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Achieving the sustainable development goals which include lowering inequality and poverty with financial inclusion

Huda Z. Miklif
dr.huda.miklif@uokerbala.edu.iq
University of Karbala / College of Administration and Economics / Iraq

Abstract:
In recent years, the importance of financial inclusion in the global economy has grown, especially in light of advancements in communications technology, including digital financial technology, electronic payments, and mobile money services. A key instrument for attaining economic growth and development and raising standards of financial well-being is financial inclusion. Financial inclusion helps achieve a number of Sustainable Development Goals, such as lowering poverty, encouraging shared growth, achieving food security, offering high-quality education and health opportunities, and achieving gender equality, by offering financial services to people and communities without bank accounts. Financial inclusion has been positioned by several international financial institutions, including the World Bank, the International Monetary Fund, and the Consultative Group to Assist the Poor, as one of the key components for speeding development. The World Bank defines financial inclusion as the availability of a broad variety of financial services that address the needs of people and communities in an economical and sustainable way, including loans, savings accounts, payment accounts, insurance, and financial commodities. By making it possible for people to access and use financial services, financial inclusion makes a substantial contribution to the reduction of poverty and inequality. Research indicates a substantial correlation between financial inclusion and a decrease in inequality and poverty. People who have access to bank accounts and loans have the chance to boost their income and engage more fully in the economy. As a result, the gap between the affluent and the poor is lessened as new financial products facilitate the inclusion of underserved populations in the financial system. By offering technical assistance and creating strategic plans targeted at attaining financial inclusion at the local and national levels, several governments and international organizations try to put financial inclusion ideas into action. To sum up, financial inclusion is essential to reaching the Sustainable Development Goals, especially those pertaining to poverty and inequality reduction. To do this, nations must implement efficient plans based on their prior achievements.

Introduction

The topic of financial inclusion has gained significant attention at the global economic level in recent years, particularly in light of advancements in communications technology (digital financial technology, digitizing cash payments, mobile phone-based financial services, and creating digital financial products that cater to the needs of people without bank accounts). Because of its critical role in attaining economic growth and development as well as raising levels of economic well-being, it has emerged as a top priority for those in charge of financial and economic policy. Seven of the Sustainable Development Goals—which include reducing poverty, encouraging common

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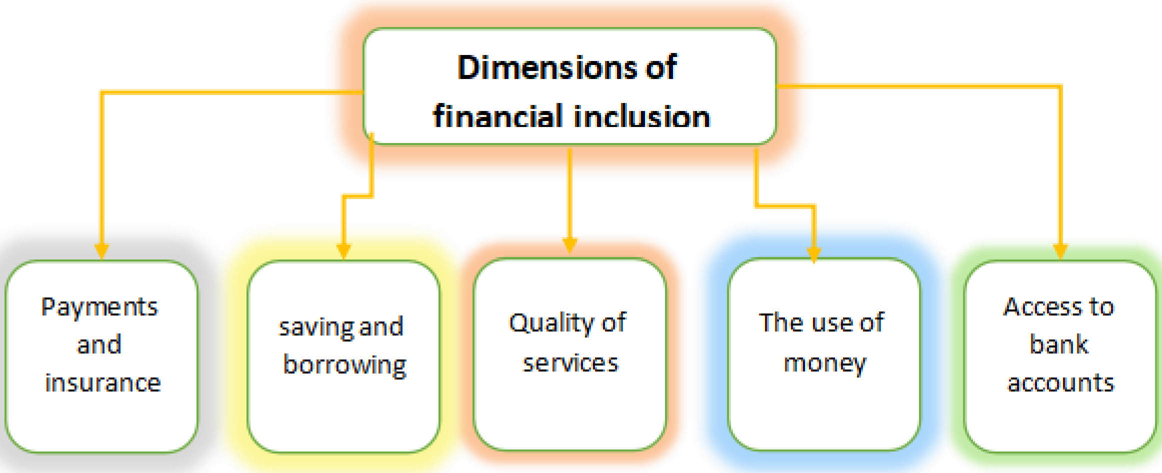
growth based on fair opportunities for all parts of society, and assisting in the attainment of security—include financial inclusion. food via encouraging sustainable farming, guaranteeing a healthy lifestyle and offering top-notch educational possibilities, and attaining gender equality through offering financial goods to women and integrating them into the financial system. The Consultative Group to Assist the Poor, the World Bank, and the International Monetary Fund are just a few of the international financial organizations that have made financial inclusion a key component of their plans to accelerate development. Financial inclusion significantly contributes to economic growth and the achievement of development objectives. According to the World Bank, financial inclusion is the proportion of people and businesses who utilize financial services in a way that is easy, accessible, efficient, and inexpensive, meets their requirements, and is sustainable and responsible. It encompasses a wide range of financial services, including credit, savings accounts, and payment accounts. It also includes securities, pensions, and insurance. In contrast, it is "promoting the access and use of all segments of society, including marginalized and poor groups, to financial services and products that are commensurate with their needs so that they are provided to them in a fair, transparent, and cost-effective manner that is reasonable," according to the Global Alliance for Financial Inclusion (AFI) and the Group of Twenty (G20). So, we can say that financial inclusion means that everyone in society can access and use a range of financial services and products within the official and legal frameworks, getting the most out of them at the best time and for the least amount of money to meet their needs and manage their money however they see fit using methods that work with electronic transactions. The following graphic provides clarification on the main aspects of financial inclusion:

Chart 1: Dimensions of financial inclusion



Policymakers first prioritized bank account and service accessibility, particularly for the impoverished and rural populations. Regarding utilization, it shows how well financial institutions function, their capacity to finance all economic activity via the use of financial services, and how well they promote it. The aspects of saving and borrowing, payments, and insurance include the percentages of savers and borrowers, the percentages of people who have secured themselves, and the percentages of people who used their accounts to lower their wages and payments. However, the quality of services suggests that people need to improve and expand their financial services in order to get the most out of them.

• Income disparity, poverty alleviation, and financial inclusion

Since financial inclusion is crucial in lowering poverty and inequality by giving people access to financial services and contemporary technology, there is a strong link between it and the poorest and most financially excluded people and families. Research shows that there are strong relationships.

All initiatives to make formal financial services accessible and reasonably priced for those with low incomes are together referred to as financial inclusion. In both developed and developing nations, this is done to increase economic equality, decrease poverty, and generate employment. Furthermore, financial inclusion is a comprehensive strategy for accomplishing national objectives. Due to insufficient income levels and market discrimination, many of the world's poorest people still struggle to achieve a minimal standard of living in the third millennium development era, despite decades of swift progress in eradicating poverty and fostering prosperity, especially in Asia, Africa, Latin America, and the Caribbean. Millions of individuals in developing nations continue to be forcibly barred from the financial system, which might result in the loss of savings, investable capital, and the opportunity to build wealth. In addition to giving individuals and companies better access to necessary resources, financial inclusion aids in closing these disparities. to increase economic activity by funding investment and consumption. In this context, numerous studies show that financial inclusion lowers poverty and inequality among individuals by increasing household income, which allows them to participate in the financial sector, and providing information to lower financial exclusion. This is because access to commercial bank deposit accounts and credit availability significantly reduces poverty and income inequality while also improving the well-being of the impoverished. Income disparity is lessened by the poor's capacity to integrate into the financial system thanks to the high rate of banking penetration and credit availability.

On the other hand, promoting innovative financial tools to help marginalized people integrate into the banking and financial system, improving people's financial vulnerability, particularly in developing nations, and implementing financial education on a large scale in rural and marginalized areas to raise public awareness of financial services would all help to lessen poverty and income inequality between the rich and the poor.
Given this, the World Bank took the initiative to create a coherent and integrated strategy to assist nations in responsibly achieving financial inclusion by offering governments technical support. creating and carrying out national strategies for financial inclusion, such as action plans and road maps, at the national or subnational level in order to accomplish the objectives of financial inclusion. This is seen in the chart below.
Chart (2): World Bank Perspective on Financial Inclusion Strategies

The plan is based on the World Bank's report, Financial Inclusion is a Critical Component in Reducing Poverty and Fostering Prosperity, which can be found at https://www.albankaldawli.org/ar/topic/financialinclusion/overview#2.

In conclusion, it is evident that financial inclusion is linked to many of the objectives of sustainable development, particularly in relation to the problem of poverty alleviation and income inequality reduction. This is achieved by reaching as many people as possible to provide them with banking and financial services at the lowest feasible cost and with maximum efficiency by utilizing technological advancements. in the domains of information technology and communications, etc. In order to improve the living conditions of the impoverished by integrating their financial systems, which is reflected in bettering their living conditions and thereby lowering income inequality, policymakers in nations—particularly developing and impoverished nations—should comprehend this relationship, start creating plans and strategies, and take inspiration from the experiences of nations that have made significant progress in this area.

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