The International Journal of Business Management and Technology, Volume 8 Issue 4 July-August 2024
ISSN: 2581-3889

Research Article Open Access

The Role of Financial Inclusion in Poverty Reduction: A Review Study

Mohamed Ali Adam[1,2*], Dayah Abdi Kulmie[3]
[1]*PhD Student, United Nations University for Peace (U-Peace)*
[2]*Researcher, Benadir University, Mogadishu, Somalia*
[3]*Senior lecturer, Jamhuriya University of Science and Technology (JUST), Somalia*

Abstract: Financial inclusion is incredibly important. It refers to everyone having access to and effectively using affordable financial products and services. This review focusses on the role of financial inclusion as strategic tool in poverty reduction. The paper used a narrative approach to describe the nature and the significance of financial inclusion, and how in contributes to the poverty reduction. It describes poverty as a complex issue involving serious deprivation, social exclusion, and resource inequality, while financial inclusion is described as a crucial strategy for macroeconomic stability, fostering low-income families, reducing poverty, fostering job creation, and fostering economic growth. Contemporary records show that the world population has made progress in reducing poverty rates from 20% to 10%, but poverty levels remain high. Thus, this paper argues that financial inclusion is a key factor in reducing multidimensional poverty, increasing income equalities and reducing inequalities. To reduce poverty, governments should improve financial literacy and technology awareness among young people and impoverished communities. Financial institutions should improve access to finance and promote financial inclusion, enhancing social well-being. Collaboration between governments and communities is crucial for eradicating poverty. Establishing a policy and institutional framework is essential, maintaining income levels, meeting basic human needs, and minimizing external threats.

Keywords: Financial Inclusion, Access to Finance, Poverty, Inequalities, Poverty Reduction, Financial Literacy

I. Introduction

Financial inclusion in poverty reduction is a great concept, and the global research community finds it very interesting to observe the role of financial inclusion in poverty reduction or elimination, which is a very important initiative for economic development and GDP growth. Conceptually, financial inclusion refers to the formal access to bank accounts, credit cards, and savings accounts, which is crucial for low-income families and all segments of the population (Gyeke-Dako et al., 2017). Access to finance is a major challenge in developing countries, impacting economic development, individual earnings, community development, job creation, and business investments(Abdinur, 2022). African countries often face complexities in overcoming funding barriers and facing major financial issues while processing financing and saving for capital and market business investments (Yawovi, et al. 2023).

Basically, financial inclusion is used as a tool for macroeconomic stability, promoting low-income families, reducing poverty, job creation, and economic growth (Omar and Inaba, 2020). This aligns with the United Nations' Millennium Development Goals. However, lack of financial inclusion and literacy in vulnerable communities, such as women and entrepreneurs, contributes to increased poverty and low economic growth in several countries like Saharan African countries. From this, it is evident that financial inclusion is essential to economic growth, poverty alleviation, and entrepreneurship, but it is low in Sub-Saharan African countries. Private credit, bank deposits, and liquid liabilities make up 24.4%, 29.7%, and 35.3% of GDP, respectively, indicating that Sub-Saharan countries fall behind the global average of low-income countries (Nyantakyi & Sy, 2015). Thus, to close the gap, financial inclusion helps bridge the gap,

providing poor communities, households and individuals, access to financial resources and improving economic growth (Omar and Inaba, 2020).

The World Bank report (2016) highlights Africa as the poorest region, with over 50% of the world's population living in poverty. The report argue strongly that financial inclusion significantly impacts financial literacy engagement, reducing poverty, increasing living standards, job creation, and women's empowerment.

II. Methodology and Research Questions

This is a general review study, also sometimes called a narrative review. It is review method that examines existing research on a particular topic. It provides a broad overview of the field, summarizing the main findings and trends from various studies. Unlike a systematic review, a general review doesn't necessarily follow a strict protocol for searching and evaluating studies. Therefore, this study uses a general review, utilizing the existing literature from academic journals, policy papers, and case studies. This paper has the following objectives:

i. Define the term of financial inclusion, and sate the main goals of it?
ii. Why financial inclusion is important?
iii. What poverty is, and what are the poverty reduction Strategies?
iv. What is role of financial inclusion in poverty reduction?

