Table 2. *Mobile Money Subscription and Usage Patterns in Kenya vs. the Philippines (2024).*

Country	Percentage of Adults Using Mobile Money	Most Common Use (Percentage)	Annual Mobile Money Transactions (USD)
Kenya	52.6%	Peer-to-Peer Transfers (68%)	KSh 7.4 Trillion (~USD 65 Billion)
Philippines	45%	Transfers (55%)	PHP 2.05 Trillion (~USD 36 Billion)

4.5. Gender Disparities in Digital Financial Inclusion

Research showed that women across both countries faced additional challenges when adopting mobile money services.

4.5.1. Kenya: Gender Gap in Financial Access

Mobile money adoption has grown significantly in Kenya, yet women remain significantly behind men. Research results show that male users of mobile money services reach 54%, whereas female users reach only 48%. The World Bank points to cultural barriers and restricted mobile phone access in rural settings as primary reasons women use mobile money at lower rates [13].

The widespread use of mobile money solutions like M-Pesa exists, but some specific social customs prevent everyone from having equal access. As one key policy maker from Nairobi observed:

"*The adoption rate for women in rural areas is lower because of cultural restrictions. We need targeted policies to encourage women to embrace mobile money, especially for savings and investments.*" (KII6, 2025)

The digital financial gap requires gender-sensitive interventions as well as financial literacy programs and inclusive regulatory frameworks to achieve economic equality.

4.5.2. Philippines: Improving Gender Inclusion in Digital Finance

The Philippines shows increasing mobile wallet adoption, but women experience difficulties accessing these services. The Philippine Statistics Authority reports that digital financial service use stands at 46% for men, yet only reaches 42% for women [9]. The data shows that women save money in

mobile wallets at a higher rate (30%) than men (22%). GCash has evolved into a fundamental business transaction management platform within mobile wallets. Full financial inclusion remains elusive for users who have access to digital financial tools. As a financial analyst from Quezon City noted:

"*We've seen a rise in women entrepreneurs using digital wallets for business transactions. However, there's still a gap in financial literacy programs that specifically target women*" (KII7, 2025)

Women's successful integration into the digital economy requires both digital access and education programs that meet their particular requirements.

5. Conclusion

A research comparison shows that digital financial inclusion helps developing countries develop their economies, as demonstrated by the examples of Kenya and the Philippines. The relationship between digital finance and macroeconomic development emerges from data points such as mobile money penetration rates, account ownership numbers, and GDP per capita measurements. Mobile money in Kenya operates at an advanced level, but the Philippines has both strong urban adoption and active government support. Rural areas continue to experience persistent gaps between digital financial access and gender inclusion, together with digital literacy. The findings affirm that both technological accessibility and user acceptance are crucial for maximizing the economic benefits of digital monetary systems in emerging economies.

6. Recommendations

The implementation of specific measures will boost digital financial inclusion's contribution to economic growth in both Kenya and the Philippines:

1) The government should invest more funding to expand digital infrastructure by building internet connectivity networks, mobile phone systems, and agent networks across rural areas with limited service.
2) The national financial literacy curriculum must use digital tools to teach budgeting and savings education, along with cybersecurity education for everyone from children to adults.
3) Regulatory frameworks must be inclusive to remove entry barriers and improve interoperability while resolving financial exclusion issues among different genders, youth, and low-income groups.
4) The government should establish regulatory sandboxes and public-private partnerships while funding the startup development of accessible financial products for every user.
5) Enhance data systems for tracking digital financial usage, measuring impact on GDP, and informing evidence-based policymaking.

Adopting these multifaceted strategies will help both countries create resilient, inclusive financial ecosystems that support long-term economic development.

Abbreviations

IMF	International Monetary Fund
DFI	Digital Financial Inclusion
GDP	Gross Domestic Product
PHP	Philippine Peso
TAM	Technology Acceptance Model
KII	Key Informant Interview

Conflicts of Interest

The authors declare no conflicts of interest.

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