

# POWER TO THE PEOPLE: THE IMPACT OF POPULIST RHETORIC ON FINANCIAL INCLUSION

**Florin DĂNESCU**

*The Bucharest University of Economic Studies  
6 Piața Romană, 010374 Bucharest, RO  
florin.danescu@arb.ro*

**Victor-Ioan DĂNESCU**

*The London School of Economics and Political Science  
Houghton St, London WC2A 2AE, UK  
victor.ioan@yahoo.com*

**Sorina SÎRBU**

*The Bucharest University of Economic Studies  
6 Piața Romană, 010374 Bucharest, RO  
sorina.sirbu@ymail.com*

**doi: 10.25019/STR/2023.013**

## **Abstract**

*The complexity of economies and economics blurs the impact of political decisions on welfare. Political decision-making behavior has become a strong driver for economies, relying ever-larger on the so-called “political willpower” to the detriment of economic rationality. As days go by, economic independence has been more and more weakened by political freedom. The growth of populism as the common rhetoric makes populism an instrument used increasingly by left-wing and right-wing politicians alike; furthermore, it is increasingly unclear whether populism is rejected or embraced. This study highlights the linkage between politics (represented by populism) and the economy (represented here by its financial component). Overwhelmingly, financial markets depend on the creation of perceptions and the level of trust between demand and supply. But, creating perceptions differs from reality; the drop in confidence between elites and the people is the main instrument used in populist rhetoric. The Global Party Survey, a survey with global coverage incorporating innovative methods for quantifying populism, allows us to contemplate the linkage between populism and banking - represented in our study by a demand component, i.e., financial inclusion obtained from the GlobalFindex2021. Processing is based on multilinear regressions with control variables such as the region-fixed effects and the indicators of cultural differences. This gives us relevant and significant conclusions about the negative impact of populism on financial inclusion. Populism is not about people’s power or welfare but rather about an increasing lack of trust generated by promises impossible to keep. These promises do not lead to enhanced financial inclusion but rather to its slowing down, stoppage, or reduction by means of financial self-exclusion.*

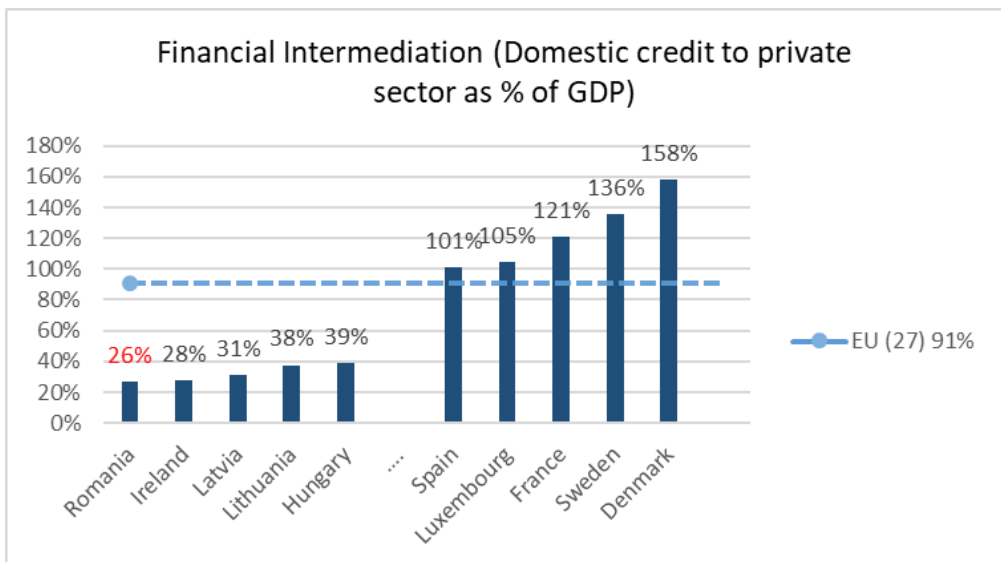
## **Keywords**

*culture; EU; financial inclusion; populism.*

## Introduction

Economies' developments are less and less foreseeable. Elites, in general, have been asking themselves how come that, for quite a while now, they can no longer foresee future developments and events. In politics, like in economies, the unpredictability level becomes the dominant unknown variable, while economics answers with more and more difficulty to irrational political decisions based on the so-called "political willpower." Economic and political choices disastrous for people's welfare next to industries' economic motivation are fed more and more consistently by a new, dominant voice: populism.

The more populist a dominant party is, the more anti-industry and anti-economic legal measures are born. This fact can be strikingly detected in the financial and banking industry, one of populism's favorite targets. Financial intermediation in the EU averages 91% (the minimum in Romania stands at 26.5%), while in the United States, it amounts to 212% (Figure 1). It is relevant to add that out of the total financing of the US economy, banking intermediation has a share of 25% (75% rely on the capital market). In comparison, this figure is 75% in the EU, which defines the European banking model as a bank-based model.