These questions are answered in the following sections. The paper presents discussion on these issues and makes recommendations based on the analysis.

III. Financial Inclusion

3.1 Concept of Financial Inclusion

The current literature on financial inclusion presents various perspectives, but it appears to share consistent information content (Zubair Khan et al., 2021). Conceptually the financial inclusion view aligns with concept of social inclusion, aiming to promote social inclusivity and fair treatment, ensuring equal opportunities for all and reducing class disparities between the rich and poor. The World Bank (2014) has defined financial inclusion is the divide of household and firms to use on financial services. Financial inclusion ensures everyone has access to necessary financial tools at reasonable costs, promoting inclusion of marginalized individuals into the formal financial system. The concept of financial inclusion focuses on accessibility, affordability, relevance, and sustainability (Ref). Access involves safe, convenient methods for money storage, payments, credit, and insurance. Affordable services should be accessible to low-income populations, while relevance ensures products meet specific needs and goals. Sustainable delivery protects consumers and ensures system stability. Put it simply, financial inclusion aims to enhance individuals' socioeconomic and financial capabilities, improving their daily lives (Dunstone, et al. 2017).

3.2 Goals of Financial Inclusion

The main goal of financial inclusion is to enhance access to financial services for underserved and marginalized populations (Ardic, et al. 2011; Demirgüç-Kunt, et al. 2018; Mader, 2018). These goals encompass economic, social, and developmental objectives. The governments see poverty reduction and social development as one of their primary objectives (Kulmie, et al. 2023; Nor, 2021; Kulmie, 2023). Social development and the fight against poverty are two of the main objectives of governments. Therefore, financial inclusion is crucial for poverty reduction, as it enhances access to financial products and services like savings, credit, and insurance, reducing income inequality, enabling the poor to manage consumption, invest in human capital, and build resilience (Cull et al., 2012; Demirgüç-Kunt&Klapper, 2012; World Bank, 2014). At a broader level, financial inclusion is viewed as a strategy to foster economic growth and contribute to the achievement of other sustainable development objectives (Demirgüç-Kunt et al., 2018; Mader, 2018). In conclusion, the aims of financial inclusion include lowering poverty and inequality, promoting wider development outcomes, and expanding access to financial services. These goals span both economic and social domains. Customized policies and actions that address the particular needs and difficulties experienced by marginalized communities are necessary to achieve these aims (Cull et al., 2012; World Bank, 2014).

3.3 Determinants of Financial Inclusion

Numerous studies have examined the factors influencing the level of financial inclusion in a nation, with inconsistent results (Md Abdullah Omar and Kazuo Inaba, 2020). The study discovered that older, wealthier, and better educated societies had higher likelihoods of financial inclusion (Ichraf Ouechtati, 2020). This means that that older, wealthier, and educated individuals are more likely to be financially included.Several experts have attempted to explain the factors that contribute to financial inclusion. For instance, the financial capability approach examines how factors like financial literacy, entrepreneurship, gender, and locality impact financial inclusion at an individual level (Holzmann, 2010; Kempson, Perotti, & Scott, 2013). According to Demirgüç-Kunt&Klapper, (2013) and Zins & Weill, (2016) the ownership of basic financial products like bank accounts, savings, and debit/credit cards at the household level has been linked to reduced poverty and improved

Beyond individual and household factors, the literature highlights the importance of broader contextual determinants, such as the cultural, political, institutional, and economic structure of countries (Demirgüç-Kunt et al., 2018; Honohan & King, 2012). These structural factors can influence financial inclusion through socio-cultural norms, political systems, and economic development (Demirgüç-Kunt et al., 2018; Honohan & King, 2012).Income level and access to financial services have also been identified as key determinants of financial inclusion (Demirgüç-Kunt&Klapper, 2013; Fungáčová& Weill, 2015). Moreover, empirical research indicates that eliminating financial, bureaucratic, and physical barriers to accessing high-quality financial services can improve financial inclusion (Allen, Demirguc-Kunt, Klapper, &Peria, 2016; Demirgüç-Kunt et al., 2018).

