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2023

Online at https://mpra.ub.uni-muenchen.de/118880/
MPRA Paper No. 118880, posted 26 Oct 2023 04:46 UTC

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Abstract

Given the growing interest in financial inclusion, the possibility of integrating financial inclusion into the sustainability and sustainable development agenda needs to be explored. The purpose of this conceptual paper is to establish a link between financial inclusion, sustainability and sustainable development. The paper used discourse analysis to establish a link between financial inclusion, sustainability and sustainable development. It was argued that financial inclusion contributes to sustainable development by ensuring that access to basic financial services is guaranteed in a sustainable way, and basic financial services are provided in a sustainable way and based on sustainability principles to yield lasting impact for sustainable development. This approach links financial inclusion to sustainable development through the adoption of sustainability principles in offering basic financial services to banked adults. The paper also argued that financial inclusion is more relevant for the economic dimension and social dimension of sustainable development because financial inclusion improves the economic conditions and social welfare of banked adults while it only provides limited benefits for the environmental dimension of sustainable development. There is a need for a merger between financial inclusion and sustainable development based on sustainability principles. This will require polices that integrate financial inclusion to the sustainable development agenda.

Keywords: sustainable development, financial inclusion, sustainability, financial institutions, unbanked adults, access to finance, poverty reduction, economic dimension, social dimension, sustainable development goals, United Nations.

JEL code: Q56, G21.

To cite:

Ozili, P.K. (2023), "Financial Inclusion, Sustainability and Sustainable Development", Tyagi, P., Grima, S., Sood, K., Balamurugan, B., Özen, E. and Eleftherios, T. (Ed.) Smart Analytics, Artificial Intelligence and Sustainable Performance Management in a Global Digitalised Economy (Contemporary Studies in Economic and Financial Analysis, Vol. 110A), Emerald Publishing Limited, Bingley, pp. 233-241. https://doi.org/10.1108/S1569-37592023000110A012

1. Introduction

The purpose of this conceptual paper is to establish a link between financial inclusion, sustainability and sustainable development. Financial inclusion involves bringing unbanked adults into the formal financial sector so that they can have access to formal financial services (Allen et al, 2016; Ozili, 2020a). Sustainability is a principle that emphasize the use of resources in a prudent manner so that resources are available for use when needed (Kuhlman and Farrington, 2010). Sustainable development is development that meets the needs of today without jeopardizing the needs of future generations (Ozili, 2022a). When defined in terms of resource use, sustainable development ensures that today's resources are not significantly used up to the detriment of future generations who will need the resources we have today. These three concepts have dominated the international development discourse in the last decade.

The financial inclusion literature show that financial inclusion brings many economic benefits to society as it allows banked adults to use formal finance to increase consumption, to spend on healthcare and education and for savings and investment (see, for example, Ozili, 2021; Kelikume, 2021; Geraldes et al, 2022; León-Ramírez, 2022; Lupo-Pasini, 2021). The sustainable development literature, on the other hand, show that sustainable development may be classified along the dimensions: the economic dimension, social dimension and environmental dimension (WCED, 1987); and there is a consensus that sustainable development contribute to climate change mitigation, the preservation of human and animal life and protecting the environment (see, for example, Silvestre and Ţîrcă, 2019; Sachs et al 2019; Bali Swain and Yang-Wallentin, 2020; Rashed and Shah, 2021). Meanwhile, the sustainability literature emphasizes the need to adopt sustainability principles in every aspect of material or economic life (see, for example, Lubin and Esty, 2010; Purvis, Mao and Robinson, 2019; Nishant, Kennedy and Corbett, 2020; Barbier and Burgess, 2020).

These three concepts, although important, have not been explored as mutually dependent concepts. Rather, these concepts have been analyzed as separate mutually exclusive concepts in the literature. This paper addresses this issue by presenting a conceptual discourse analysis of the link between financial inclusion, sustainability and sustainability development. Using

discourse analysis, this paper argues that financial inclusion contributes to sustainable development by ensuring that access to basic financial services is guaranteed in a sustainable way, and basic financial services are provided in a sustainable way and based on sustainability principles in order to yield lasting impact for sustainable development. The paper also argued that financial inclusion is more relevant for the economic and social dimensions of sustainable development because financial inclusion improves the economic conditions and social welfare of banked adults.

