

# Chapter 14

## Linking Financial Inclusion With Sustainable Development

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### ABSTRACT

*The core of financial inclusion is providing all people and companies with affordable official banking services. Financial inclusion guarantees that consumers and companies in the formal financial sector have the option of simple and low-cost financial services. The purpose of this chapter is to look at the relationship between financial prosperity and long-term development in developing nations. Financial inclusion, according to the findings, increases the degree of sustainable development and provides a solution to many social concerns in developing countries. Several examples and models are used in the study to highlight the relationship between financial inclusion and long-term growth. This work adds to the current body of knowledge of information by looking into the relationship between financial inclusion and sustained advancement in emerging nations.*

### INTRODUCTION

The United Nations (UN) established the Sustainable Development Goals (SDGs) and the Millennium Development Goals (MDGs), commonly referred to as the SDGs and MDGs, respectively. These objectives encompass benchmarks for social, economic, and environmental development, as outlined by Umar et al. in 2021. In this perspective, fair and inclusive growth, often known as sustainable de-

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velopment, is the true aim of development. It is important to remember that macroeconomic growth is simply one facet of progress. Both individual level socioeconomic development, which guarantees the attainment of other development goals (Montgomery & Weiss, 2011) and people's access to sustainable livelihoods are the driving forces behind effective development (Mok, 2000). As a result, poverty reduction through sustainable living is both an important socioeconomic approach and a tough aim for developing countries (Mazumder & Lu, 2015). Global Partnership for Financial Inclusion (GPFI), (2011) reports that the G20 and the World Bank to combat poverty and promote equitable economic expansion in developing economies, banks have been at the forefront of initiatives to improve financial inclusion in impoverished nations. Along with an equal opportunity to educational institutions and entry into the market, financial inclusion, or equal right to banking and other banking services, is one of the pillars of long-term sustainability and equitable growth. Financial inclusion may significantly alleviate hunger & generate equitable growth in the economy by enhancing the effectiveness with which resources are allocated (Gupte, 2012; Song et al., 2014). Low-income people may only rely on their meagre reserves to establish enterprises or pay for education when financial growth is not inclusive. Small enterprises may only rely on limited revenues to extend their operations, resulting in chronic income disparity and a lack of over time growth in economy (Demirgüç, 2012). Furthermore, providing financial risk management tools to people, their loved ones, & small enterprises can increase financial stability (Han et al., 2013). To maintain the inclusiveness and durability of growth in the economy, financial inclusion is essential (Jiao et al., 2016). As a result, the expansion of banking and finance that are acknowledged as a successful means of achieving growth in the economy and reducing inequality for both emerging & wealthy nations, aroused the attention of scholars and policymakers throughout the world (Wang & Zeng, 2016). According to recent study in financial inclusion and sustainable development, both terms were explored as different mutually incompatible concepts, with no potential of creating a relationship or association between the two goals.

In contrast, Rees (1989) defines sustainable development as “growth that meets current needs without jeopardizing future generations' ability to meet their own needs.” The purpose of sustainable growth is to provide that current assets are not exhausted or wasted to the detriment of generations to come. The economic, environmental, and social dimensions are commonly utilized to analyze sustainable development. The three major dimensions of sustainable development are the economic dimension, the environmental dimension, and the social dimension (Alaimo et al., 2021).

Connecting financial inclusion with sustainable development is essential to foster economic growth, alleviate poverty, and attain broader societal objectives. Financial inclusion, characterized by the affordability and accessibility of banking services for all, particularly those who were previously overlooked or marginalized by the regulated banking system, plays a pivotal role in achieving these outcomes. Contrarily, sustainable development takes into consideration the environment, economy, and social factors and tries to meet the demands of today's young people without jeopardizing future generations' capacity to fulfil those needs on own. In order to reduce poverty (Das, 2019; M. Uddin et al., 2020; Umar et al., 2021) and improve people's quality of life (Montgomery & Weiss, 2011; Solesbury, 2003), Microfinance is a significant trend that promotes financial inclusion. An alternative perspective on examining the correlation between financial inclusion and sustainable development involves considering it from a policy angle. The financial institutions embedded in the current economic and social framework serve as the main channels for government initiatives aimed at fostering financial inclusion. When strategies for financial inclusion are implemented through banks operating within the existing social and economic

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