3.4 Importance of Financial Inclusion

Financial inclusion significantly impacts economic growth, with many countries embracing it to empower their citizens and ensure financial accessibility, expanding the concept of financial inclusion (Abdinur,2022). Empirical studies suggest that financial inclusion measures factors affecting non-financial access societies' livelihoods and promotes economic development. Financial inclusion services have gained public attention and research interest in the early 2000s, with findings showing poverty reduction through financial inclusion. This mechanism of economic development has been a significant focus in poverty reduction efforts (Masakazu, et al, 2020; Kulmie, et al. 2023). Additionally, financial stability is crucial for economic sustainability, impacting financial services, markets, resource allocation, and banking payment systems. However, literature on the relationship between financial inclusion and stability is scarce (Zubair Khan *et al*., 2021).

The importance of financial inclusion spans multiple dimensions, with significant implications for economic growth, poverty reduction, and sustainable development. Increasing access to financial services for marginalized populations is a key benefit of financial inclusion. By providing traditionally underserved groups, such as the poor, rural residents, and women, with access to banking, credit, insurance, and other financial products, financial inclusion can empower these populations and promote their economic and social inclusion (Demirgüç-Kunt&Klapper, 2013; Zins & Weill, 2016).
Furthermore, financial inclusion has been shown to promote economic growth and reduce poverty through improved access to financial services. Studies have found that financial inclusion reduces multidimensional poverty, as the household use of financial products and services decreases the likelihood of falling into poverty (Demirgüç-Kunt&Klapper, 2013; Zins & Weill, 2016).

Financial inclusion in Sub-Saharan Africa reduces income inequality, and culturally tailored financial services improve wealth redistribution effectiveness (Allen et al., 2016). This shows that financial inclusion plays a crucial role in achieving the Sustainable Development Goals (SDGs), particularly, financial inclusion positively impacts finance-related SDGs, including poverty reduction, economic growth promotion, and improved access to financial services (Demirgüç-Kunt et al., 2018). Therefore, financial inclusion is crucial for economic and human development in developing regions. It enhances access to financial services for marginalized populations, reducing poverty, promoting social development, enhancing job creation, income, and asset accumulation (Demirgüç-Kunt et al., 2013; Zins & Weill, 2016). Financial inclusion also helps provide services to rural and underserved populations, thereby contributing to economic growth and reducing poverty. Studies have shown that financial inclusion is essential for economic growth ((Demirgüç-Kunt et al., 2018; Honohan & King, 2012).

3.5 Approaches and Strategies of Financial Inclusion

There are different approaches to build indicators, firstly it calculates the dimensional index of financial inclusion and accumulated each of normal index to contrary Euclideandistance while others calculated in reference to ideal stage and the benefit of this method is to facilitate the computation and enforce different assessment of each dimension (Cyn-Young Park and Rogelio V. Mercado, Jr., 2015). The approaches and strategies to promote financial inclusion encompass a range of frameworks, policies, and interventions aimed at increasing access to and usage of financial services, particularly among marginalized and underserved populations. The financial capability framework, which combines financial literacy, financial education, and financial behavior, has been identified as a crucial approach to fostering financial inclusion (Xu & Zia, 2012; Lusardi & Mitchell, 2014). Strengthening financial literacy and entrepreneurship skills can empower individuals to make informed financial decisions and access appropriate financial products and services (Nor, 2024; Lusardi & Mitchell, 2014; Vonderlack-Navarro &Sherraden, 2007). National financial capability strategies and localized financial education curricula have been employed as strategies to support financial inclusion. These efforts aim to improve financial knowledge, skills, and behaviors among the population, thereby increasing their ability to engage with the formal financial system (Atkinson & Messy, 2013; Drexler et al., 2014).

