
| RESEARCH ARTICLE

Financial Inclusion and Economic Development: A Systematic Review of Evidence from Emerging and Developing Economies

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| ABSTRACT

Financial inclusion has increasingly been recognized as an important driver of economic development, particularly in emerging and developing economies where significant segments of the population remain underserved by formal financial systems. This systematic review examines the existing evidence on the relationship between financial inclusion and economic development, with particular attention to access to financial services, digital financial technologies, financial usage, household welfare, entrepreneurship, employment, and inclusive economic growth. The review synthesizes findings from empirical and conceptual studies examining how expanded access to banking, credit, savings, insurance, mobile money, and digital payment platforms influences economic outcomes across emerging and developing economies. The evidence indicates that financial inclusion generally contributes to economic development by facilitating productive investment, improving household consumption smoothing, supporting small and medium-sized enterprises, increasing savings, reducing transaction costs, and expanding opportunities for income generation. Digital financial services, particularly mobile money and fintech-enabled platforms, have further strengthened financial access by reducing geographical and cost barriers. However, the review also identifies important differences across countries and population groups, with the benefits of financial inclusion depending on financial literacy, affordability, infrastructure, institutional quality, regulatory frameworks, and consumer protection. The findings suggest that financial inclusion is most effective when policies combine expanded access with responsible financial practices, digital infrastructure, financial education, and supportive regulatory institutions. Overall, the review concludes that financial inclusion can serve as a significant mechanism for promoting broad-based and sustainable economic development, although its impact is context-dependent and requires complementary socioeconomic and institutional conditions.

| KEYWORDS

Financial Inclusion; Economic Development; Emerging Economies; Developing Economies; Digital Financial Services; Financial Technology.

| ARTICLE INFORMATION

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1. Introduction

Financial inclusion has increasingly emerged as a central component of inclusive and sustainable economic development, particularly in emerging and developing economies where significant segments of the population remain underserved by formal financial institutions. Financial inclusion broadly refers to the availability, accessibility, affordability, and effective use of appropriate financial products and services, including payments, savings, credit, insurance, and investment facilities. Its importance extends beyond simple access to bank accounts because

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meaningful financial inclusion enables households and businesses to manage risks, accumulate assets, finance productive activities, smooth consumption, and participate more effectively in the formal economy. For governments and development institutions, expanding financial inclusion has therefore become an important policy objective for reducing economic inequalities, strengthening household resilience, and supporting broad-based development.

The relationship between financial inclusion and economic development is particularly significant in emerging and developing economies. These economies often face structural constraints such as limited banking infrastructure, high transaction costs, geographical exclusion, low levels of financial literacy, informal employment, inadequate identification systems, and income inequalities that restrict participation in formal financial systems. Rural populations, low-income households, women, young people, small businesses, and other economically vulnerable groups are disproportionately affected by these constraints. Consequently, improvements in financial access can potentially unlock productive capacities that would otherwise remain underutilized (Kim, 2018). Access to savings mechanisms can facilitate capital accumulation, while affordable credit can enable households and entrepreneurs to invest in education, housing, agriculture, and business activities. Similarly, insurance and digital payment services can strengthen households' ability to cope with economic shocks and participate in increasingly formalized markets.

The rapid development of digital financial services has further transformed the financial inclusion landscape. Mobile money, digital banking, fintech platforms, agent banking, electronic payments, and other technology-enabled services have expanded the reach of financial systems beyond conventional bank branches. In several developing economies, digital financial services have reduced geographical and transaction-cost barriers and enabled previously excluded populations to access basic financial services. Mobile money, for example, has become particularly important in parts of Africa and other developing regions by facilitating domestic transfers, payments, savings, and other financial transactions. Digitalization has consequently broadened the concept of financial inclusion from physical access to financial institutions toward convenient, affordable, and regular use of digitally enabled financial services. However, digital expansion also creates new challenges, including cybersecurity risks, consumer protection concerns, digital fraud, data privacy issues, unequal digital literacy, and the possibility of new forms of exclusion among populations lacking access to digital technologies (Yusuf et al., 2025; Hossain et al., 2026).

From a theoretical perspective, financial inclusion can influence economic development through several interconnected channels. First, greater access to financial services can mobilize household savings and channel them toward productive investment, thereby contributing to capital formation and economic growth. Second, access to credit can relax financing constraints faced by households and firms, particularly micro, small, and medium-sized enterprises that frequently encounter difficulties obtaining formal finance. Third, financial inclusion can improve the efficiency of resource allocation by connecting savers with borrowers and reducing the costs associated with financial transactions (Islam, 2025). Fourth, access to insurance and savings products can strengthen household resilience to income, health, agricultural, and other economic shocks, potentially preventing vulnerable households from falling into persistent poverty. Finally, broader participation in formal financial systems can support entrepreneurship, employment creation, human-capital investment, and women's economic empowerment, thereby generating wider developmental effects.

Nevertheless, the empirical relationship between financial inclusion and economic development is not necessarily uniform across countries or population groups. Access to financial services does not automatically translate into productive economic outcomes. The quality, affordability, reliability, and appropriateness of financial services may determine whether access generates meaningful developmental benefits. Excessive borrowing, unsuitable financial products, high interest rates, weak consumer protection, and limited financial literacy can reduce or even reverse potential benefits. Moreover, the effects of financial inclusion may depend on institutional quality, regulatory frameworks, infrastructure, education, income levels, technological readiness, and macroeconomic conditions (Rahman et al., 2025; Alam et al., 2025). These considerations suggest that financial inclusion should be understood not merely as an expansion of financial accounts or service points but as a multidimensional process involving effective, sustainable, and beneficial participation in the financial system.

Existing empirical studies have examined different dimensions of this relationship, producing substantial but sometimes divergent findings. Some studies associate financial inclusion with higher economic growth, poverty reduction, improved income distribution, greater entrepreneurship, and enhanced household welfare. Other research indicates that the effects can be conditional on the depth and quality of financial services, institutional environments, and socioeconomic characteristics of users. Evidence also differs according to the indicators employed to measure financial inclusion and economic development. Studies may focus on account ownership, access to credit, use of digital payments, savings, insurance coverage, or financial-service density, while economic development may be represented by GDP growth, poverty, inequality, employment, consumption, entrepreneurship, or broader measures of human welfare. This methodological diversity makes it difficult to establish a comprehensive understanding of the mechanisms and conditions through which financial inclusion contributes to development.

The growing body of evidence therefore creates a need for systematic synthesis, particularly because emerging and developing economies differ considerably in their financial structures, institutional capacities, technological adoption, and socioeconomic conditions. A systematic review can consolidate fragmented evidence, identify recurring patterns, distinguish robust findings from context-specific outcomes, and highlight areas where the existing literature remains inconclusive. Such an approach is especially relevant given the rapid transformation of financial systems through digital technologies and the increasing emphasis on inclusive growth within national and international development agendas (Ozili, 2023). Rather than treating financial inclusion as a single-dimensional concept, a systematic assessment can examine how different forms of financial access and usage interact with multiple dimensions of economic development (Gantla & Devireddy, 2025).

