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Empowering Economies: Exploring the Relationship between Financial Inclusion and Economic Growth

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ABSTRACT:

This is the study focus on the trends on the publications related to of relationship between financial inclusion and economic development. the objective of this study is to identify the significance of this area in current situation, critical research domain etc. in this paper a bibliometric study has been done using dimensional data from the period of 2012 to 2024 (8 February) and has examined the various factors such as publications per year, most cited documents etc.

Key words: financial inclusion, economic, development, digital, growth.

Introduction:

The conversation around international economic development has been emphasizing the importance of financial inclusion more and more in recent years. This phenomenon is the availability of accessible and reasonably priced financial services to people and businesses, especially those who have historically been underserved by the main stream banking industry. It is critical to comprehend the complex interactions between financial inclusion and economic development as nations work toward equitable and sustainable growth. Financial inclusion encompasses a wider range of financial products and services that are suited to various socioeconomic circumstances, rather than only offering basic banking services. These could include digital payment systems, insurance, credit facilities, and savings accounts. Financial inclusion aims to eliminate systemic barriers to economic participation and empowerment by providing these services to excluded groups, including low-income earners, women, rural communities, and small and medium-sized enterprises (SMEs). The importance of financial inclusion extends beyond personal well-being; it is closely related to more general goals of economic development. Higher financial inclusion rates are associated with greater economic growth, stability, and resilience, according to empirical research. Financial inclusion promotes entrepreneurship, innovation, and the ability for people to save, invest, and obtain credit. and productivity. Moreover, it facilitates efficient resource allocation, reduces income inequality, and enhances social mobility, thereby laying the foundation for inclusive and sustainable development. Achieving genuine financial inclusion, however, requires overcoming a variety of obstacles, from infrastructure shortages and regulatory restrictions to behavioural and cultural limitations. Furthermore, the emergence of digital technology has created new difficulties, such as worries about cybersecurity, data privacy, and digital literacy, in addition to expanding the prospects for financial inclusion. Financial inclusion is a multifaceted concept that encompasses the availability, accessibility, and usability of financial services for all segments of society. It aims to ensure that individuals and businesses have access to a range of financial products and services that meet their needs and preferences. These services include but are not limited to Banking Services, Access to basic banking services such as savings accounts, checking accounts, and payment services is fundamental to financial inclusion. For many people, particularly those in rural or remote areas, having access to a bank account can be a critical first step towards financial empowerment. Credit and Loans, Access to credit is essential for individuals and businesses to invest in education, start or expand businesses, and manage cash flow. Without access to credit, many people are unable to pursue opportunities for economic advancement. Insurance products such as health insurance, crop insurance, and life insurance can provide protection against unexpected events and help individuals and families manage risk. In communities vulnerable to natural disasters or economic shocks, insurance can be a vital safety net. Digital Financial Services The rise of digital technology has revolutionized financial inclusion by providing innovative solutions such as mobile banking, digital payments, and peer-to-peer lending platforms. These digital financial services have the potential to reach underserved populations more efficiently and cost-effectively than traditional brick-and-mortar institutions. Economic development refers to the sustained, concerted actions of policymakers, communities, and businesses aimed at improving the economic well-being and quality of life for a society. It involves fostering economic growth, reducing poverty, creating employment opportunities, and promoting social inclusion. Key components of economic development include: Growth of Gross Domestic Product (GDP) Economic development often entails increasing the overall size of the economy as measured by GDP. This growth provides the resources necessary to invest in infrastructure, education, healthcare, and other essential services. Poverty Alleviation, A central goal of economic development is to lift people out of poverty by expanding opportunities for employment, education, and entrepreneurship. Sustainable economic development aims to reduce income inequality and ensure that the benefits of growth are shared equitably across society. Infrastructure Development, investing in infrastructure such as transportation, energy, telecommunications, and sanitation is crucial for supporting economic activity and improving living standards. Infrastructure development enhances productivity, reduces transaction costs, and stimulates economic growth in both urban and rural areas. Human Capital Development, Education, healthcare, and skills training are essential components of economic development. Investing in human capital equips individuals with the knowledge, skills, and capabilities needed to participate effectively in the economy and contribute to its growth and innovation. Financial inclusion and economic development are intricately linked and mutually reinforcing. Financial inclusion serves as a catalyst for economic development by - Promoting Savings and Investment, Access to formal financial services encourages saving and facilitates investment in productive assets, such as education, housing, and small businesses. By mobilizing savings and canalising them into productive investments, financial inclusion stimulates economic growth and capital formation. Facilitating Access to Credit, Access to credit enables individuals and businesses to smooth consumption, invest in income-generating activities, and weather financial shocks. In many developing countries, lack of access to credit is a significant barrier to entrepreneurship and economic growth. Financial inclusion expands access to credit for underserved populations, unlocking their entrepreneurial potential and stimulating economic activity. Enhancing Risk Management, Insurance and other risk management products offered through formal financial channels help individuals and businesses mitigate the impact of unforeseen events, such as illness, crop failure, or natural disasters. By providing a safety net against adverse shocks, financial inclusion promotes resilience and stability, which are essential for sustainable economic development. Fostering Innovation and Entrepreneurship, Access to financial services can unleash entrepreneurial talent and spur innovation by providing individuals with the capital and resources needed to start or expand businesses. Inclusive financial systems facilitate the flow of funds to innovative startups and small and medium-sized enterprises (SMEs), driving job creation, productivity growth, and technological advancement.