The conceptual discussion in this paper contributes to the broad literature in the following way. Firstly, the discussion in this paper contributes to the sustainable development literature by linking sustainable development to financial inclusion. Secondly, the paper contributes to the financial inclusion literature by positioning the financial inclusion agenda within the broader sustainable development and sustainability agenda.

The remainder of the paper is structured as follows. The review of literature is presented in section 2. A discussion of the link between financial inclusion, sustainability and sustainable development is discussed in section 3. A discussion of the connection between financial inclusion and sustainable development is provided in section 4. The conclusion of the paper is presented in section 5.

2. Literature review

2.1. The sustainable development literature

In the sustainable development literature, the most popular definition of sustainable development is the one that defines sustainable development as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (WCED[1], 1987 p. 43). In the early 2000s, the sustainable development agenda gave rise to the millennium development goals which focused on demanding better outcomes towards

[1] WCED refers to the World Commission on Environment and Development

poverty reduction, reducing inequality, protecting the environment, increasing security, preserving democracy and ensuring economic prosperity (Rogers, Jalal and Boyd, 2012). In the sustainable development literature, there has been a general recognition of three aspects or dimensions of sustainable development, namely the economic aspect, social aspect and environmental aspect of sustainable development (Harris, 2000). The economic aspect is concerned about an economic system that is able to produce goods and services on a continuing and sustainable basis (Harris, 2000); the environmental aspect is concerned about creating an environmentally sustainable system that can maintain a stable resource base, avoiding over-exploitation of renewable resource systems and depleting non-renewable resources only to the extent that investment is made in adequate substitutes (Harris, 2000); and the social aspect is concerned about creating a socially sustainable system that achieves distributional equity, adequate provision of social services including health and education, gender equity, and political accountability and participation (Harris, 2000).

In terms of measuring sustainable development, Parris and Kates (2003) point out that many efforts have been made at developing quantitative indicators of sustainable development. Much of these efforts have been to develop sustainable development indicators, however, none of these indicators are universally accepted, backed by compelling theory or formulated based on rigorous data collection and analysis. They argue that this is due to the ambiguity of sustainable development as a concept, the plurality of purpose in measuring sustainable development and the confusion of terminology, data and methods of measurement of sustainable development. In practice, Barrow (1995) points out that there are many routes to sustainable development; and despite the sustainable development concept presenting great value, implementation has been very disappointing in many countries. Barrow (1995) stressed that there is a need for the world population to change their attitude and behavior towards sustainable development. Jabareen (2008) undertook a critical review of the multidisciplinary literature on sustainable development. The study finds a lack of comprehensive theoretical framework for understanding sustainable development and its complexities. The study also observed that the definitions of sustainable development are vague; there are no operational definitions; there are disagreements over what should be sustained; and the sustainable development concept is

unclear in terms of emotional commitment to sustainable development. Conroy and Berke (2004) show that an important feature in planning to influence the promotion of sustainable development is to have a national planning mandate and having a variety of groups participating in the planning process of sustainable development.

Recent studies, such as Silvestre and Ţîrcă (2019), argue that sustainable development is a pressing issue that requires immediate action and changes from governments, industry, and society as whole. They suggest that innovation can lead to transformation in individuals, organizations, supply chains, and communities toward sustainable development. Sachs et al (2019) identified six transformations that are needed to achieve the sustainable development goals. They are (1) education, gender and inequality; (2) health, well-being and demography; (3) energy decarbonization and sustainable industry; (4) sustainable food, land, water and oceans; (5) sustainable cities and communities; and (6) digital revolution for sustainable development. Bali Swain and Yang-Wallentin (2020) show that, although the United Nations Sustainable Development Goals (SDGs) is ambitious and broad, developed countries benefit most by focusing on the social and environmental factors that promote sustainable development, whereas developing countries benefit most by focusing on the economic and social factors that promote sustainable development. Rashed and Shah (2021) explored the role of the private sector for sustainable development. They suggest that there is a need for the private sector to develop corporate social responsibility, circular economy and environmental initiatives to support the implementation of the sustainable development goals. They further point out that the private sector may face some challenges such as lack of influential leadership, lack of harmonious partnerships, shortage of investments, complexity of interlinkages among the SDGs and their targets, and lack of monitoring and evaluating methods for assessing the progress of implementation of the SDGs.