**Figure 1. Financial Intermediation**  
*(Source: Authors' research results based on data from data.worldbank.org)*

Populism identifies elites (experts, industries, capital) as enemies of the people with common sense, which only populists can represent. Populist rhetoric about the financial and banking industry relies on communication keys closely linked to the cultural indicators of a country in general or to the targeted voters in particular, such as power distance, individualism, long-term orientation, and indulgence.

A more precise establishment of the relationship between populism and the banking industry is essential in our study; the authors define the correlation between populism and the demand component of the financial field, namely financial inclusion (FI). FI represents a significant instrument to measure populace economic sophistication, from the generic level of having a bank account to the method and frequency of using financial instruments. The study upholds a structural and intrinsic linkage between FI and populism, which includes two elements, i.e., criticism of the financial industry, lack of trust, and inaccessible prices. The same two elements represent the main indicators for the banking industry, i.e., lack of trust and accessible prices.

In addition, our study mentions comparisons among regions, thus revealing significant cultural differences, linking populist behavior versus FI, including regions that have demonstrated recent differences in economic ideologies, such as the region of the former communist countries versus the region of developed capitalist countries in the European Union; and comparisons with the U.S.

### **Literature review**

Many attempts have been made to conceive a variable measuring populist attitudes and rhetoric. Akkerman et al. (2014) use a Dutch data set to separate populist attitudes into three categories. Castanho et al. (2020) computed seven attitude scales using original survey data from nine countries. Schulz et al. (2017) approach measurement using a 12-item inventory in Switzerland. The most comprehensive measure for populism, which this study employs, is the Global Party Survey 2019, conducted by Pippa Norris (see Methodology-Populism). In another study, she highlights the definition of Populism and, importantly, separates it from concepts such as left-right economic inclinations and liberal-conservative ideological inclinations. In another article (Norris & Inglehart, 2019a), she offers a definition of populism that this study will adopt, as it is the most accurate. Populism differentiates itself by rejecting the elites in favor of “the people,” disavowing internationalism, denying the productivity of existing industries seen as defunct or rigid, and contempt for expert opinion in favor of “common sense.” Mudde and Kaltwasser (2013) additionally separated populism into inclusionary and exclusionary, for Europe and Latin America, respectively.

As far as the effects of populism on financial factors are concerned, Favaretto and Masciandaro (2020) analyze populist movements and find that populism, driven by anti-elite emotions, influences individuals into picking myopic, short-term redistributive banking policies over long-term public spending. Masciandaro and Passarelli (2019) measure systemic economic shocks to find that populism undermines central bank independence. Polillo (2011) engages in historical-comparative analysis and finds that populist demagogues undermine and destabilize the financial field. When it comes to the direct effect of populism on FI, the literature is rather barren. Based on performance, Korynski and Pytkowska (2016) separate EU countries into three categories. They affirm that demand for financial services is higher in countries with better educational achievements in countries with a more egalitarian distribution, thus more easily achieving economies of scale. Bennett et al. (2023) find that populist demagoguery negatively affects the rate of entrepreneurship.

Regarding cultural factors, Anyangwe (2022) uses a sample of 85 countries and Hofstede's cultural dimensions to find that countries with high power-distance have reduced likelihood of FI. At the same time, individualism, long-term orientation, and indulgent behavior increase the likelihood of FI. The finding that individualism increases FI is confirmed by Lu et al. (2021), who further found that individualism decreases mistrust in financial institutions. Finally, Mede (2022) finds that populism induces anti-scientific attitudes.

## **Methodology**

### ***Populism***

The Global Party Survey (GPS) 2019 is a cross-party survey that analyses political parties' rhetoric, ideology, and policy positions worldwide. A questionnaire measuring 21 essential items on a ten-point continuous scale is distributed to carefully vetted experts in political science. The dataset contains information on 1,043 political parties in 163 countries.

Ideological values are calculated per-party per-expert. A fixed number of experts per country are subjected to questions about the ideological values of each political party separately. For instance, the continuous populism score for Romania is calculated by averaging expert rankings for each party on a 0-10 scale, where 0 means strongly favoring pluralist rhetoric, and 10 represents strongly favoring populist rhetoric. Clarifications and definitions are provided before answering the questions. The present study is concerned with per-country values, so the populism variable is obtained by computing per-country weighted averages for populism scores based on party percentages of vote share and parliamentary seats. In that sense, the populism score for a party that controls a more significant portion of the vote share will weigh more in estimation. Further details can be found in the GPS codebook as well as the papers by Norris (2019b; 2020).

Other variables used to filter and select are the geo-political region, the number of experts per country, and the experts' gender proportion and average birth year. Countries with three or fewer experts consulted, and countries with extreme outliers in the other expert variables mentioned have been dropped from estimation. Per-country corruption was extracted from the 2018 Corruption Perceptions Index and modified for a scale of 0-100, where 0 represents no corruption, and 100 represents total corruption (Transparency International, 2018).