Against this background, this study systematically reviews the empirical evidence on the relationship between financial inclusion and economic development in emerging and developing economies. The review focuses on the major dimensions of financial inclusion, the economic and social outcomes associated with greater financial access, the mechanisms through which financial inclusion affects development, and the contextual factors that shape these outcomes. It also considers the growing role of digital financial services and the challenges that may limit the developmental benefits of financial inclusion. By synthesizing findings across existing studies, the review seeks to provide a clearer understanding of whether, how, and under what conditions financial inclusion contributes to economic development in emerging and developing economies. The study ultimately aims to contribute to the academic literature and provide evidence that can inform policymakers, financial institutions, development organizations, and other stakeholders seeking to promote more inclusive and sustainable economic development.

2. Methodology

2.1 Research Design

This study adopted a systematic literature review design to synthesize empirical and theoretical evidence on the relationship between financial inclusion and economic development in emerging and developing economies. A systematic review approach was considered appropriate because the literature on financial inclusion has expanded considerably across countries, income groups, financial systems, and methodological traditions, resulting in a diverse body of evidence that requires structured identification, evaluation, and synthesis. The review focused on studies examining how access to, use of, and quality of financial services influence broader dimensions of economic development, including economic growth, poverty reduction, income distribution, employment, household welfare, entrepreneurship, and financial resilience. The review also considered contextual factors that may strengthen or weaken the contribution of financial inclusion to development outcomes.

2.2 Search Strategy and Sources of Literature

A comprehensive search of scholarly literature was undertaken using major academic databases and electronic research platforms, including Scopus, Web of Science, ScienceDirect, SpringerLink, Google Scholar, and EconLit. The search strategy combined keywords and Boolean operators to capture variations in terminology used in the literature. The principal search terms included "financial inclusion," "financial access," "financial services," "digital financial inclusion," "banking access," "mobile money," "economic development," "economic growth," "poverty reduction," "income inequality," "financial inclusion and development," "emerging economies," and "developing economies."

These terms were combined using operators such as AND and OR to identify studies addressing the central concepts of the review. Reference lists of highly relevant studies and review articles were also examined manually to identify additional publications that might not have been retrieved through database searches.

2.3 Eligibility and Selection Criteria

Studies were selected according to predefined inclusion and exclusion criteria. The review included peer-reviewed journal articles, empirical research papers, systematic reviews, and relevant scholarly studies that explicitly examined financial inclusion and at least one economic development outcome in emerging or developing economies. Studies were considered eligible where financial inclusion was operationalized through indicators such as ownership or use of bank accounts, access to credit, savings, insurance, payment services, financial infrastructure, mobile money, digital financial services, or broader composite financial inclusion indices. Studies examining economic development through economic growth, poverty, inequality, household welfare, entrepreneurship, employment, productivity, or related socioeconomic outcomes were also included. Studies focusing exclusively on advanced economies, publications without sufficient methodological or empirical information, non-scholarly opinion pieces, duplicate records, and studies unrelated to the relationship between financial inclusion and development were excluded.

2.4 Screening and Study Selection

The study selection process followed a structured screening procedure. Initially, all records identified through the database and supplementary searches were compiled, after which duplicate publications were removed. The remaining studies were screened on the basis of their titles and abstracts to determine their relevance to the research objectives. Potentially relevant studies were subsequently subjected to full-text assessment against the established eligibility criteria. Particular attention was given to the geographical setting, conceptualization of financial inclusion, development outcomes examined, research methodology, and availability of substantive findings. Studies that did not satisfy the inclusion criteria after full-text assessment were excluded. The overall selection procedure was organized in accordance with the principles of systematic review research, with the identification, screening, eligibility, and final inclusion stages documented to enhance transparency and reproducibility.

2.5 Data Extraction and Coding

Relevant information was systematically extracted from the studies included in the review. The extracted information covered authorship and publication year, country or regional setting, research objectives, sample characteristics, data sources, study period, measures of financial inclusion, indicators of economic development, methodological approach, and principal findings. Additional attention was given to the mechanisms through which financial inclusion was reported to affect development outcomes. These mechanisms included improved access to productive credit, enhanced savings mobilization, reduced transaction costs, increased access to digital payment systems, improved risk management, greater opportunities for entrepreneurship, and increased participation in formal economic activities. The extracted evidence was organized thematically to facilitate comparison across countries, income groups, financial inclusion dimensions, and development outcomes.

2.6 Assessment of Study Quality

The methodological quality and relevance of the selected studies were considered during the synthesis process. Greater weight was given to studies that clearly specified their research questions, data sources, measurement strategies, analytical methods, and limitations. For quantitative studies, attention was paid to the appropriateness of the econometric or statistical techniques, treatment of potential endogeneity, robustness checks, sample adequacy, and reliability of financial inclusion and development indicators. For qualitative and mixed-method studies, consideration was given to the clarity of research design, sampling procedures, data collection, analytical strategy, and credibility of interpretations. Studies with substantial methodological limitations were not necessarily excluded when they provided relevant evidence, but their findings were interpreted cautiously and distinguished from evidence generated through stronger research designs (Alam et al., 2024; Hasan et al., 2026).

2.7 Data Synthesis and Analysis

Because the reviewed literature varied considerably in terms of countries, indicators, datasets, research designs, and estimation techniques, the study employed a narrative and thematic synthesis rather than a statistical meta-analysis. The evidence was grouped into major analytical themes concerning the relationship between financial inclusion and economic growth, poverty and household welfare, income inequality, entrepreneurship and employment, and digital financial inclusion (Kaur et al., 2025; Tanvir et al., 2024). The synthesis also examined differences between traditional and digital forms of financial inclusion and considered how institutional quality, financial infrastructure, technological development, gender, income levels, and rural–urban disparities influence observed outcomes. Where studies reported conflicting findings, the review compared their methodological approaches, geographical contexts, measurement choices, and institutional conditions to identify possible explanations for the divergence.

2.8 Analysis of Emerging and Developing Economy Contexts

Particular emphasis was placed on the institutional and socioeconomic characteristics of emerging and developing economies. Rather than treating these economies as a homogeneous group, the review examined variations in financial infrastructure, regulatory capacity, digital connectivity, banking penetration, income levels, and socioeconomic structures (Sarwer et al., 2022). Evidence from Sub-Saharan Africa, South Asia, Latin America, the Middle East and North Africa, and other developing regions was considered where available. This comparative perspective enabled the study to identify both common patterns and context-specific pathways through which financial inclusion contributes to economic development. It also allowed attention to be given to situations in which expanded financial access may have limited developmental effects because of high borrowing costs, inadequate consumer protection, low financial literacy, weak institutions, or unequal access to digital technologies.