Prior literature:

Sah (2020) in his study concluded that financial inclusion is pivotal for societal development, yet challenges persist. While it hasn't fully met expectations, its positive impact is undeniable. India, aiming for global prominence, must prioritize inclusive growth through expanded financial access. However, with nearly half the population lacking formal financial services, empowering the marginalized is essential for holistic economic and social progress.SK & V (2019) has concluded that despite banking expansion, millions of households remain excluded, especially in rural areas lacking bank branches due to viability concerns. Several committees have reviewed India's banking system to address these challenges. Dey et al. (2023) the study investigates government schemes' impact on India's economic growth using time-series data from 2006 to 2019. Employing VAR model and Granger causality tests, it reveals significant unidirectional relationships between financial inclusion dimensions and GDP, with GDP growth driving demand for financial products. While overall bank penetration showed no direct link with GDP, accessibility and usage of financial products exhibited statistically significant unidirectional relationships with economic growth. Vân & Linh (2019) Financial inclusion efforts seek to ensure that all members of an economy can have access to and effectively use appropriate financial services. Improving financial include sion has become a significant concern for developed and developing countries alike. There are many indicators of financial inclusion, the most elementary of which in clues having an account in a financial institution. This paper will evaluate the impact of indicators of financial inclusion on economic development. The result shows that correlations exist between large numbers of bank branches, ATMs, domestic credit in the private sector and the increased rate of development in the economy. People will gain a more prosperous life due to this development. Mustofa et al. (2023) governments in the MENA region must prioritize increasing financial inclusion to overcome economic development challenges. Enhancing financial literacy is crucial, necessitating the establishment of dedicated institutions and collaborative efforts among policymakers, researchers, and industry players. International cooperation through organizations like AFIs and GPFIs is vital for sharing experiences and improving financial inclusion in countries with low levels of access and usage. Sethi & Acharya (2017) The study underscores the importance of financial sector reforms for long-term economic growth. Policymakers must address barriers to financial access to stimulate economic development effectively. Understanding the relationship between financial inclusion, poverty, and economic growth is essential for designing targeted interventions that reduce poverty and income inequality. Future research could explore recent dynamics through updated Inclusive Financial Index (IFI) calculations and include microfinance institutions to comprehensively assess the impact of financial inclusion on economic growth and poverty reduction. Ratanwati (2020) The study highlights that financial inclusion can positively impact economic growth, poverty alleviation, and income inequality reduction in Asia, but not all dimensions show significant effects. Emphasizing implementation steps is crucial for governments to achieve the core objectives of financial inclusion and realize its potential benefits fully. Rani (2023) Financial inclusion holds Targeted interventions, public-private partnerships, digital inclusion, and financial literacy are essential for maximizing its positive impact on economic growth and prosperity.

Methodology:

The study's data were obtained using dimension data base. financial inclusion and economic development are the search term entered in to the software, which gave the results of 337 documents (journals, books, etc). The time span that has been taken for this analysis is 2012 to 2024 (February). This paper has employed bibliometric indicators such as total number of publications per year, most frequently used words, most cited documents and have analysed country wise scientific production.

Data analysis and results:

In this section, a bibliometric analysis of previous literature has been conducted. The following figure shows that the most relevant authors in the field of financial inclusion and economic development. Ullah s, Rastogi s, Sohil MT, Wang Y are the most relevant authors with 6, 4,4 and 4 paper respectively.