### ***Financial inclusion***

The 2021 Global Findex Database covers 128,000 people aged 15 and up in 123 economies through surveys conducted in interviews. Answers are subjected to a data-weighting process that corrects for dissimilar selection probabilities. More detailed information can be found in the Global Findex report (World Bank, 2021). FI variables selected are covered in the following table:

**Table 1. Measurement of FI variables  
(Source: Authors' research results)**

Variable	Computation
Financial Account	% Have an account with a financial institution.
Credit Card Ownership	% Own credit card.
Debit Card Ownership	% Own debit card.
Digital Payments	% Have made a digital payment, past year.
Wages-Account	% Received salary directly into account, past year.
Wages-Cash	% Received at least a salary in cash only, past year.
Frequent Deposits	% Deposited money 2 or more times a month into account.
Frequent Withdrawals	% Withdrew money 2 or more times a month from an account.
No Account: Expensive	% Not having account because financial services are too expensive
No Account: Lack of Trust	% Not having account because they don't trust financial institutions

After cross-referencing available data for both populism and FI, 89 countries in 6 regions are left for analysis. Table 2 provides frequencies and proportions for these regions.

**Table 2. Frequencies and proportions for the six regions used in the analysis  
(Source: Authors' research results)**

Region	Frequency	Proportion
Eastern Europe and Central Asia	21	23.60%
Latin America and the Caribbean	13	14.61%
Middle East and North Africa	5	5.62%
Sub-Saharan Africa	14	15.73%
Western Europe/North America, Australia/New Zealand	23	25.84%
Asia-Pacific	13	14.61%

### **Cultural indicators**

Geert Hofstede's six cultural dimensions were laboriously measured between 1980 and 2022 and are considered immutable country-level cultural characteristics. Four of these six indicators have been selected for their intimate connection with populism and FI and the significant correlations in the in-sample. All scores are measured between 0 and 100. Power-Distance measures the degree of acceptance a populace has for unequal hierarchical distributions. A higher score suggests more complacency with inequality. Individualism measures the degree of community and interpersonal reliance in a society. A collectivist country will score lower, while an individualist one will score higher. The Long-Term Orientation (LTO) indicator measures the degree of pragmatism of a culture. A lower score suggests a more normative society, while a higher one indicates a more context-heavy approach to the future. Finally, the

indulgence index shows the degree of control over one's impulses and desires (Hofstede Insights, 2023).

Table 3 contains descriptive statistics for variables used in the study. A binary populism variable was constructed from the continuous populism scores, with non-populist countries scoring below 5 and populist countries scoring above 5. The last column displays t-tests for mean differences between non-populist and populist countries. All differences are statistically significant, apart from expert variables and LTO. The lack of significance for expert variables shows no selection bias based on these variables. LTO has been kept for further analysis, as it exhibits high importance when more scrutiny is applied to the binary populism variable (median) and has a high correlation with FI variables.

**Table 3. Descriptive statistics for all variables used in the analysis and other relevant parameters**  
(Source: Authors' research results)

Variable/Statistic	N	Mean	Std. Dev.	Min	Max	T-Value
<b>Populism</b>	89	5.82	1.44	2.65	8.68	
<b>FI Variables</b>						
Financial Account	89	71.49%	0.28	13.77%	100%	2.72***
Credit Card Ownership	89	25.95%	0.24	0.19%	82.74%	3.30***
Debit Card Ownership	89	57.31%	0.32	3.69%	99.02%	3.64***
Digital Payments	89	69.05%	0.27	14.02%	100.00%	3.01***
Wages-Account	89	65.99%	0.27	14.66%	98.66%	3.07***
Wages-Cash	89	25.52%	0.23	0.10%	79.05%	-
						3.23***
Frequent Deposits	82	31.46%	0.21	2.74%	85.20%	3.23***
Frequent Withdrawals	80	48.14%	0.28	2.81%	90.57%	3.55***
No Account: Too Expensive	56	18.97%	0.12	1.24%	50.89%	-2.04**
No Account: Lack of Trust	56	11.76%	0.08	0.22%	30.55%	-1.76*
<b>Socio-Economic Factors</b>						
GDP-per-Capita(PPP) 2022	89	33,743	28,012	1,774	127,564	3.18***
Corruption Perceptions	89	49.65	19.47	12	80	-
						4.69***
<b>Hofstede Cultural Indicators</b>						
Power-Distance	75	60.65	21.79	11	100	-2.43**
Individualism	75	43.81	23.21	6	91	1.84*
Long-Term Orientation	68	49.19	21.92	13	100	-0.26
Indulgence	68	45.52	20.62	10	97	2.62***

**GPS Relevant Parameters**

Number of Experts Consulted	89	15.21	12.38	4	93	1.58
Experts Average Birth-Year	89	1966.73	5.69	1941.67	1978	-0.43
Proportion of Male Experts	89	77%	0.19	0%	100%	-0.61

\*\*\*P-value<0,01, \*\*P-value<0,05, \*P-value<0,1, no asterisk: P-value >0,1.