2.2. The sustainability literature

Pezzey (2017) defines sustainability as the process of maintaining the usefulness of resources and human wellbeing over the long term future. White (2013) shows that people and corporations who are interested in communicating and implementing sustainable practices often encounter

definitional difficulties, which then translate to implementation difficulties. This is because sustainability will mean different things to different people. Costanza and Patten (1995) point out that the issues surrounding the sustainability concept is more of a prediction problem than a definitional problem because we can only assess sustainability after the fact and not before the fact since we can only assess whether practices are sustainable only after it has happened. Similarly, Hasna (2007) confirms that there is diversity of opinions about the definitions, themes and descriptions of sustainability. This diversity of opinions raises more questions than answers, and it leaves the sustainability concept open to multidisciplinary interpretation especially along social, economic, technological and ecological dimensions. Keiner (2006) points out that, if we fail to provide clarity to the concept of sustainability, the sustainability concept may remain an abstract concept or a buzzword without becoming a real developmental principle that improves society and the environment.

Over the years, Scoones (2007) showed that sustainability concept has led to a rise in innovative ideas, a change in policies, varying forms of political mobilization, different priority issues, new actors and networks. Wilkinson et al (2001) argued that organizations need to take a holistic and integrated approach to managing people and environmental concerns, and this will involve adopting a decision making process that emphasize medium to long-term sustainability rather than short term horizons in decision making, and there may be a need for political support so that sustainability can be put forward in the national agenda.

Recent studies have explored sustainability along multi-dimensional and multi-disciplinary dimensions. For instance, in business, Lubin and Esty (2010) show that business executives have to consider how sustainability will affect the competitiveness and survival of their organizations, and businesses executives will need to go beyond launching superficial initiatives and move towards embedding sustainability into the organizational vision or plan so that it becomes a strategic issue in organizations. Purvis, Mao and Robinson (2019) point out the three-pillar conception of sustainability consisting of three dimensions (social, economic and environmental) and the intersection among the three pillars has become ubiquitous. They argue that there is no single point intersection for the three-pillars. They argue that this misconception arose because the sustainability discourse arose from different schools of thought historically, and there has not

been a solid theoretically conception that establishes the three pillars and the intersection among them. Nishant, Kennedy and Corbett (2020) argue that artificial intelligence can be used to address sustainability problems. They argue that artificial intelligence can support the derivation of culturally appropriate organizational processes and individual practices to reduce the use of natural resources and energy intensity of human activities. They further argue that the true value of artificial intelligence will not be in how artificial intelligence enables society to reduce its energy, water, and land use intensities, but rather, the true value of artificial intelligence will be in how it facilitates and fosters environmental governance. While artificial intelligence may be important, not all developing countries have the capability to operationalize artificial intelligence capabilities. For this reason, Barbier and Burgess (2020) suggest that developing countries may need to find innovative policy mechanisms to achieve sustainability in the midst of limited financial and technological resources and support.