Financial inclusion has also been recognized as a crucial factor in reducing multidimensional poverty. Studies have found that the household use of financial products and services, such as savings, credit, and insurance, can significantly impact poverty reduction (Demirgüç-Kunt&Klapper, 2013; Zins & Weill, 2016). In the context of Sub-Saharan Africa, financial inclusion has been associated with reduced income inequality. However, cultural, political, and institutional factors can influence the relationship between financial inclusion and income inequality (Allen et al., 2016; Demirgüç-Kunt et al., 2017). Increasing the extent of financial inclusion has been a key priority, as it is positively correlated with the achievement of finance-related Sustainable Development Goals (SDGs) (Demirgüç-Kunt et al., 2018). Collaborative intervention theory, which emphasizes the joint effort of multiple stakeholders, and the Special Agent Theory, which focuses on highly skilled agents for specialized financial inclusion, have been proposed as strategies to enhance financial inclusion (Lashley & Bean, 2013; Morduch, 1999). Innovative business (IB) models that integrate the Base of the Pyramid (BoP) population in agricultural and manufacturing sectors have been shown to positively impact the welfare of these underserved communities in Côte d'Ivoire and Kenya (Kistruck et al., 2013; Kistruck et al., 2015). The adoption of digital financing and mobile money has been critical for increasing financial inclusion, particularly among the literate population, by enabling quick decision-making and access to financial services (Demirgüç-Kunt&Klapper, 2013; GSMA, 2021). Financial institutions can also play a role in promoting financial inclusion (Ibrahim, et al. 2024)through initiatives such as providing loans for home improvement, school fees, and other essential expenses. Kulmie, & Omar (2024) emphasizes the crucial role of financial institutions in promoting financial inclusion by enabling access to capital for individuals and businesses. Strategies like offering lower interest rates and collateral requirements can increase access to microfinance loans (Armendáriz & Morduch, 2010; Karlan & Zinman, 2010). Furthermore, financial globalization and higher literacy rates have been found to positively drive financial inclusion, while rural population growth can have a profound adverse impact (Duvendack & Steinert, 2019; Demirgüç-Kunt et al., 2018).

IV. Poverty and Poverty Reduction

4.1 Poverty: Concepts and Measurement

Poverty is a phenomenon that rests in the center of the most of political debates, polices, economic, and sustainable development issues (Misturelli& Heffernan, 2008). It is a multidimensional issue with various definitions, stating serious deprivation, social exclusion, and resource inequality (Cobbinah, et al., 2013; Shabbir, et al., 2018). However, different scholars, academics and researchers have suggested numerous definitions over time (Bellu&Liberati, 2005). The Development Assistance Committee (DAC) defines poverty as the lack of socio-cultural, political, economic, human, or protective capabilities, whereas Japan International Cooperation Agency (JICA) define it as a condition in which people are deprived of opportunities to develop capabilities required to lead a basic human life and are excluded from society and development processes (JICA, 2004).

Poverty has a broad scope highlighting several meanings (Chambers, 2006). According to Manda & Khan, (2014) poverty is defined as real and perceived lack of a life's threshold or expectation. Studies of the classic scholars addressed the definitions of poverty as the inability to get adequate food and other necessities, but the modern ones mainly focus on material deprivations, i.e., the failure to command private resources (Morduch, 2006). In the past,income was the main element in the concept of the poverty and still it remains. Consequently, poverty is described in terms of income or consumption (Samiyeva, 2022), and the lack of capability to function inagiven society (Sen, 1985).

Conceptually, poverty has been classified into absolute poverty and moderate poverty (Shabbir, et al.,2018; World Bank, 2020). Other writers added subjective poverty, as a unique type of poverty.Absolute poverty describes a situation in which a person earns less than $ 1.90 USD a day, if the person earns $ 3.10 USD per day is categorized under moderate poverty.In short, absolute poverty refers to financial inadequacies. The moderate (also known as relative) poverty compares living standards within the same environment, while Subjective poverty refers to an individual's perception of their financial or material situation, based on their feelings of poverty (Sen, 1983; Townsend, 1979).