**Methods**

Multilinear Ordinary Least Squares (OLS) regressions on the entire sample will be employed to analyze the impact of populism on different FI variables based on three levels of robustness and sensitivity. Ten different proxies for FI will be used as dependent variables (Table 1) to encapsulate different degrees of specificity. The first set of regressions will be simple OLS specifications:

$$I. \quad FI_i = \beta_0 + \beta_1 Populism_i + \varepsilon_i$$

-where  $FI_i$  is the continuous percentage FI variable in country  $i$ .  $Populism_i$  is the 0-10 populism score for country  $i$ .  $\beta_0$  is the constant term, and  $\varepsilon_i$  is the error term. Standard errors will be heteroscedasticity robust. Coefficient  $\beta_1$  is the effect of Populism on FI.

Populism and FI are terms with long-standing political and national influence. Finding appropriate controls is rather difficult, as many control variables, such as GDP and other socio-economic factors, arguably introduce collider bias into the regression. A good control would be a variable that influences populism and FI without being influenced by these variables in return. This study has opted to use region-fixed effects, as the geographical differences between these regions are arguably robust to change and influence from populism and FI. Further controls include the four cultural indicators. Populism and FI are more easily subject to state and historical circumstances, while these cultural indicators are much more robust, perhaps only significantly changing across centuries of paradigm shifts. This motivates their use as controls, as their influence on populism and inclusion is argued to be one-way rather than bi-directional. The next set of regressions will add region-fixed effects.

$$II. \quad FI_{ir} = \beta_0 + \beta_1 Populism_{ir} + R_r + \varepsilon_{ir}$$

-where  $R_r$  are region-fixed effects, the subscript  $r$  represents further per-region stratification, i.e., the score of country  $i$  in region  $r$ , and all other parameters are defined as before.

The final regressions will include region-fixed effects and the Hofstede cultural indicators.

$$III. \quad FI_{ir} = \beta_0 + \beta_1 Populism_{ir} + \beta_2 PDI_{ir} + \beta_3 IDV_{ir} + \beta_4 LTO_{ir} + \beta_5 IN_{ir} + R_r + \varepsilon_{ir}$$

-where  $PDI_{ir}$ ,  $IDV_{ir}$ ,  $LTO_{ir}$ , and  $IN_{ir}$  are the Hofstede cultural indicators for Power-Distance, Individualism, Long-Term Orientation, and Indulgence, respectively, for country  $i$  in region  $r$ . All other variables and parameters are defined as before.

The EU will be addressed separately in tables of comparative statistics. Six FI variables, populism, GDP-per-capita, and corruption, are compared for EU countries individually, for the EU region, for the EU separated by the former communist bloc and the remaining countries, and for indicative countries U.S., Japan, and South Korea. The four cultural indicators are additionally compared for the same countries/regions. The country of Luxembourg was excluded from EU averages and estimation, as there was no 2021 FI data on it. Results and Discussion

## Results and discussion

### OLS Regressions

**Table 4. Simple OLS regressions of FI variables on populism**  
(Source: Authors' research results)

Variable	Populism	Countries	R-Squared
Financial Account	-0.070*** (0.021) <sup>a</sup>	89	0.13
Credit Card Ownership	-0.079*** (0.015)	89	0.21
Debit Card Ownership	-0.097*** (0.023)	89	0.19
Digital Payments	-0.071*** (0.019)	89	0.14
Wages-Account	-0.073*** (0.020)	89	0.15
Wages-Cash	0.066*** (0.016)	89	0.16
Frequent Deposits	-0.070*** (0.018)	82	0.20
Frequent Withdrawals	-0.098*** (0.015)	80	0.24
No Account: Expensive	0.021* (0.012)	56	0.06
No Account: No Trust	0.009 (0.007)	56	0.03

<sup>a</sup> Robust standard errors displayed in parentheses.

\*\*\* $P$ -value $<0,01$ , \*\* $P$ -value $<0,05$ , \* $P$ -value $<0,1$ , no asterisk:  $P$ -value  $>0,1$ .

The effect of populism on the first 8 FI variables is statistically significant at a 1% significance level. The effects are negative except for cash wages, which indicates less FI. Ceteris paribus, an increase of 1 in the populism score of a country decreases the percentage of financial accounts in that country by seven percentage points. So far, this study can at least conclude that there is a strong negative correlation between populism and FI (Table 4).



**Table 5. OLS regressions of FI variables on populism, including region-fixed effects**  
(Source: Authors' research results)

Variable	Populism	N	R-Squared
Financial Account	-0.054*** (0.017) <sup>a</sup>	89	0.60
Credit Card Ownership	-0.042*** (0.013)	89	0.59
Debit Card Ownership	-0.073*** (0.018)	89	0.65
Digital Payments	-0.053*** (0.016)	89	0.57
Wages-Account	-0.062*** (0.017)	89	0.59
Wages-Cash	0.054*** (0.014)	89	0.56
Frequent Deposits	-0.051*** (0.012)	82	0.48
Frequent Withdrawals	-0.079*** (0.015)	80	0.62
No Account: Expensive	0.041*** (0.012)	56	0.45
No Account: No Trust	0.018** (0.008)	56	0.34

Note: This table adds region-fixed effects for the 6 geo-political regions. <sup>a</sup> Robust standard errors displayed in parentheses.