2.3. The financial inclusion literature

The theories of financial inclusion, as documented by Ozili (2020a), show that financial inclusion benefits not only the economic system but also vulnerable people, and financial inclusion programs can be delivered through special agents or through tailored interventions that improve access to finance for all members of society. Radcliffe and Voorhies (2012) argue that financial inclusion needs a digital enabler that connects unbanked people to the formal financial sector. Ozili (2018) points out that the digital enabler is digital finance or digital financial services that generates sizable welfare benefits. Dittus and Klein (2011) suggest that digital financial services needs to be loosely regulated in its early stages and can be later tightly regulated when its activities become bigger and riskier. Mukhopadhyay and Rath (2011) suggest that instead of focusing on financial inclusion as a process, it is better to focus on instruments and institutions that will promote financial inclusion. Ozili (2018) show that, although digital technology is important instrument for promoting financial inclusion, digital financial inclusion itself presents some challenges particularly the propensity for increase in cyberattacks, fraud, high transaction costs, digital illiteracy and financial illiteracy.

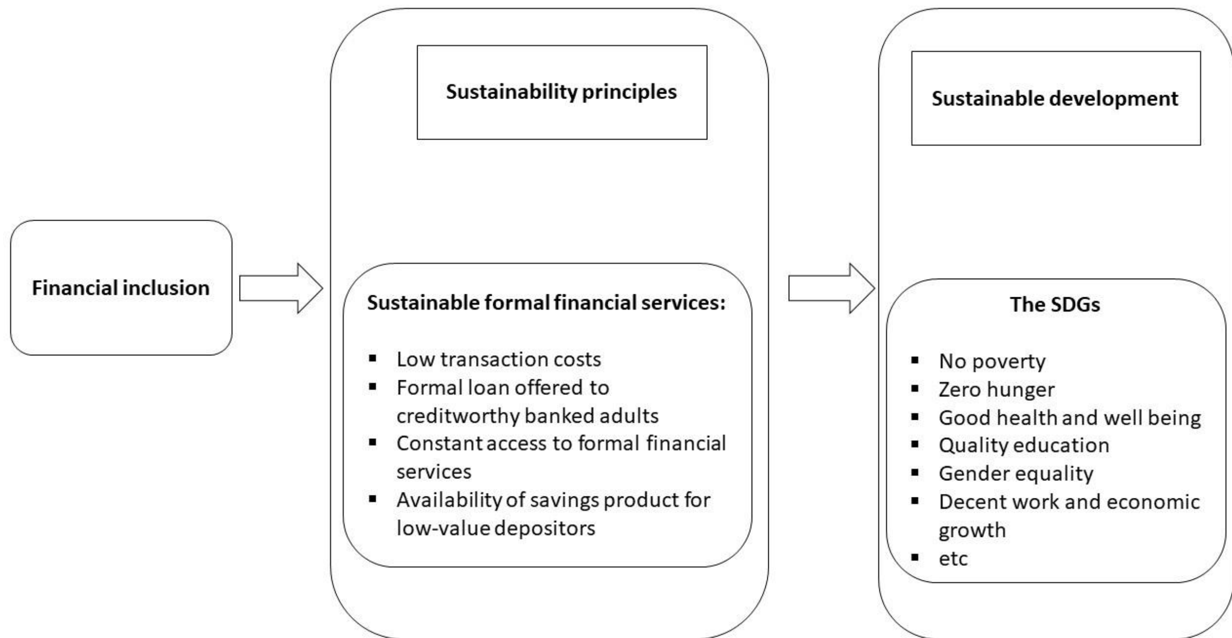
Recent studies in the financial inclusion literature identify some benefits of financial inclusion. Kelikume (2021) show that mobile penetration and internet usage increases financial inclusion and contributes to poverty reduction. In a review of literature, Ozili (2021) show that financial inclusion influences the level of poverty, the stability of the financial sector and the state of the economy. Kabir (2022) and Ozili (2022b) show that internet banking, mobile banking, short message service banking, electronic banking (e-banking), agent banking, mobile money accounts, and mobile wallet banking are all financial innovations that are used to significantly increase financial inclusion and reduce financial exclusion. Geraldes, Gama and Augusto (2022) also show that demand-side factors, such as financial literacy and human development, are conditions for high levels of financial inclusion while supply side factors, such as bank concentration and bank branches, are conditions for attaining high levels of financial inclusion. León-Ramírez (2022) shows that social programs play a role in promoting financial inclusion through the adoption of social assistance programs which helps to end extreme poverty in poor countries. Lupo-Pasini (2021) and Ozili (2020b) show that the use of digital technology to increase financial inclusion has helped to bypass the constraints of the cash-based economy, but it has also led governments to reduce the role of cash in the economy, thereby making the drive towards financial inclusion have a resemblance of a war against cash (Ozili, 2020b).