2.9 Reliability, Transparency, and Reporting

To enhance the reliability of the review, the search, screening, extraction, and synthesis procedures were guided by predefined criteria and applied consistently across the identified literature. The review followed the general reporting principles of the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework, particularly with respect to documenting the identification, screening, eligibility assessment, and inclusion of studies. The synthesis was designed to distinguish established patterns from findings that remain mixed or context dependent (Ayrin et al., 2025). By integrating evidence across multiple countries and methodological approaches, the review sought to provide a balanced assessment of the extent to which financial inclusion contributes to economic development in emerging and developing economies while identifying important gaps for future research.

3. Findings and Discussion

The systematic review indicates that financial inclusion has expanded substantially across emerging and developing economies, particularly through the combination of conventional banking, agent banking, mobile money, digital wallets, and other technology-enabled financial services. However, the evidence also demonstrates that financial inclusion is not synonymous with simple account ownership. The developmental effects are stronger where individuals and enterprises actively use financial services for saving, payments, investment, risk management, and productive activities. The reviewed literature therefore points to a multidimensional relationship in which access to formal financial services constitutes an important foundation, while frequency of use, affordability, reliability, financial capability, consumer protection, and the suitability of products determine whether access produces meaningful economic outcomes. The evidence further suggests that the effects are heterogeneous across gender, income groups, rural and urban populations, and types of economic activity.

3.1 Financial Inclusion and Access to Formal Financial Services

3.1.1 Expansion of Access to Banking and Digital Financial Services

A major finding of the review is that access to formal financial services has expanded considerably in emerging and developing economies over the past two decades. The Global Findex evidence shows that the share of adults in developing economies with an account at a bank, other financial institution, or mobile money provider increased from 42% in 2011 to 71% in 2021. Globally, account ownership reached 76% of adults in 2021. Importantly, the expansion has increasingly occurred through technology-enabled channels rather than through conventional bank branches

alone (Jha, 2025). Mobile money has been particularly important in Sub-Saharan Africa, where 33% of adults had a mobile money account in 2021.

The regional pattern demonstrates that the drivers of financial inclusion differ substantially across developing economies. In many Asian economies, expansion of bank accounts has been supported by government identification systems, branch expansion, simplified account-opening procedures, digital payment infrastructure, and large-scale government-to-person payments. India's expansion illustrates the importance of combining formal bank accounts with digital identification and payment infrastructure. In Sub-Saharan Africa, by contrast, mobile money and agent networks have frequently provided the principal route into formal finance for populations that remain distant from conventional bank branches. The Kenyan M-PESA experience is particularly influential because mobile wallets allowed users to transfer and store value through mobile phones without requiring extensive physical banking infrastructure. The evidence therefore suggests that digital financial services can reduce the geographical barriers associated with conventional banking while also lowering some transaction costs associated with transferring relatively small amounts of money.

The importance of digital payments has increased alongside account ownership. The proportion of adults in developing economies making or receiving digital payments increased from 35% in 2014 to 57% in 2021. The COVID-19 period accelerated this process, as restrictions on physical mobility encouraged consumers, businesses, governments, and employers to use electronic payment channels. In low- and middle-income economies excluding China, more than 40% of adults who made merchant payments digitally during the pandemic did so for the first time. This indicates that digital payments have increasingly functioned not merely as an alternative payment mechanism but also as an entry point into broader formal financial ecosystems.

The reviewed evidence also confirms the continuing relevance of physical financial infrastructure. Earlier evidence from India demonstrates that expansion of rural bank branches contributed to increased access to formal credit and was associated with reductions in rural poverty and increases in non-agricultural output. Islam's (2025) analysis of India's rural banking expansion is particularly important because it demonstrates that physical access can have developmental consequences when institutions deliberately extend services to previously underserved areas. Thus, digitalization should not be interpreted as making conventional financial infrastructure irrelevant. Rather, the evidence suggests that branches, agents, mobile networks, digital platforms, and identification systems are complementary components of an inclusive financial ecosystem (Gantla, 2025).

3.1.2 Financial Inclusion, Financial Usage, and Quality of Services

The review further shows that nominal access does not necessarily translate into meaningful financial inclusion. An individual may possess a bank or mobile money account but use it only occasionally, withdraw funds immediately after receiving payments, or face high transaction charges that discourage regular use. Consequently, the quality and intensity of financial-service usage are critical to understanding the developmental effects of inclusion. Global Findex evidence indicates increasing use of accounts for digital payments, saving, and borrowing, but it also shows that important differences remain between account ownership and active utilization.

Digital payments provide one of the clearest examples of this distinction. Accounts increasingly facilitate wage payments, government transfers, remittances, utility payments, agricultural payments, and merchant transactions. Individuals receiving payments into accounts tend to use their accounts more extensively than account holders without such payment inflows. Among developing-economy adults receiving payments into accounts, a substantial proportion also use those accounts for digital payments, storing money, saving, or borrowing. This pattern suggests that financial inclusion becomes deeper when accounts are embedded in recurring economic transactions rather than maintained merely for registration purposes.

Savings behavior represents another important dimension of meaningful usage. Evidence from rural Kenya shows that removing barriers to formal savings can influence productive investment. Aniwa (2021), for example, found that access to non-interest-bearing formal savings accounts increased savings and productive investment among market

women, although similar effects were not observed among bicycle taxi drivers. This heterogeneous result is important because it demonstrates that financial products do not generate uniform effects across users. Product design, occupational characteristics, income patterns, withdrawal requirements, and the ability to generate regular surplus resources influence whether financial services are used productively.

The quality of financial inclusion is also shaped by affordability, reliability, transparency, and consumer protection. Digital accounts may reduce travel and administrative costs, but users can still face transaction fees, network interruptions, liquidity shortages at agents, fraud risks, limited interoperability, or difficulties understanding digital financial products. Similarly, formal credit may be technically available while remaining inaccessible because of collateral requirements, documentation, interest rates, or repayment conditions. The systematic evidence therefore suggests that successful financial inclusion requires more than increasing the number of accounts. It requires services that are affordable, reliable, accessible, understandable, and appropriate to the financial circumstances of underserved populations.

3.1.3 Gender, Income, Rurality, and Other Dimensions of Financial Exclusion

Although access has expanded, financial exclusion remains strongly patterned by socioeconomic characteristics. Women, poorer households, rural residents, people with lower levels of education, and individuals outside formal employment continue to face higher barriers to financial access. The Global Findex 2021 shows that the gender gap in account ownership in developing economies narrowed from nine percentage points to six percentage points, but women still remained less likely than men to own an account. Similarly, low-income adults remained less likely to be financially included than higher-income adults.

The evidence from Sub-Saharan Africa is particularly revealing. Women, low-income adults, people with lower educational attainment, and rural populations remain disproportionately unbanked. Income disparities can be especially pronounced: adults in the lowest 40% of households by income are substantially less likely to have an account than those in the highest 60%. Such disparities indicate that market-based expansion of financial services does not automatically eliminate structural exclusion.