\*\*\*P-value<0,01, \*\*P-value<0,05, \*P-value<0,1, no asterisk: P-value >0,1.

The sign and significance are maintained after adding region-fixed effects (Table 5). The variables that indicate the reasoning for a lack of a financial account become positive and significant at a 1% and 5% significance level, respectively. This strengthens the conclusion that populism indeed has a negative effect on FI.

**Table 6. OLS regressions of FI variables on populism, including controls and region-fixed effects**  
(Source: Authors' research results)

Variable	Populism	N	R-Squared
Financial Account	-0.025* (0.013) <sup>a</sup>	66	0.74
Credit Card Ownership	-0.025* (0.014)	66	0.72
Debit Card Ownership	-0.050*** (0.015)	66	0.76
Wages-Account	-0.040*** (0.015)	66	0.74
Wages-Cash	0.032*** (0.012)	66	0.74
Digital Payments	-0.022* (0.012)	66	0.72
Frequent Deposits	-0.030** (0.014)	62	0.61
Frequent Withdrawals	-0.047*** (0.015)	63	0.69
No Account: Expensive	0.043*** (0.010)	33	0.61
No Account: No Trust	0.014* (0.007)	33	0.53

This table adds region-fixed effects for the 6 geo-political regions and the 4 Hofstede cultural indices.

<sup>a</sup> Robust standard errors displayed in parentheses.

\*\*\*P-value<0,01, \*\*P-value<0,05, \*P-value<0,1, no asterisk: P-value >0,1.

Finally, after adding controls for the four cultural indicators (Table 6), this study builds the most robust model so far. Effects on percentages of financial accounts, credit card ownership, digital payments, and lack of accounts because there is no trust in the financial industry are significant at a 10% significance level. The effect on the percentage of frequent depositors is significant at a 5% significance level. The impact on the other variables maintains statistical significance at 1%. The decrease in significance also comes with a reduction of available observations.

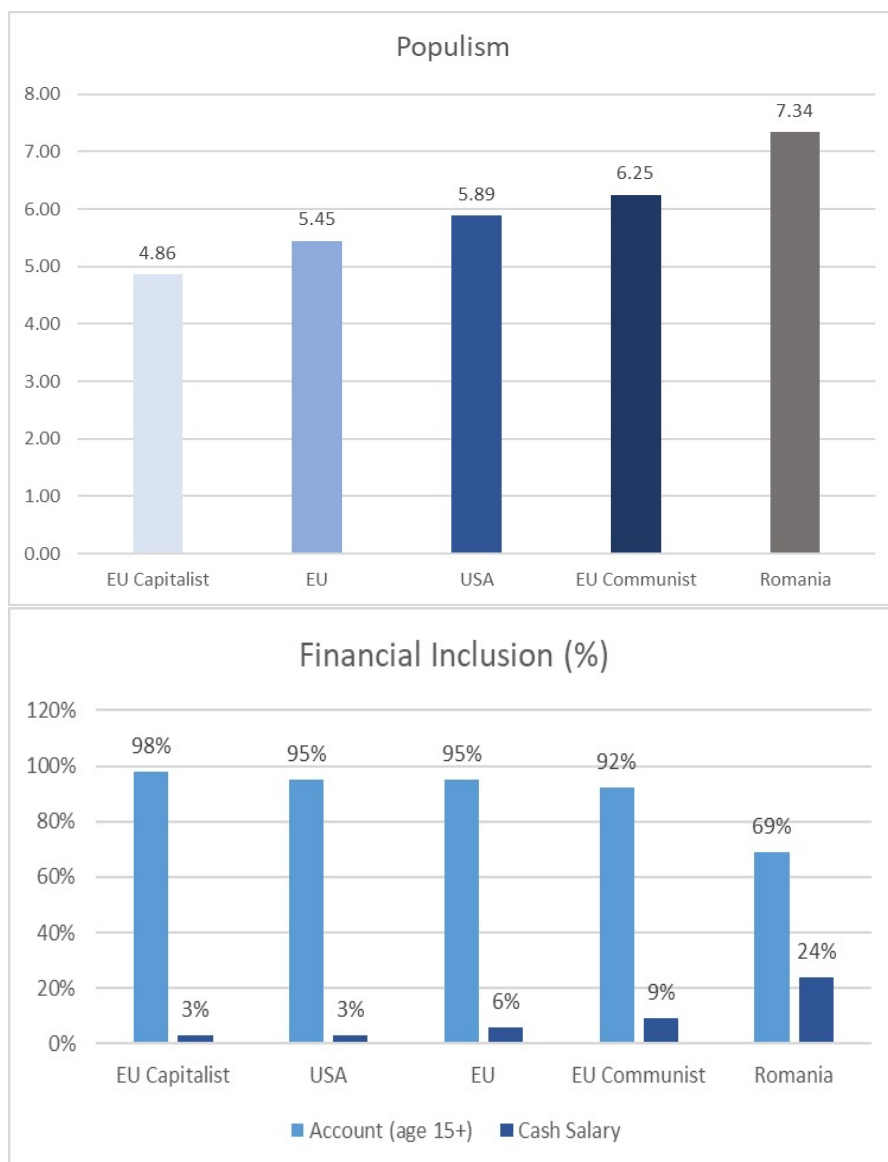
Despite that, given the appropriateness of the cultural indicators as controls, the overall significance and sign of coefficients in the model only goes to show that populism indeed leads to less FI. An average increase of 1 in the populism score for a country leads to a decrease of 2.5 percentage points in number of individuals with financial accounts and credit cards, five percentage points in debit card ownership, four percentage points in the number of individuals that receive wages in a FI account, 2.2 percentage-points in digital payments, three percentage-points in frequent depositors, and 4.7 percentage-points in frequent withdrawers, ceteris paribus. An average increase of 1 in the populism score leads to a rise of 3.2 percentage points in cash payroll, 4.3 percentage points in citizens with no account because financial services are too expensive, and 1.4 percentage points in the percentage of individuals that have no account because they do not trust the financial services industry. Given all the above, this study concludes that there is a strong and negative relationship between populism and financial inclusion, at least given the sample under consideration.