3. Linking financial inclusion to sustainable development through sustainability

One way in which financial inclusion can contribute to sustainable development is by ensuring that access to basic financial services is guaranteed in a sustainable way, and basic financial services are provided in a sustainable way and based on sustainability principles. Basic formal financial services that are offered to alleviate poverty, such as formal loans, savings and deposits, can be offered based on sustainability principles. For instance, formal loans should not only be available to poor banked adults, such loans should be given mostly to poor banked adults who can repay the loan in the future so that the lender can use the repaid loan to lend to other banked adults who need formal loans in the future, thus making such lending sustainable in the long run. Similarly, there should be savings products that are beneficial to low-value depositors. Such

savings products should not be subject to excessive bank charges so as to encourage low-value depositors to save their money with banks. These two examples show that basic formal financial services can be offered based on sustainability principles in order to yield lasting impact for sustainable development. This means that transaction cost should be consistently low and sustainable; bank charges should be fair, explained and non-exploitative for banked customers; there should be constant access to formal finance both in good times and bad times, saving products should be accessible at all times and there should be no minimum amount that can be saved so that it can benefit poor banked adults who want to save money; formal loans should be offered at low interest rate and should be given only to poor banked adults who can repay the loan or to those who are credit worthy so that the lender can use the repaid loan to lend to other banked adults, thus making it sustainable in the long run. This approach links financial inclusion to sustainable development through the adoption of sustainability principles in offering basic formal financial services, as shown in figure 1. The implication is that financial inclusion (or the provision of formal financial services) that is sustained using sustainability principles will yield positive benefits for achieving the sustainable development goals such as eliminating poverty; zero hunger; good health and well-being; quality education, gender equality, decent work and economic growth; clean water and sanitation, affordable and clean energy; industry, innovation and infrastructure; reduced inequality; sustainable cities and communities; responsible consumption and production; climate action; life below water; life on land; peace, justice and strong institutions, partnerships for the goals.

Figure 1



Source: Author

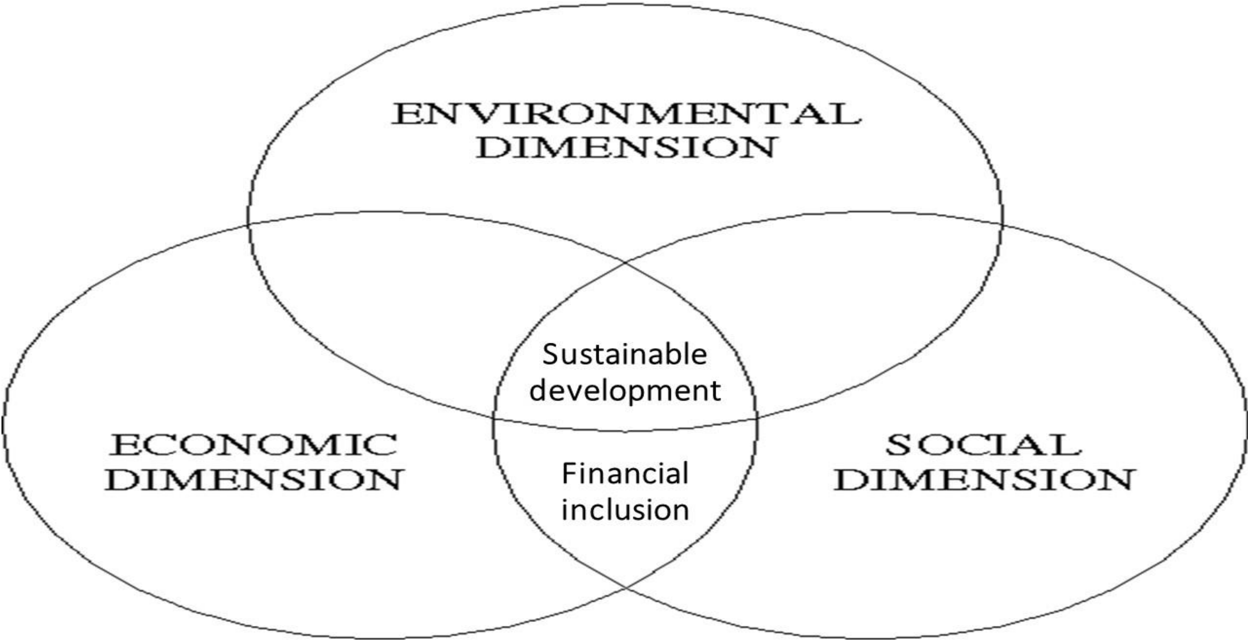
4. Connecting financial inclusion to sustainable development