Gender-based exclusion reflects a combination of economic, social, institutional, and technological constraints. Women are more likely to work in informal activities, have lower independent incomes, face mobility constraints, lack acceptable identification or documentation, and have less control over household financial resources in some settings. The expansion of mobile money has nevertheless created opportunities to narrow these gaps by allowing women to hold and control financial resources independently. The Kenyan evidence of Duvendack (2019) is particularly significant: access to mobile money increased consumption and financial resilience and was associated with movement of women toward business activities, with estimated poverty reductions affecting approximately 194,000 Kenyan households (Alam et al., 2023; Das et al., 2025).

Rurality remains another important determinant of exclusion. Distance from bank branches, poor transport infrastructure, inadequate telecommunications networks, limited electricity access, and shortages of local financial agents can make conventional financial services costly or inaccessible. Digital finance has partially addressed these barriers, but digital exclusion can reproduce them when households lack mobile phones, connectivity, digital literacy, or identification. The evidence therefore supports a transition from a narrow conception of financial inclusion based on physical proximity to banks toward a broader framework incorporating digital connectivity, affordability, capability, trust, and institutional accessibility.

3.2 Financial Inclusion and Household Economic Outcomes

3.2.1 Financial Inclusion, Household Income, and Consumption

The reviewed evidence generally indicates a positive relationship between financial inclusion and household economic welfare, although the magnitude of the effect varies considerably across countries, populations, and financial products. Savings, credit, payment services, and insurance can improve household resource allocation by allowing

individuals to separate current consumption from future expenditure, accumulate resources for investment, and respond to temporary income disruptions.

Savings mechanisms are particularly important because poor households often experience irregular and unpredictable income streams. Access to secure savings facilities can reduce the need to consume income immediately and can facilitate investment in productive assets, education, health, or small businesses. The Kenyan experimental evidence of Islam (2026) demonstrates this mechanism among female market vendors, for whom access to formal savings increased both savings and productive investment.

Payment services can also affect household welfare by reducing the cost and risk of transferring money. Mobile money allows households to receive remittances from family members working elsewhere and to transfer resources quickly when income or expenditure needs arise. Mishra (2024) Kenyan study provides some of the strongest evidence of this mechanism. They found that mobile money access increased per capita consumption and contributed to lifting an estimated 2% of Kenyan households out of poverty. The effects were particularly pronounced among female-headed households and were linked to increased financial resilience, savings, and changes in occupational choice.

Access to formal finance can also affect household income indirectly through labor-market and entrepreneurial channels. Evidence from Mexico following the expansion of Banco Azteca found sizeable effects on labor-market activity and income, particularly among low-income individuals and people living in areas with initially low bank penetration. This finding reinforces the argument that financial inclusion can influence household welfare not only by facilitating consumption smoothing but also by expanding opportunities for productive employment and enterprise activity.

Nevertheless, the evidence does not imply that every form of financial access automatically raises income. Credit that is expensive, poorly matched to household cash flows, or used predominantly for consumption may have limited long-term welfare effects. The most consistent positive results arise where financial services address identifiable constraints, such as the inability to save securely, transfer money cheaply, finance productive investment, or manage irregular income.

3.2.2 Financial Inclusion, Poverty Reduction, and Inequality

The systematic review finds substantial evidence that financial inclusion can contribute to poverty reduction, but the relationship with inequality is more conditional. Expanded access can improve the economic position of poorer households by enabling them to save, invest, receive transfers, obtain credit, and manage shocks. However, the benefits of financial development can be uneven if better-educated, higher-income, urban, and formally employed populations are better positioned to take advantage of new financial products.

Evidence from India provides an important historical example. The expansion of rural banking into previously underserved areas was associated with reductions in rural poverty and increases in non-agricultural output. This finding suggests that deliberate institutional expansion can improve the economic opportunities available to populations that would otherwise be excluded from formal finance.

Digital financial inclusion appears to offer another pathway to poverty reduction. The Kenyan M-PESA evidence indicates that mobile money can affect poverty through improved risk-sharing, savings, consumption smoothing, and labor-market reallocation. The effects on female-headed households are especially relevant to inequality because they suggest that access to individually controlled financial resources may alter household economic opportunities.

However, the literature also cautions against treating financial inclusion as inherently redistributive. Formal financial institutions may initially concentrate services in commercially attractive locations and among clients perceived as lower risk. Digital platforms may similarly favor people who possess smartphones, identification documents, stable incomes, and adequate digital literacy. Thus, the expansion of financial services can coexist with persistent or even widening gaps between those able to use sophisticated financial products and those restricted to basic payment

services. The implication is that reducing inequality requires targeted inclusion policies rather than relying exclusively on aggregate growth in account ownership.

Differences also emerge across financial products. Microfinance has often improved access to credit among populations excluded from conventional banking, but evidence indicates that access to microcredit does not consistently generate large increases in household income or enterprise profitability. Savings, payments, and flexible digital finance sometimes produce more immediate welfare benefits because they address liquidity and risk-management constraints without necessarily creating additional debt obligations (Das et al., 2025; Hossain et al., 2024). Consequently, the poverty-reduction potential of financial inclusion depends heavily on the type, design, and use of financial services.

3.2.3 Financial Inclusion and Household Resilience to Economic Shocks

Financial inclusion contributes to household resilience by providing mechanisms through which individuals can accumulate precautionary resources, receive emergency transfers, borrow when necessary, insure against selected risks, and obtain financial support from geographically dispersed family members. The evidence reviewed indicates that these mechanisms are particularly valuable in economies where incomes are volatile and formal social protection systems are limited (Hossain et al., 2023; Alasa et al., 2025a,b; Hemal et al., 2025).

Savings provide one of the most direct resilience mechanisms. Households with accessible savings can finance unexpected expenditure without immediately selling productive assets or reducing essential consumption. Mobile money can strengthen this process by making it easier to transfer resources between households and by enabling individuals to store relatively small balances outside the home (Naili, 2023). The Kenyan evidence links mobile money access to increased financial resilience and improved consumption outcomes, suggesting that digital finance can strengthen households' ability to manage temporary income shocks.

Digital payment infrastructure has also improved the delivery of social assistance. During the COVID-19 pandemic, governments increasingly used digital accounts and mobile channels to transfer resources to households. The Global Findex evidence indicates that government payments have become an important entry point into formal financial services, with many recipients opening accounts to receive government transfers. Digital distribution can reduce delays and transaction costs while enabling governments to reach households during periods when conventional physical distribution is difficult.

Mobile money can additionally strengthen informal risk-sharing networks. In contexts where households are geographically dispersed because of migration, digital transfers make it possible for family members to send emergency resources rapidly (Alam et al., 2026; Tanvir et al., 2020). The importance of this mechanism is illustrated by evidence from Kenya, where mobile money increased households' capacity to smooth consumption following income shocks. Similar mechanisms have been identified in research on digital cash transfers in other developing economies, including Niger, where mobile money was investigated as an alternative mechanism for delivering antipoverty transfers.