### EU Comparative Analysis

**Table 7. Variable scores for EU countries, EU regions, and other relevant countries**  
(Source: Authors' research results)

Country	Popu- lism	Financial Account	Own Credit Card	Own Debit Card	Wages Account	Wages Cash	Digital Pay- ments	GDP/C \$ PPP	Corrup- tion
<b>EU</b>									
<b>Countries</b>									
Austria	6.04	100%	59%	96%	91%	0%	99%	\$67,936	24
Belgium	4.24	99%	50%	96%	95%	1%	97%	\$65,027	25
Bulgaria	6.89	84%	23%	71%	70%	27%	75%	\$33,582	58
Croatia	5.51	92%	36%	68%	94%	4%	87%	\$40,380	52
Cyprus	5.10	93%	32%	82%	78%	14%	87%	\$49,931	41
Czech Republic	6.30	95%	30%	89%	94%	4%	94%	\$49,946	41
Denmark	5.55	100%	58%	99%	98%	0%	100%	\$74,005	12
Estonia	3.51	99%	35%	97%	98%	0%	99%	\$46,697	27
Finland	4.41	100%	65%	97%	97%	1%	98%	\$59,027	15
France	3.94	99%	40%	86%	93%	1%	98%	\$55,493	28
Germany	4.09	100%	57%	94%	87%	1%	99%	\$63,150	20
Greece	5.92	95%	23%	83%	92%	7%	91%	\$36,835	55
Hungary	8.00	88%	16%	79%	86%	11%	86%	\$41,907	54
Ireland	4.13	100%	55%	93%	91%	2%	98%	\$126,905	27
Italy	7.47	97%	58%	82%	91%	0%	96%	\$51,865	48
Latvia	6.16	97%	17%	89%	90%	6%	95%	\$39,956	42
Lithuania	5.03	94%	12%	74%	85%	7%	91%	\$48,397	41
Malta	5.76	96%	42%	89%	91%	2%	91%	\$55,928	46
Netherlands	4.38	100%	37%	98%	97%	1%	99%	\$69,577	18
Poland	7.30	96%	24%	84%	88%	9%	93%	\$43,269	40
Portugal	3.56	93%	39%	85%	92%	4%	91%	\$41,452	36
Romania	7.34	69%	18%	53%	61%	24%	64%	\$41,888	53
Slovakia	6.31	96%	31%	89%	92%	6%	95%	\$37,459	50
Slovenia	6.39	99%	45%	97%	99%	0%	97%	\$50,032	40
Spain	4.41	98%	57%	83%	75%	14%	98%	\$45,825	42
Sweden	3.88	100%	48%	98%	98%	0%	99%	\$64,578	15
<b>EU Regions</b>									
EU	5.45	95%	39%	87%	89%	6%	85%	\$54,158	37
EU Communist	6.25	92%	26%	81%	87%	9%	76%	\$42,799	45
EU Capitalist	4.86	98%	48%	91%	91%	3%	91%	\$57,457	30

Country	Popu- lism	Financial Account	Own Credit Card	Own Debit Card	Wages Account	Wages Cash	Digital Pay- ments	GDP/C \$ PPP	Corrup- tion
<b>Other Countries</b>									
USA	5.89	95%	67%	83%	84%	3%	93%	\$76,399	29
Japan	4.50	98%	70%	88%	91%	9%	96%	\$45,573	73
South Korea	6.03	99%	68%	84%	96%	2%	98%	\$50,070	57