However, there are numerous approaches used to measure the number of people living under the poverty line, and It's varied from country to country, as stated by World Bank (2018), ranging from "low-income to high-income nations. For instance, earning1.91 per person per day for low-income countries, $3.21 per person per day for lower-middle-income countries, $5.48 per person per day - in 32 upper-middle-income countries and $21.70 per person per day - in 29 high-income countries. Thus, we can identify the extent of poverty in our society, through measuring the poverty line and recognizing the demographic groups that mostly affected by it (Wijekoon, et al., 2021), while, considering both income dimensions and non-income dimensions of the poverty (IMF, 2008), as well as consumption, or multidimensional indicators (Alkire & Foster, 2011; Ravallion, 2016).

According to contemporary studies, the world population made a progress on reducing the extremity of poverty rate as they achieved to minimize the rate of the poverty from 20% to 10 % (World Vision, 2018). Despite a decreased rate since the 1990s poverty levels remain high (Alkire & Robles, 2017; World Bank, 2018). It also reveals that financial inclusion is determined as one of the mainfactors that contributes to reducing multidimensional poverty (Sarma & Pais, 2011; Swamy, 2014), helping toincrease income equalities and reduce inequalities (Greenwood & Jovanovic, 1990; Levine, 2005). For instance, measurement of inequality by the Gini index has increased (Kuznets, 1955; Milanovic, 2016) as well as IB models that had positively impacton poverty alleviation in Sub-Saharan Africa (Batuo&Kupukile, 2010; Honohan& King, 2012). Financial inclusion is important for economic growth (Demirgüç-Kunt& Levine, 2009; Sarma & Pais, 2011), as it improves the well-being (Demirgüç-Kunt& Levine, 2009) and reduces povertyrates in developing countries (Ogbeide & Kanwanye, 2018).

Different integration patterns are observed in Côte d'Ivoire and Kenya (Demirgüç-Kunt et al., 2015; Zins & Weill, 2016), performing poverty analysis through describing or defining poverty, identify its causes, and forming policies (Lipton & Ravallion,1995).For instance, home improvement financing and school fees loans leads poverty reduction (Bruhn & Love, 2014; Karlan & Zinman, 2010), Household uses of financial products and services (Demirgüç-Kunt& Levine, 2009; Zins & Weill, 2016), had also a correlation impacts to SDGs of 2, 5, and 8(Demirgüç-Kunt et al., 2017; World Bank, 2018).This means that financial inclusionhas significantly impacts on the poverty reduction by providing access to financial services (Cull et al., 2014; Zins & Weill, 2016), and that the expected economic relationship between financial inclusion and poverty alleviation is present (Demirgüç-Kunt& Levine, 2009; Greenwood & Jovanovic, 1990). Financial globalization and literacy positively drive financial inclusion in Sub-Saharan Africa (Batuo & Kupukile, 2010; Honohan& King, 2012).

4.2 Poverty Reduction Strategies

Poverty is an opposite of the wellbeing, it is highly relating to just more than income, and finance, therefore, social exclusion and capability deprivation are identified as reasons for poverty (Singh & Chudasama, 2020; Sen, 2000; Sen, 1985). Sen (2000) stated that capabilities approach enhances people's well-being and freedom of choices, and the development should focus on maximizing the individual's ability to ensure more freedom of choices. For this, poverty reduction is the most important goal of Sustainable development (Chambers, 2006), and it is an attractive area for governments, and development institutions (Toye, 2007). It encompasses not just increasing income levels but also ensuring healthy, productive lives with adequate food, shelter, clothing, freedom, dignity, self-esteem, and participation in society (Le Goff & Singh, 2014; Barder, 2009; Levy & Mundial, 1991).