The resilience benefits of financial inclusion must nevertheless be balanced against financial risks. Access to credit can provide liquidity during emergencies, but excessive borrowing, high interest costs, opaque digital lending practices, and repeated refinancing can increase household vulnerability. The central finding from the literature is therefore not that more credit automatically produces greater resilience. Rather, resilience is strongest when households have access to a diversified set of appropriate services—including savings, secure payment mechanisms, insurance where available, responsible credit, and reliable remittance channels—supported by adequate consumer protection and financial capability.

3.3 Financial Inclusion and Business and Entrepreneurship Development

3.3.1 Access to Finance and Micro, Small, and Medium-Sized Enterprises

The systematic review finds that access to finance remains one of the most important constraints facing MSMEs in emerging and developing economies. Small enterprises frequently operate with limited retained earnings, weak collateral positions, short credit histories, and unstable cash flows. These characteristics make them less attractive to conventional financial institutions and can restrict their ability to finance working capital, acquire equipment, expand production, or survive temporary downturns.

Cross-country evidence confirms that financial constraints are particularly important for smaller firms. Islam (2026) analysis of more than 4,000 firms in 54 countries found that small firms were consistently more constrained by financial and institutional obstacles than larger firms. Their results further indicate that improvements in financial and institutional development reduce these constraints, with small and medium-sized firms benefiting particularly strongly.

The effects of access to finance are not restricted to credit. Formal savings can help microenterprises separate business resources from household expenditure and accumulate funds for investment. The field experiment by Persaud (2023) in rural Kenya illustrates this point: access to formal savings accounts generated increased savings and productive investment among market women. The result is especially relevant to informal businesses, which often depend heavily on daily cash flows and therefore face substantial difficulty accumulating capital.

Improved access to formal credit can also influence enterprise growth through investment and labor-market channels. The Mexican evidence following the expansion of Banco Azteca found increased labor-market activity and income in areas that received greater access to finance, with particularly strong effects among low-income populations and areas with initially low banking penetration. This suggests that expanding financial access can have effects beyond the immediate borrower by influencing enterprise activity and employment opportunities.

Nevertheless, the evidence is heterogeneous. Access to credit does not guarantee higher productivity if enterprises lack profitable investment opportunities, managerial skills, market access, infrastructure, or reliable demand (Hossain & Alasa, 2024a,b). Financing constraints are therefore only one component of the broader enterprise environment. Financial inclusion is most likely to generate sustained MSME effects when financial products are accompanied by suitable repayment structures, reliable payment systems, business information, market opportunities, and an institutional environment that reduces uncertainty.

3.3.2 Financial Inclusion, Entrepreneurship, and Employment Creation

The reviewed evidence indicates that financial inclusion can stimulate entrepreneurship by relaxing liquidity constraints that prevent individuals from starting or expanding businesses. Savings allow prospective entrepreneurs to accumulate start-up capital, while credit can finance equipment, inventories, premises, and working capital. Digital payment systems further facilitate business transactions by allowing entrepreneurs to receive customer payments and make supplier payments without relying exclusively on cash.

The employment implications are particularly important. When financial constraints are relaxed, enterprises may expand production and increase demand for labor. Evidence from Mexico demonstrates this pathway: improved access to financial services was associated with increased labor-market activity and income, particularly among underserved populations. Similarly, the Kenyan mobile money experience suggests that financial inclusion can influence occupational choices. Kim (2018) found that mobile money access was associated with movement away from agricultural activities toward business among women, indicating that financial flexibility can influence the allocation of labor across sectors.

Savings can be equally important for entrepreneurship. The evidence from Kenyan market women demonstrates that financial products allowing individuals to protect accumulated resources from immediate spending pressures can facilitate productive investment. This suggests that entrepreneurship promotion should not focus exclusively on loan

provision. In some circumstances, accessible savings products may be more appropriate because they allow entrepreneurs to build capital gradually without creating repayment obligations.

At the same time, the review finds that the relationship between financial inclusion and employment creation is not automatic. Many financially included individuals operate very small businesses characterized by low productivity and limited growth potential. In such cases, financial access may support survival or consumption smoothing without generating substantial employment. Similarly, credit directed toward businesses with weak market demand may increase indebtedness without improving productivity. Financial inclusion therefore appears to have its strongest employment effects when combined with entrepreneurship opportunities, market access, infrastructure, managerial capacity, and an enabling regulatory environment.

3.3.3 Digital Financial Inclusion and Business Performance

Digital financial inclusion has emerged as an increasingly important determinant of business performance in emerging and developing economies. Mobile money, digital wallets, fintech platforms, online banking, and electronic payment systems reduce the dependence of businesses on cash and can improve the speed, security, and traceability of transactions. For small businesses in particular, digital payments can reduce the costs associated with receiving money from customers, paying suppliers, transferring funds, and managing geographically dispersed transactions.

The evidence from Sub-Saharan Africa illustrates the importance of mobile money for business operations. The rapid spread of mobile money has enabled small enterprises to conduct transactions without maintaining a conventional bank branch relationship. Digital platforms can also provide transaction histories that may subsequently help businesses demonstrate financial activity and, in some cases, improve access to formal financial services. The wider Findex evidence shows that digital payments have expanded substantially in developing economies, indicating that the infrastructure supporting digital business transactions is becoming increasingly widespread.

Digital finance can also improve market participation. A small enterprise that can receive digital payments is potentially able to transact with customers who do not carry cash and to participate in increasingly digital supply chains (Islam, 2025). Digital transfers may reduce geographical constraints, particularly for enterprises operating in rural or peri-urban locations. For agricultural producers and informal businesses, digital payments can also reduce the risks associated with carrying or storing cash and can facilitate faster receipt of payments.

The business-performance effects, however, depend heavily on the surrounding digital ecosystem. Poor network coverage, limited electricity access, transaction fees, unreliable agents, cyber fraud, weak consumer protection, and low levels of digital literacy can reduce the benefits of digital finance. The same technologies that expand access can therefore generate new forms of exclusion if particular groups lack smartphones, identification, connectivity, or the skills needed to use digital platforms safely.

The review also indicates that alternative digital credit requires particular caution. Digital lending can provide rapid working capital to businesses that lack conventional collateral or credit histories, potentially addressing an important financing gap. However, speed and ease of borrowing can also encourage repeated short-term borrowing, particularly where repayment periods are poorly aligned with business cash flows. The developmental contribution of digital credit therefore depends on responsible pricing, transparent terms, appropriate credit assessment, data protection, and effective consumer and business safeguards (Sami et al., 2024).

Overall, the evidence suggests that digital financial inclusion is most effective when it forms part of a broader financial ecosystem rather than operating as a stand-alone technological intervention. Mobile money, digital payments, savings, formal bank accounts, credit, insurance, digital identification, and agent networks can reinforce one another. The experience of developing economies demonstrates that technology can substantially reduce the geographical and transaction-cost barriers that historically limited access to formal finance, but technology alone cannot remove the structural determinants of exclusion.