**Figures 2&3. Populism score and % FI for important regions and countries (Authors' research results)**

Table 7 and figures 2&3 display data and its interpretation with a view of a comparative analysis. A relevant indicator for FI is financial intermediation (non-government credit against the GDP), which shows that, in the US, financial intermediation stands at 212 % compared to the EU, with an average of 91%. We consider the US the linchpin for the EU regions, i.e., EU Communist and EU Capitalist. The US has a populism indicator of 5.89 (even if, during the year under analysis, there was a populism boost generated by Donald Trump's presidency) and a high FI at 95%. The EU has a better populism score, i.e., 5.45, but it comprises two country groups: the former communist bloc with 6.25 and the capitalist remainder with 4.86 (29% gap). We have noted strong EU fragmentation between EU-Communist and EU-Capitalist, visible in the case of averages for all the analyzed indicators (for instance, a +200% gap for cash wages and a +50% one for corruption). Looking at the wages-cash variable, the US has a gap of merely 3% compared to the former communist countries (9%).

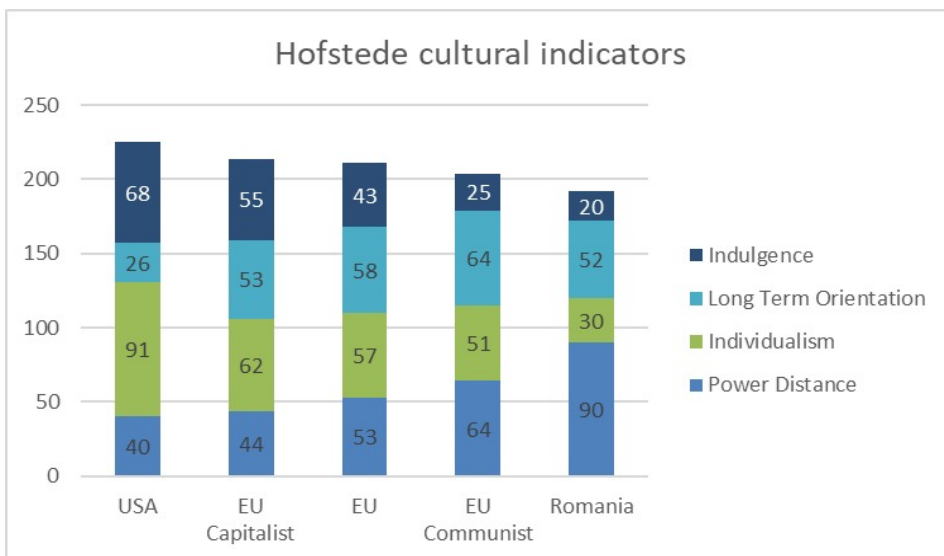
In Romania, a country with a developing economy that joined the European Union in 2007, based on some populist actions such as the criticism of financial elites - stating that they represent a privileged class who exploits the system for personal gains - there were 50 anti-bank legal initiatives during 2014-2019 (PwC, 2019). For a mortgage loan agreement with a tenor of 25 years, bank shareholders should ask themselves 250 times whether the respective loan agreement will be amended. Was the involution of financial intermediation from 40% to 27% related to the populist debates? It is not by chance that Romania has the third highest populism indicator, i.e., 7.34, after Hungary and Italy and, most important of all, the lowest weights when it comes to holding bank accounts (merely 69%), debit cards (53%), payroll cards (61%) or when it comes to digital payments (64%); and the second largest weight in wages - cash (24%). At the other extreme, we find Estonia with 3.51 populism and 99% FI.

The conclusions of our study have a visible correlation between GDP/capita and the corruption level. The comparative analysis for the regions selected by the study reveals populism's uniform behavior regarding FI variables and cultural indicators (Table 8, Figure 4).

**Table 8. Country/Region scores for the 4 Hofstede cultural indicators**  
(Source: Authors' research results)

Country	Power Distance	Individualism	Long Term Orientation	Indulgence
<b>EU Countries</b>				
Austria	11	55	60	63
Belgium	65	75	82	57
Bulgaria	70	30	69	16
Croatia	73	33	58	33
Cyprus	-	-	-	70
Czech Republic	57	58	70	29
Denmark	18	74	35	70
Estonia	40	60	82	16
Finland	33	63	38	57
France	68	71	63	48
Germany	35	67	83	40