Since poverty is a global level issue, governments and communities should effectively collaborate on eradicating poverty, through adapting strategic objectives for the poverty reduction. According to JICA (2004), there are four main development objectives for reducing poverty (i) to establish a policy and institutional framework that enables effective planning and implementation of poverty reduction efforts, taking into account both political and socio-cultural aspects, (ii) to ensure that the income levels of the poor are maintained and improved, focusing on their economic capability, (iii) to meet the basic human needs of the poor, addressing their human capability, (iv) to minimize external threats and strengthen the ability of the poor to handle unexpected challenges, enhancing their protective capability. Some researchers reveal that one of the prominent tools used by the government to reduce poverty, is establishing policies and

legal frame works that give chance to the poor people in contesting their rights. For this, policy instruments, addressing poverty challenges and promoting inclusive and sustainable growth should be adapted (Alsop, 2005; IMF, 2008), and be more effective when addressing different dimensions (Barder, 2009). Planners, development experts and policy makers should think critically and face the tradeoff between addressing current and future poverty reduction, focusing on the situation in which chronic povertyexists, by analyzing the root causes and symptomsof poverty (Barder, 2009). Moreover, according to Singh & Chudasama (2020) poverty alleviation strategies can be categorized into four types including community organizations based micro-financing, capability and social security, market-based, and good governance (Banerjee & Jackson, 2017; Das, Bhowal A. 2013; World Bank, 2007).

Several studies from Africa, China, Brazil, Indonesia, and Costa Rica demonstrate that economic growth significantly reduces poverty (Singh & Chudasama, 2020; world Bank, 2001) and it works best with the creation of social safety nets and the delivery of essential social services to the poor (Khan & Arefin, 2013; World Bank, 1990). The safety net and protection schemes that can be provided to the poor and truly needy people include Cash Transfers and Conditional Transfers, Free Food Distribution, Direct Feeding Programs, School-Based Food Programs, Food Stamps, Price Subsidies, Subsidized Agricultural Inputs, Public Works Programs, Social Health Insurance and Microfinance (Khan & Arefin, 2013).

Poverty reduction strategies consider good governance an excellent pillar that help achieving social and economic growth (Grindle, 2004). According to Hughes & Irfan (2007) governance quality, effectiveness and transparency play critical role in economic productivity. The importance of good governance in reducing poverty has moved to the top of the list of development priorities over the past few decades (Mohamed & Kulmie, 2023). Kwon & Kim, 2014). The concept of good governance is widespread in development circles (Weiss, 2000; Kulmie, et al. 2024) and it's a foundation that bring social change (Keping, 2018). It is crucial component of institutional framework for planning and execution of Poverty Reduction (JICA, 2004). These plans must be comprehensive at both local and national levels and be based on the actual circumstances of the poor people, their needs, and the context of their situation.

Likewise, financial literacy, inclusion, and entrepreneurship have been identified as crucial components of effective poverty reduction strategies. Financial capability programs, particularly in Sub-Saharan Africa, have been recommended to enhance financial inclusion and improve financial outcomes for the poor (Demirgüç-Kunt et al., 2018). Experts in this field, recommend enhancing financial inclusion based on determinant policies and implementing inclusive growth and wealth distribution strategies (Demirgüç-Kunt et al., 2018). Inclusive business models that positively impact the welfare of the bottom of the pyramid have also been identified as an effective approach to poverty alleviation (Kummitha, 2018), focusing on taking away all barriers that halts the poor people to participate in the market exercise. (Cooney & Williams Shanks, 2010; Mendoza and Thelen 2008; Boyle and Boguslaw 2007), by using microenterprise, individual development accounts, social enterprise, and bottom-of-the-pyramid schemes (Cooney & Williams Shanks, 2010), as well, to credit and asset-building vehicles, create jobs and boost local economic development (Yunus,1998).

Researchers have shown that financial inclusion can reduce multidimensional poverty by increasing household access to and use of financial products and services (Zins & Weill, 2016). They have demonstrated a positive correlation between financial inclusion and poverty reduction in Sub-Saharan Africa, with tailoring financial inclusion initiatives to cultural aspects through enhancing the effectiveness of poverty alleviation efforts (Arun & Kamath, 2015), and linking its progress towards Sustainable Development Goal 1 (No Poverty) and Goal 8 (Decent Work) (Demirgüç-Kunt et al., 2017). Further, Financial globalization and improved literacy rates have been found to positively drive financial inclusion, underscoring the importance of policies that boost literacy rates and education, especially in rural areas (Demirgüç-Kunt et al., 2018). Yet, financial inclusion has been recognized as a crucial factor for poverty reduction in developing countries, with emphasis on the government involvement toreach out financial services to the rural populations (Demirgüç-Kunt et al., 2017). Access to specific financial products, such as home improvement finances and school fees loans, has been shown to improve living conditions and increase school enrollment, thereby reducing poverty (Dupas & Robinson, 2013; Demirgüç-Kunt et al., 2017). However, there is no one strategy that fits to all circumstance. Government and development organizations can utilize different strategies and programs to realize their goals (Ros-Tonen, et al., 2019; Haggblade, et al., 2012; Yunus, et al., 2010; Mendoza and Thelen 2008).