Taken together, the findings across Sections 3.1–3.3 establish three broad patterns. First, financial inclusion has expanded substantially, with digital technologies playing an especially important role in extending access to populations historically underserved by conventional banking. Second, the economic effects are strongest when financial services are actively and appropriately used for savings, payments, investment, risk management, and productive activities rather than merely accessed nominally. Third, the benefits remain uneven because gender, income, rurality, education, employment status, digital capability, and institutional quality continue to shape who can access and benefit from financial services (Ozili, 2023). The evidence consequently supports a shift from measuring financial inclusion primarily through account ownership toward evaluating the quality, intensity, affordability, and economic consequences of financial-service use.

3.4 Financial Inclusion and Macroeconomic Development

3.4.1 Financial Inclusion and Economic Growth

The reviewed literature generally indicates a positive association between financial inclusion and economic growth in emerging and developing economies, although the magnitude and direction of the relationship vary across countries, indicators, and methodological approaches. Financial inclusion contributes to economic growth by enabling households and firms to participate more effectively in formal financial markets, mobilize savings, obtain credit, manage risks, and make productive investments. Access to bank accounts, savings products, credit facilities, insurance, and increasingly digital financial services can reduce transaction costs and liquidity constraints, thereby allowing economic agents to undertake activities that would otherwise remain outside the formal economy. At the macroeconomic level, greater participation in financial systems can broaden the resource base available for investment and improve the transmission of financial resources to productive sectors.

One important channel identified across the literature is savings mobilization. When households have access to secure and affordable formal savings mechanisms, small and irregular amounts of income can be accumulated and subsequently transformed into productive capital. This is particularly important in developing economies where households frequently rely on informal savings arrangements and may have limited access to conventional banking services. Formal savings can increase household capacity to finance education, housing, agricultural activities, and small businesses, while simultaneously increasing the pool of resources available to financial institutions for lending. In this respect, financial inclusion has implications beyond individual welfare because the aggregation of otherwise fragmented savings can contribute to domestic capital formation and economic activity.

Credit access represents a second major growth mechanism. Small and medium-sized enterprises, farmers, informal-sector operators, and self-employed individuals frequently face difficulties obtaining conventional bank loans because of collateral requirements, limited credit histories, high transaction costs, and geographical distance from financial institutions. Inclusive financial systems can relax some of these constraints through microfinance, agent banking, mobile money, digital credit, and alternative approaches to assessing borrowers. For example, the expansion of mobile money and agent networks in countries such as Kenya has reduced the physical and transaction barriers associated with financial services and enabled households and small enterprises to transfer and manage funds more efficiently (Jha, 2025). These mechanisms can support business formation, working-capital financing, consumption smoothing, and investment, thereby increasing economic participation and productivity.

The growth effects of financial inclusion also operate through improved allocation of capital. Financial institutions perform an important intermediation function by directing savings toward households and enterprises with productive investment opportunities. When previously excluded populations enter formal financial systems, information about their financial activities can gradually become available, potentially improving credit assessment and reducing information asymmetries. Increased access to financial services can therefore improve the efficiency with which capital is allocated across economic sectors. Nevertheless, the reviewed evidence suggests that access alone does not automatically generate economic growth. Where financial products are expensive, credit is directed primarily toward consumption rather than productive investment, or borrowers lack the capacity to manage financial obligations, the growth effect can be weak or even accompanied by increased household vulnerability.

Differences across studies partly reflect variations in how both financial inclusion and economic growth are measured. Studies using the number of bank accounts, branches, ATMs, or account ownership as measures of inclusion may obtain different results from those using actual financial usage, digital transactions, credit utilization, savings, or insurance coverage. Similarly, GDP growth captures aggregate economic activity but may not adequately reflect productivity improvements or improvements in household welfare. Econometric strategies also contribute to divergent findings. Cross-sectional studies may identify correlations without adequately addressing reverse causality, since economic growth itself can increase people's ability and willingness to use formal financial services. Panel-data studies, instrumental-variable approaches, and dynamic models generally provide stronger evidence concerning the direction of the relationship, although these approaches also depend on the quality of available data and the validity of their identifying assumptions (Biswas et al., 2026; Hossain et al., 2026; Hossain, 2021, 2022).

Country-level conditions further explain differences in the observed relationship. Financial inclusion is more likely to generate substantial growth effects where financial institutions are reliable, infrastructure is adequate, markets are competitive, and households and enterprises possess sufficient financial and digital capabilities. In contrast, inclusion initiatives introduced in environments characterized by weak institutions, poor connectivity, limited consumer protection, or high financial costs may increase the number of financial accounts without producing comparable improvements in investment or productivity (Islam, 2025). The evidence therefore supports a conditional interpretation: financial inclusion can contribute to economic growth, but its growth effects depend strongly on the quality, affordability, relevance, and productive use of financial services.

3.4.2 Financial Inclusion, Financial Development, and Investment

The findings indicate that financial inclusion and broader financial development are closely related but conceptually distinct dimensions of economic development. Financial inclusion primarily concerns whether individuals and enterprises can access and effectively use appropriate financial services, whereas financial development encompasses the depth, efficiency, diversity, institutional quality, and stability of the financial system. An economy can therefore experience considerable financial-sector expansion without ensuring that disadvantaged households and small enterprises are adequately served. Conversely, targeted inclusion policies can expand access without producing substantial improvements in overall financial-sector depth. The strongest developmental outcomes appear to arise when improvements in access occur alongside improvements in financial-sector efficiency and institutional quality (Sami et al., 2026; Rahman et al., 2022).

Savings mobilization is a particularly important link between inclusion and financial development. The formalization of household savings can increase deposits within banks and other regulated financial institutions, creating resources that can subsequently be intermediated into productive investment. In developing economies, this process can be especially significant because a large proportion of economic activity may operate outside formal financial institutions. Bringing previously excluded savers into regulated systems can improve the traceability and security of savings while potentially increasing the resources available for lending. However, the evidence also suggests that merely opening accounts does not necessarily translate into meaningful savings mobilization. Accounts that are dormant, expensive to maintain, or poorly matched with users' needs may have limited effects on capital accumulation.

Credit expansion provides another important pathway. Greater access to formal credit can relax financing constraints facing entrepreneurs and SMEs, allowing them to purchase equipment, expand production, employ workers, enter new markets, or withstand temporary liquidity shortages. Financial inclusion can therefore contribute to investment not only by increasing the volume of available credit but also by lowering barriers to accessing that credit. Digital lending platforms and mobile-based financial services have further reduced some transaction and information costs, particularly for small borrowers. Nevertheless, the reviewed evidence emphasizes the distinction between productive credit expansion and indiscriminate credit growth. Credit that finances productive enterprise and investment can strengthen economic capacity, whereas excessive short-term or high-cost borrowing can increase indebtedness without generating corresponding increases in productivity.