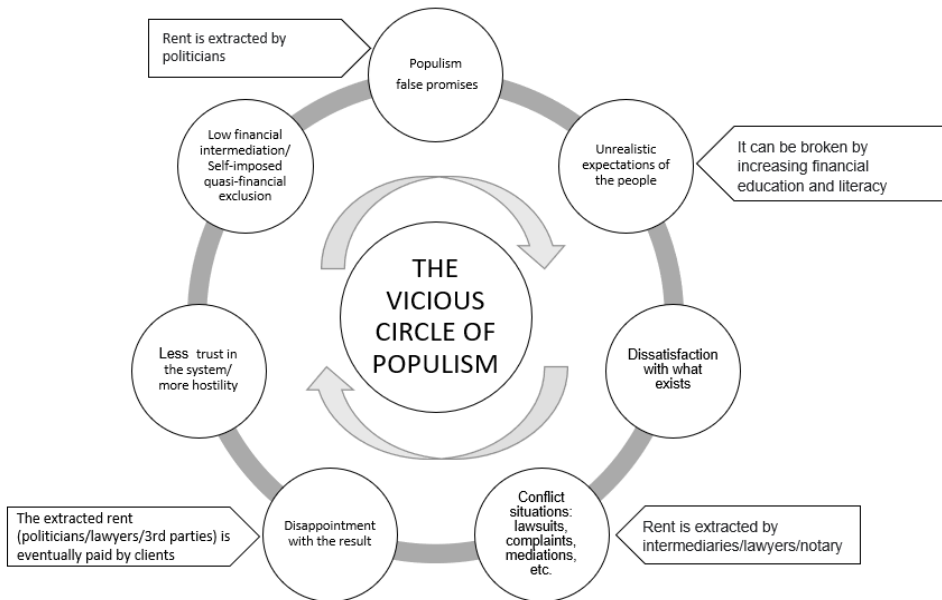
Country	Power Distance	Individualism	Long Term Orientation	Indulgence
Greece	60	35	45	50
Hungary	46	80	58	31
Ireland	28	70	24	65
Italy	50	76	61	30
Latvia	44	70	69	13
Lithuania	42	60	82	16
Malta	56	59	47	66
Netherlands	38	80	67	68
Poland	68	60	38	29
Portugal	63	27	28	33
Romania	90	30	52	20
Slovakia	100	52	77	28
Slovenia	71	27	49	48
Spain	57	51	48	44
Sweden	31	71	53	78
<b>Regions</b>				
EU	53	57	58	43
EU Communist	64	51	64	25
EU Capitalist	44	62	53	55
<b>Other Countries</b>				
USA	40	91	26	68
Japan	54	46	88	42
South Korea	60	18	100	29



**Figure 4: Cultural Indicators per important region/country (Authors' research results)**

We have noted the same gaps associated with corruption scores between the former communist and capitalist cultures. The inclination for a benevolent autocracy, resistance to change, compliance with rules, predilection to conspiracy theories, and gullibility before far-fetched promises are to be found subtly, mainly in the cynical behavior of former communist countries.

Populism focuses on income inequality, advocating policies that promote economic equity and wealth redistribution, thus inflicting the lack of trust in complex financial instruments and pleading for consumer protection via more restrictive regulation. In correlation with cultural indicators but also with corruption, we see attorneys-at-law and politicians who extract rent from generating a litigation market via populism (Figure 5).



**Figure 5. The Vicious Cycle of Populism  
(Authors' research results)**

## Conclusions

This study set out to prove a strong connection between populist rhetoric and financial inclusion. Datasets from the World Bank and the Global Party Survey 2019 were used to collect and synthesize measurements for populism and FI. T-tests and three layers of OLS regressions for different controlling levels were used to estimate the negative relationship between populism and FI. Furthermore, a comparative analysis supplemented by macro-economic insights was employed to show that the previous relation is maintained at the EU level, outlining Romania and the former communist bloc as relevant examples. Additionally, there is vast cultural fragmentation in the levels of FI and populism.

While an empirical measurement of populism has been attempted before, few attempts have been made to reconcile this concept with indicators of financial prosperity. Even

fewer attempts have been made to outline a relationship, or lack thereof, between populism and financial inclusion. This study contributes to the field by being one of the first to highlight a negative relationship between populist rhetoric and ten measurements for FI. Furthermore, the cultural indicators used provide an efficient isolation method for what are otherwise highly endogenous variables, as well as a unique cultural point of view on the FI disparity influenced by populism.

This study is limited in scope, as the set of observations, despite strong robustness, is relatively small. Furthermore, there is arguably a simultaneous relationship between populism and FI measurements, which motivates this study's reluctance to claim causality. Despite that, this study does claim that at least a relevant portion of the effect found is exclusively the influence of populism on FI. Suggestions for future literature include the computation of a temporal populism index to be applied in the context of panel data methodology and the parametrization of a good instrumental variable for populism to avoid the reverse causality concern. The gap in FI generated by populism should further be dissected to highlight explanatory forces such as cultural indicators and other financial instrumentation methods.

Scholars, politicians, and economists ought to consider the effects populist campaigns and policies have on the perceptions, usage, and accessibility of financial inclusion. Understanding and limiting populist rhetoric is the first significant step in improving a country's financial stability through inclusion. Populism does not imply power or well-being for the people, but it does foster mistrust by providing vague promises and setting unachievable goals. These behaviors do not increase inclusion; they only lead to its slowdown, stoppage, or reduction by means of financial self-exclusion.

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