Figure 1: Most relevant authors

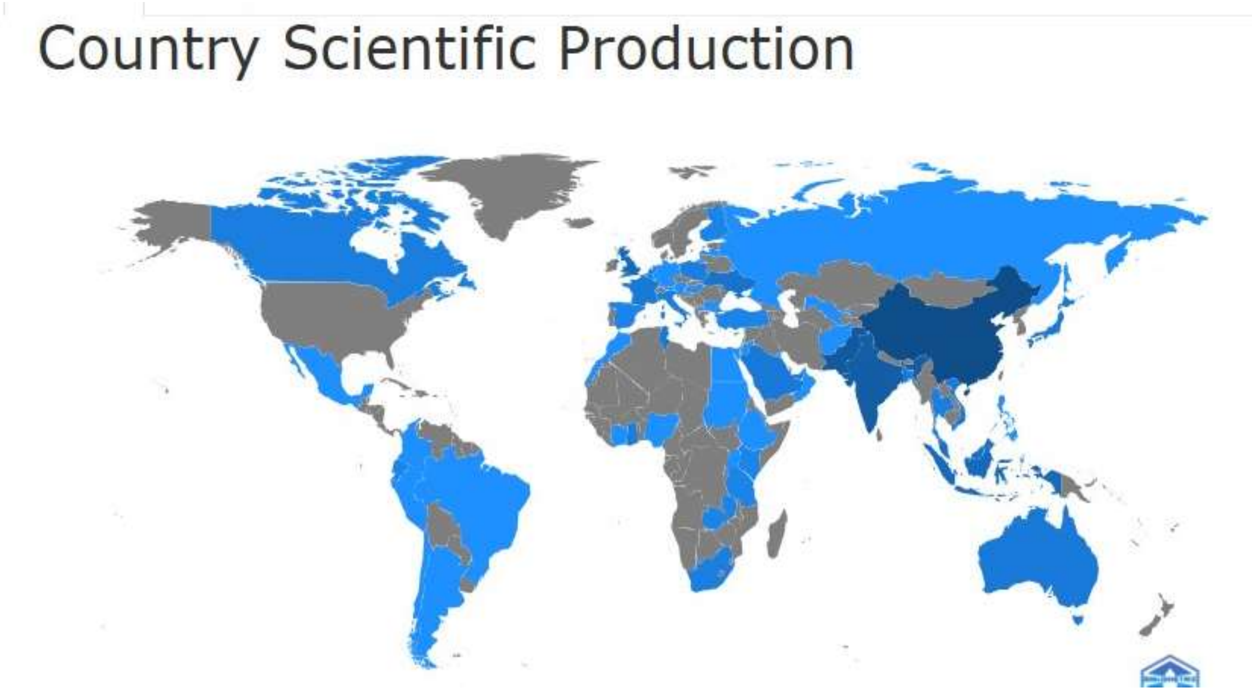
Source: compiled from biblioshiny

The below graph and table show that the annual scientific production of regions i.e. countries for area financial inclusion and economic development. From the analysis it has been found that China has the highest annual scientific production with 78 papers then comes Pakistan with 35 papers and then comes India which have annual publications of 26 papers. The graph below showing the country wise scientific production with low to high level. it has been coloured with grey to deep blue, country coloured with grey are having low production rate while country deep blue has high annual production rate. From the information plotted below it can be concluded that country scientific production is still as compare to others are of research , it can be clearly seen that the area i.e. financial inclusion and economic development is not a trending area of research among the researcher .