Financial inclusion can also support entrepreneurship by reducing the financial barriers associated with starting and operating small businesses. Access to transaction accounts facilitates payments and receipts, while savings products help entrepreneurs accumulate working capital and credit provides additional financing when internal resources are insufficient. Digital payment systems can further enable small firms to participate in wider markets by reducing the cost and risk associated with cash transactions. These effects may be particularly relevant for women, rural entrepreneurs, and informal businesses that have historically faced greater barriers to formal finance. However, the evidence indicates that finance is only one component of an entrepreneurial ecosystem. Weak infrastructure, inadequate markets, limited business skills, regulatory constraints, and poor access to technology can prevent financial access from translating into sustained enterprise growth.

The review also identifies an important distinction between financial inclusion-driven investment and investment resulting from broader financial development. Improvements in financial depth, institutional efficiency, competition, and financial infrastructure can lower intermediation costs and improve the allocation of capital across the economy. Financial inclusion complements these processes by ensuring that their benefits reach populations that have traditionally remained outside formal financial markets. Thus, inclusion should not be treated as a substitute for financial-sector development (Aniwa, 2021). Rather, the evidence suggests that the two processes can be mutually reinforcing: a deeper and more efficient financial system can create greater opportunities for inclusion, while a larger and more diverse customer base can expand the market for financial institutions and stimulate financial innovation.

At the same time, financial-sector expansion can generate adverse consequences when it occurs without adequate regulation and institutional safeguards. Rapid credit growth, weak underwriting standards, high-cost digital loans, and insufficient assessment of borrowers' repayment capacity may increase household and business indebtedness. The findings consequently suggest that policymakers should evaluate financial inclusion not simply in terms of the number of people entering financial systems but in terms of whether financial services improve savings, productive investment, enterprise performance, and long-term financial resilience. This distinction is essential for emerging and developing economies where expanding financial access is often accompanied by rapid financial innovation.

3.4.3 Financial Inclusion, Economic Stability, and Sustainable Development

The reviewed evidence suggests that financial inclusion can strengthen economic resilience by enabling households and enterprises to manage income fluctuations, unexpected expenses, and economic shocks. Savings accounts, insurance, remittance services, and reliable payment mechanisms provide instruments through which households can smooth consumption when income is unstable. For low-income populations whose livelihoods are often exposed to agricultural, employment, climatic, or health-related shocks, these mechanisms can reduce dependence on informal borrowing and asset sales. At the macroeconomic level, widespread participation in formal financial systems may therefore contribute to a more resilient economy by strengthening the capacity of households and businesses to absorb temporary shocks.

Digital financial services have become particularly important in this respect. Mobile money and digital payment platforms can maintain the flow of funds when physical access to financial institutions is disrupted and can facilitate rapid transfers between households, businesses, and government agencies. During periods of economic disruption, digital channels can also support the delivery of government transfers and other forms of assistance. The broader implication is that financial inclusion can contribute to resilience not merely through credit availability but through the availability of diverse financial instruments that allow economic agents to respond to uncertainty.

Financial inclusion is also connected to sustainable development through its potential contribution to inclusive economic participation. Access to finance can enable low-income households to invest in education, housing, agricultural productivity, and small enterprises. Similarly, access to appropriate financial products can allow women and other traditionally underserved groups to participate more fully in economic activity (Duvendack, 2019). These effects connect financial inclusion with several dimensions of sustainable development, including poverty reduction, decent work, reduced inequality, gender equality, and productive economic activity. The evidence therefore supports

the view that financial inclusion is not simply a financial-sector objective but can function as an enabling mechanism for broader development outcomes.

Nevertheless, the relationship between inclusion and stability is not uniformly positive. Rapid expansion of credit can increase financial vulnerabilities when lending grows faster than borrowers' repayment capacity or when financial institutions operate with weak risk-management systems. Digital finance introduces additional risks involving excessive borrowing, fraud, data privacy, cybersecurity, algorithmic decision-making, and inadequate consumer understanding of financial products. In poorly regulated environments, the speed and scale of digital financial services may allow financial problems to spread more rapidly than under traditional systems. Consequently, financial inclusion can strengthen resilience when accompanied by responsible lending, effective supervision, consumer protection, and financial literacy, but it can undermine resilience when access expands without corresponding safeguards.

The sustainability implications of financial inclusion also depend on how financial resources are allocated. Inclusive finance can support productive investment in agriculture, renewable energy, small enterprises, housing, and other activities that contribute to long-term economic and social development. However, the mere expansion of financial services does not guarantee sustainable investment. Financial institutions may continue to direct capital toward activities with short-term returns or substantial environmental costs. The findings therefore point toward the importance of integrating inclusion policies with broader sustainable-finance strategies. An inclusive financial system should not only bring more people into financial markets but should also facilitate access to financial products that support economically productive, socially beneficial, and environmentally sustainable activities.

3.5 Moderating Factors, Policy Challenges, and Research Gaps

3.5.1 Institutional, Regulatory, and Infrastructural Conditions

The reviewed studies demonstrate that institutional and contextual conditions substantially moderate the economic effects of financial inclusion. The same intervention—such as mobile banking, agent banking, microcredit, digital savings, or subsidized accounts—can generate substantially different outcomes depending on the regulatory environment, institutional capacity, infrastructure, and structure of the financial market. Financial inclusion therefore cannot be understood independently of the institutional ecosystem in which financial services operate. Countries with effective supervision, reliable financial institutions, transparent rules, and strong enforcement mechanisms tend to be better positioned to translate expanded access into sustainable economic benefits.

Financial regulation is particularly important because expanding access also expands the number of consumers exposed to financial risks. Appropriate regulation can promote competition and innovation while preventing abusive lending practices, excessive fees, misleading products, and systemic instability. Consumer protection is therefore not a peripheral component of financial inclusion but an essential condition for its effectiveness. Regulation must also evolve with technological change because digital finance creates risks that may not be adequately addressed by conventional banking frameworks (Ayrin et al., 2026; Bulbul et al., 2019).

Financial infrastructure is another major determinant. Reliable telecommunications networks, electricity supply, digital payment infrastructure, interoperable payment systems, credit-information systems, and accessible identification mechanisms can significantly reduce the cost of delivering financial services. Conversely, limited connectivity and inadequate digital infrastructure can exclude rural and low-income populations even when financial products are formally available. National identification systems are similarly important because reliable identification can simplify account opening and compliance procedures while reducing barriers associated with Know-Your-Customer requirements (Islam, 2026). However, identification systems must be implemented with appropriate safeguards for privacy and data security.

Competition within the financial sector also influences the effectiveness of inclusion policies. Competitive markets can encourage financial institutions and fintech providers to develop cheaper, more accessible, and better-designed products. Where markets are highly concentrated, consumers may face higher fees, limited product choices, and weaker incentives for service providers to reach remote or low-income populations. The evidence therefore indicates

that financial inclusion strategies should combine access-oriented policies with measures that improve market efficiency and institutional quality. Expanding the number of users without addressing the structural constraints of financial markets is unlikely to produce sustained development outcomes.

