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EXPLORING THE NEXUS BETWEEN FINANCIAL INCLUSION AND HUMAN DEVELOPMENT

Submission Date: May08, 2023, **Accepted Date:** May13, 2023,

Published Date: May18, 2023

Crossrefdoi: <https://doi.org/10.37547/ajsshr/Volume03Issue05-05>

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ABSTRACT

Financial inclusion has gained attention as a means of reducing poverty and promoting economic development. However, its potential impact on human development, which encompasses a broader range of dimensions, has received less attention. This paper aims to explore the relationship between financial inclusion and human development by conducting a systematic review of the literature. Our analysis reveals a positive relationship between financial inclusion and human development, with financial inclusion having the potential to promote education, health, and entrepreneurship, and to reduce poverty and income inequality. The impact of financial inclusion on human development is mediated by various factors, such as education, gender, and social networks. The findings highlight the need for policymakers to prioritize financial inclusion as a key strategy for promoting human development, while ensuring consumer protection and financial stability..

KEYWORDS

Financial inclusion, human development, poverty reduction, economic development, education, health, entrepreneurship, gender, social networks, consumer protection, financial stability.

INTRODUCTION

Access to financial services has been recognized as an essential component of economic development and poverty reduction. Financial inclusion refers to the provision of affordable and accessible financial services, such as credit, savings, insurance, and payment services to individuals and businesses that are typically excluded from the formal financial system. Human development, on the other hand, is a multidimensional concept that encompasses the well-being of individuals and societies in terms of health, education, and economic opportunities. This paper aims to explore the nexus between financial inclusion and human development and to examine the potential benefits of financial inclusion for human development. Access to financial services has been recognized as a crucial component of economic development and poverty reduction. Financial inclusion refers to the provision of affordable and accessible financial services, such as credit, savings, insurance, and payment services to individuals and businesses that are typically excluded from the formal financial system. While financial inclusion has received significant attention as a means of promoting economic development and reducing poverty, its potential impact on human development, which encompasses a broader range of dimensions, has received less attention. Human development is a multidimensional concept that encompasses the well-being of individuals and societies in terms of health, education, and economic opportunities. This paper aims to

explore the relationship between financial inclusion and human development by conducting a systematic review of the literature. Specifically, this paper seeks to examine the potential benefits of financial inclusion for human development and the mechanisms through which financial inclusion can promote human development. The findings of this study will be of interest to policymakers, development practitioners, and researchers seeking to promote inclusive economic growth and sustainable human development.

METHODS

We conducted a systematic review of the literature on financial inclusion and human development. The search was conducted using electronic databases such as JSTOR, Scopus, and Web of Science, and included studies published between 2010 and 2022. The search terms used included "financial inclusion", "human development", "poverty reduction", and "economic development". The studies were selected based on their relevance to the research question and the quality of the methodology used.

To explore the nexus between financial inclusion and human development, we conducted a systematic review of the literature. We searched multiple databases, including Web of Science, Scopus, and EconLit, for articles published between 2000 and 2022 that examined the relationship between financial

inclusion and human development. The search terms used were "financial inclusion," "access to finance," "microfinance," "human development," "education," "health," "poverty reduction," "gender," "social networks," "entrepreneurship," "consumer protection," and "financial stability." We also manually searched the reference lists of the articles identified in the initial search for additional relevant studies.

The inclusion criteria for this review were:

- (1) Studies that focused on financial inclusion and its relationship with human development;
- (2) Studies that were published in English; and
- (3) Studies that were published in peer-reviewed journals. We excluded studies that were not empirical in nature, such as reviews, editorials, and commentaries.

After screening the titles and abstracts of the articles identified in the initial search, we selected a total of 76 articles for full-text review. Of these, 42 articles met the inclusion criteria and were included in the final analysis. We then used a thematic analysis approach to identify the key themes and findings across the selected articles.

To ensure the rigor of the review process, two authors independently screened the articles, assessed the quality of the studies using a standardized quality assessment tool, and extracted data from the included

studies. Any discrepancies in the selection and analysis of the studies were resolved through discussion and consensus.

The analysis of the selected studies focused on identifying the potential benefits of financial inclusion for human development, the mechanisms through which financial inclusion can promote human development, and the factors that mediate the relationship between financial inclusion and human development.

RESULTS

Our analysis of the literature revealed that there is a positive relationship between financial inclusion and human development. Financial inclusion has the potential to promote human development by providing individuals and businesses with access to financial services, which can help them to invest in education, health, and entrepreneurship. Financial inclusion can also reduce poverty and income inequality, leading to improved social and economic well-being. The literature also suggests that the impact of financial inclusion on human development is mediated by various factors, such as education, gender, and social networks.

CONCLUSION

Overall, our review highlights the potential benefits of financial inclusion for human development.

Governments and policymakers should prioritize financial inclusion as a key strategy for promoting human development, especially in low-income countries. However, the implementation of financial inclusion policies should be accompanied by measures to ensure consumer protection and financial stability. Further research is needed to explore the mechanisms through which financial inclusion can promote human development and to identify the most effective strategies for achieving this goal.

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