Table 1 : Annual scientific production

Region	Freq
CHINA	78
PAKISTAN	35
INDIA	26
INDONESIA	11
UK	11
MALAYSIA	7
UKRAINE	6
AUSTRALIA	4

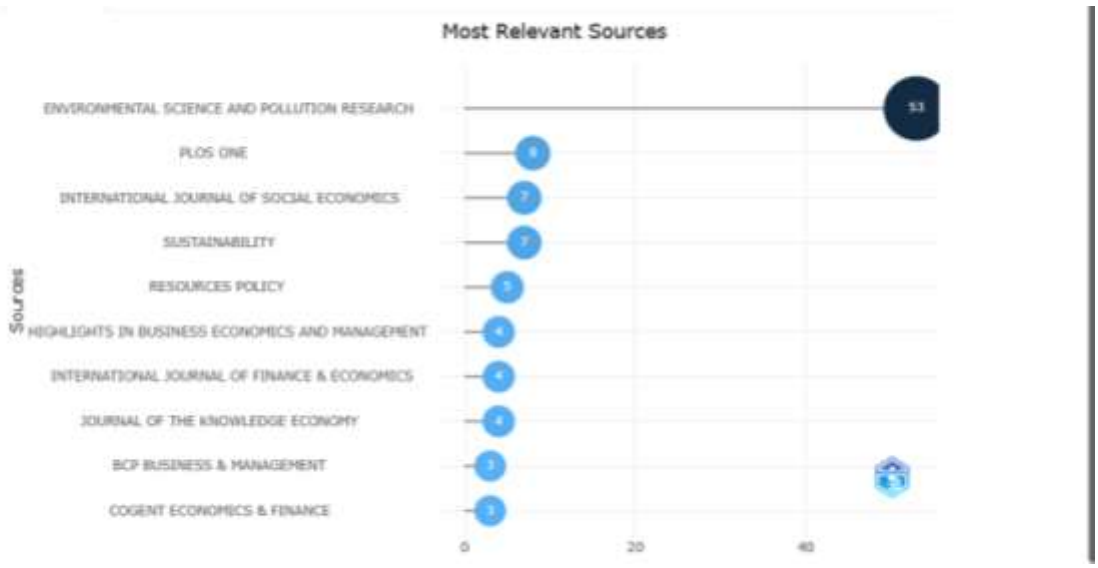
Figure 2: Country scientific production



Source: Compiled from biblioshiny

The figure below is for most relevant source that has been using by the researcher while doing the research in the field of financial inclusion and economic development. The most relevant source in this regard is environmental science and pollution research with 53 publications. Plos one is the second place with 8 publications then comes international journal of social science in the third place with 7 publications. it can be concluded from the below that the environmental science and pollution research is widely used by the researcher to published their paper related to this area.

Figure 3: Most relevant sources



Source: Compiled from biblioshiny

The picture below showing the most cited paper by the researcher while writing their paper in regard to financial inclusion and economic development. The first most cited document is Demirguc-kunt A,2013, Brooking paper on economic activity which is titled as measuring financial inclusion: Exploring variation in use of financial services across and within countries. The first user-side data set that is publicly available and examines how adults in 148 countries manage risk, save, borrow, and make payments is summarized in this study. The second most cited document is fungacova z,2015, china economy review which is titled as understanding the financial inclusion in China It uses information from the World Bank Global Findex database for 2011 to examine China's financial inclusion and make comparisons with the other BRICS nations. Then comes Schuetz S, which is published in international journal of management titled as blockchain, adoption, and financial inclusion in India: research opportunities which has concluded Blockchain technology has the ability to link rural Indians to local and global supply chains by addressing obstacles to financial inclusion. Blockchain-based solutions need to be extensively adopted by rural Indians to realize their full potential. The adoption of blockchain technology is still relatively unknown in developing regions like rural India, which makes a strong argument for high-impact research.

Figure 4: Most globally cited document

Source: Compiled from biblioshiny

The table and figure below is for word map which shows the most frequently used words with their frequency while writing article by the researcher. While conducting research on financial inclusion and economic development the term financial has used with high frequency of 263. Then comes inclusion, development, economic, digital with the frequency of 199, 90, 81, 46,43 respectively.

Table 5: word map

Figure 5: word map

Terms	Frequency
financial	263
inclusion	199
development	90
economic	81
digital	46
growth	43

Source: Compiled from biblioshiny

The below table showing that the annual scientific production of articles. By looking in table we conclude with the time the number of papers published per year is increasing day by day and in recants year it has increased significantly. the increasing trends of articles showing the increasing interest of researchers in this field and also conclude that increasing the annual scientific production is directly linked with increasing utilisation of the published papers .

Table 2 : Annual scientific production

Year	**Articles**
2012	2
2013	1
2014	3
2015	6
2016	5
2017	7
2018	13
2019	15
2020	36
2021	46
2022	73
2023	105
2024	25

Source: Compiled from biblioshiny

Conclusion:

From the bibliometric study it can be concluded that the study of relationship between financial inclusion and economic development is an important area of research from the point of view of researcher and its users of it. Initially it can seen that the number if paper published per year was very low but with the passage of time it has become increased in a significant way . China is in the top by publishing highest number of paper but it is need to understand that the every country has to focus in this regard as it is directly linked with the economic development of a country.

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