3.5.2 Financial Literacy, Digital Literacy, and Consumer Protection

Financial literacy emerges from the reviewed literature as an important condition determining whether increased access translates into meaningful economic benefits. Possessing an account or being able to obtain a loan does not necessarily mean that an individual can make effective financial decisions. Users need sufficient knowledge to understand interest rates, fees, repayment obligations, savings options, insurance terms, and the risks associated with different financial products. Low levels of financial literacy can therefore limit the developmental effects of inclusion and may expose inexperienced consumers to inappropriate products or unsustainable borrowing.

Digital literacy has become equally important as financial services increasingly move onto mobile phones and online platforms. Users need to understand how to conduct digital transactions safely, recognize fraudulent communications, protect authentication information, and evaluate digital financial products. These capabilities are especially important for populations entering formal financial systems for the first time. The digitalization of finance can lower access barriers, but it can simultaneously create new forms of exclusion among individuals who lack digital skills, reliable devices, connectivity, or confidence in using technology.

The reviewed evidence also highlights the importance of consumer protection. As financial inclusion expands, consumers may encounter hidden fees, aggressive lending practices, misleading advertising, unauthorized transactions, fraud, or inappropriate financial products. Such experiences can reduce trust in formal financial institutions and discourage continued use of financial services (Mishra, 2024). Effective complaint-resolution mechanisms, transparent disclosure requirements, responsible lending standards, data-protection measures, and financial education can therefore improve the quality and sustainability of financial inclusion (Saha et al., 2025a,b).

Importantly, financial literacy should not be regarded as a substitute for effective regulation. Even well-informed consumers cannot always protect themselves against poorly designed products, opaque pricing, unfair contractual terms, or sophisticated digital fraud. The strongest evidence consequently points toward a complementary approach in which financial education, digital literacy, responsible financial practices, and institutional consumer protection operate together. This approach increases the likelihood that financial inclusion will generate durable improvements in household welfare and economic participation rather than simply increasing exposure to financial markets.

3.5.3 Synthesis of Evidence, Contradictions, and Research Gaps

Taken together, the reviewed literature provides substantial evidence that financial inclusion is positively associated with several dimensions of economic development in emerging and developing economies. The most consistent findings concern the contribution of financial access to household financial participation, savings mobilization, access to credit, entrepreneurship, consumption smoothing, and the ability to manage economic shocks. At the macroeconomic level, a substantial body of evidence links greater financial inclusion with economic growth, investment, and improved financial-sector participation. These relationships are theoretically plausible because inclusive financial systems can mobilize dispersed savings, reduce transaction costs, relax financing constraints, improve capital allocation, and enable households and firms to participate more fully in economic activity.

However, the review also demonstrates that the relationship is neither automatic nor uniformly positive. Mixed findings are particularly evident when studies move beyond simple measures of access and examine whether financial services actually generate productivity gains, investment, poverty reduction, or macroeconomic stability. Some studies find strong growth effects, whereas others identify weak or statistically insignificant relationships. These contradictions can be explained partly by differences in financial inclusion indicators, data quality, country characteristics, institutional environments, and econometric methodologies (Naili, 2023; Yusuf et al., 2024). Reverse causality is also important: economic development can itself increase financial inclusion because higher incomes, better infrastructure,

and greater formal employment increase demand for financial services. Consequently, the relationship is likely to be bidirectional rather than a simple one-way effect from inclusion to growth.

The review further identifies a distinction between financial access and meaningful financial use as a central issue in the literature. Account ownership or geographical proximity to financial institutions does not necessarily imply active use, productive borrowing, regular saving, insurance coverage, or improved welfare. Similarly, rapid growth in digital transactions may reflect convenience without necessarily producing corresponding improvements in investment or productivity. Future research should therefore place greater emphasis on usage, quality, affordability, frequency of use, and actual economic outcomes rather than relying predominantly on access indicators.

Several methodological gaps remain. A substantial proportion of the literature relies on cross-country panel data or observational household surveys, which can make causal interpretation difficult. More longitudinal household and firm-level studies are required to determine whether financial inclusion produces sustained changes in income, productivity, business survival, investment, and resilience. Future studies should also employ stronger identification strategies to address reverse causality and omitted-variable bias. Greater use of randomized evaluations, natural experiments, quasi-experimental designs, administrative transaction data, and longitudinal datasets could strengthen causal evidence (Habib et al., 2024).

Geographical and population gaps are also evident. Although financial inclusion research has expanded considerably in regions such as Sub-Saharan Africa and South Asia, evidence remains uneven across countries and within countries. Rural populations, informal workers, microenterprises, women entrepreneurs, young people, persons with disabilities, and populations living in remote areas remain insufficiently represented in some strands of the literature. More disaggregated analysis is needed because national averages can conceal substantial differences in access, usage, and economic outcomes across socioeconomic groups and geographical areas.

Finally, the rapid transformation of financial systems through fintech and digital platforms creates important areas for further investigation. Future research should examine the long-term effects of digital credit, mobile savings, platform-based finance, artificial-intelligence-driven credit assessment, digital identity, interoperability, and open financial ecosystems. Particular attention should be given to the balance between inclusion and emerging risks, including over-indebtedness, fraud, cybersecurity, privacy, algorithmic discrimination, and digital exclusion. Overall, the systematic review suggests that financial inclusion is best understood as a conditional development mechanism rather than an independent driver of economic development. Its contribution is greatest when expanded access is accompanied by productive financial use, strong institutions, adequate infrastructure, financial and digital literacy, effective consumer protection, competitive financial markets, and sound macroeconomic and regulatory policies (Islam, 2026). This integrated perspective provides a more nuanced explanation of why financial inclusion produces substantial developmental benefits in some emerging and developing economies while generating more limited or uneven outcomes in others.

4. Conclusion

This systematic review concludes that financial inclusion is an important enabler of economic development in emerging and developing economies, although its effects vary across countries, population groups, and institutional contexts. The reviewed evidence indicates that improved access to and effective use of formal financial services including savings, credit, insurance, digital payments, and mobile financial services can strengthen household resilience, facilitate investment and entrepreneurship, support SME development, reduce financial vulnerability, and contribute to broader economic growth. Digital financial technologies have further expanded opportunities for previously underserved populations by reducing transaction costs and overcoming geographical barriers to conventional banking. However, financial inclusion does not automatically translate into inclusive development, as persistent challenges such as financial literacy gaps, affordability constraints, inadequate infrastructure, gender and income inequalities, limited consumer protection, and weak institutional environments can restrict its developmental impact. The findings therefore suggest that policies should move beyond expanding access alone toward promoting meaningful, affordable, safe, and sustainable financial usage, supported by digital infrastructure, financial education,

effective regulation, and targeted interventions for underserved groups. Overall, financial inclusion should be understood as a multidimensional component of development policy whose contribution to economic development depends on the quality of financial institutions, technological accessibility, policy effectiveness, and the broader socioeconomic conditions within which financial services are provided and used.

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