The literature points out that sustainable development is divided into the economic dimension, environmental dimension and social dimension (Silvestre and Ţîrcă, 2019; Sachs et al 2019; Bali Swain and Yang-Wallentin, 2020; Rashed and Shah, 2021; Ozili, 2022a). While financial inclusion may contribute to sustainable development (Voica, 2017), financial inclusion seems to be more relevant for the economic dimension and social dimension of sustainable development and less relevant for the environmental dimension of sustainable development as shown in figure 2. This is because financial inclusion ensures the provision of affordable basic financial services that improve the economic conditions and social welfare of banked adults, thereby contributing to job creation, higher economic growth and social inclusion. Meanwhile, the benefits of financial inclusion for the environmental dimensions are only limited to the use of formal finance for activities that preserve the environment.

Financial inclusion contributes to the social dimension of sustainable development by ensuring that providers of formal financial services deal with banked adults with care and respect, and treat banked adults fairly through fair pricing of formal financial products and services, avoiding racial discrimination and racial profiling when serving banked customers, and going the extra mile to serve banked customers that have uncommon financial needs. Financial inclusion contributes to the economic dimension of sustainable development by ensuring that providers of formal financial services are licensed to operate and regulated, and ensuring that their activities contribute to the economic well-being of individuals and corporations. The economic benefits also extend to bank branch expansion to reach unbanked adults in remote communities, and regulatory interventions to lower the high cost of banking services.

The above shows that financial inclusion is relevant to the economic dimension and social dimension of sustainable development as it allows providers of financial services to put social considerations first before profit when serving banked customers. This can make financial services become more meaningful to members of society, it can increase social trust in financial institutions and align financial inclusion goals with sustainable development goals.

Figure 2



Source: Author

5. Conclusion

This paper discussed the link between financial inclusion, sustainability and sustainable development. The paper argued that financial inclusion contributes to sustainable development by ensuring that access to basic financial services is guaranteed in a sustainable way, and basic financial services are provided in a sustainable way and based on the sustainability principles in order to yield lasting impact for sustainable development. This approach linked financial inclusion to sustainable development through the adoption of sustainability principles in offering basic financial services. The paper also argued that financial inclusion is more relevant for the economic dimension and social dimension of sustainable development and less relevant for the environmental dimension of sustainable development because financial inclusion improves the economic conditions and social welfare of banked adults while it only provides limited benefits for the environmental dimension of sustainable development.

The implication is that there is need to formulate polices that integrate financial inclusion to the sustainable development agenda. Given the growing interest in financial inclusion, there is a need to explore the possibility of integrating financial inclusion into the sustainable development goals. There is also a need for a development research agenda that considers the combined role of financial inclusion and sustainable development in making the world a better place. Future research can suggest ways to integrate financial inclusion into the sustainable development agenda. Further research is also needed to explore the factors that influence the link between financial inclusion, sustainability and sustainable development.

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