V. Discussion and Conclusion

Studies like Gyeke-Dako et al., (2017), Abdinur, 2022) and Kummitha, (2018) demonstrate that financial inclusion is crucial for poverty reduction and economic development, especially in developing countries like Africa. For instance,

access to bank accounts, credit cards, and savings accounts is essential for low-income families and job creation. However, some countries like Sub-Saharan African countries fall behind the global average, highlighting the need for financial inclusion to improve living standards and women's empowerment. Experts like Zubair Khan et al., (2021) argue that financial inclusion promotes social inclusivity, fair treatment, and equal opportunities for all. It focuses on accessibility, affordability, relevance, and sustainability, enhancing socioeconomic and financial capabilities, reducing class disparities, and improving daily lives.

Financial inclusion can be used as poverty reduction tool. Poverty is a complex issue involving serious deprivation, social exclusion, and resource inequality. Financial inclusion is a key factor in reducing multidimensional poverty, increasing income equalities and reducing inequalities. Demirgüç-Kunt et al., (2018) state that financial globalization and literacy positively drive financial inclusion in Sub-Saharan Africa, contributing to poverty reduction and achieving the Sustainable Development Goals (SDGs). Despite progress in reducing poverty rates, poverty levels remain high. This emphasis that financial inclusion enhances economic growth, poverty reduction, and sustainable development by empowering marginalized populations, reducing income inequality, and promoting job creation and wealth redistribution.

Some studies implied the role of technology contribute on digital money payments to financial inclusion. In Somalia the use of digital and mobile payments increased financial inclusion and minimized the gender gap into access to financial services. In other countries such as Ethiopia, Afar region has initiated the age, financial literacy, and the consumption of mobile money have a positive impact on financial inclusion (Abdinur,2022). Researchers examined factors that are affecting financial inclusion focusing on the determinants of micro and macro on economic growth and poverty reduction (Abdinur,2022), (Md Abdullah Omar and Kazuo Inaba, 2020), evaluating the role of dimensional financial development in a financial sector which has reduced income inequality among individuals andpromote economic development and fiscal policyto contribute income equality.

Research has shown that financial inclusion contributes to job creation through the opportunities it provides for entrepreneurship. Financial institutions play a crucial role in supporting business sustainability by providing continuous financial literacy training and access to financial services (Demirgüç-Kunt et al., 2017). Financial inclusion has been found to reduce multidimensional poverty, which indirectly supports job creation. Households that are financially included are less likely to fall into multidimensional poverty, thereby increasing their ability to engage in income-generating activities (Zins & Weill, 2016). Studies have demonstrated that financial inclusion can reduce income inequality in Sub-Saharan African countries, but it has not been found to have a significant effect on income inequality in Islamic countries (Demirgüç-Kunt et al., 2018). This suggests that the relationship between financial inclusion and job creation may vary across different regions and cultural contexts.

Financial inclusion has been positively correlated with the 8th Sustainable Development Goal (Decent Work and Economic Growth), indicating that it may indirectly impact job creation through its contribution to economic growth (Demirgüç-Kunt et al., 2017). In Sub-Saharan Africa, financial inclusion has been found to lead to job creation through increased access to financial services. Inclusive financial systems in the region have been shown to facilitate job creation (Arun & Kamath, 2015). Inclusive business models in Côte d'Ivoire have focused on the agricultural sector, while those in Kenya have concentrated on the manufacturing sector, highlighting the potential for financial inclusion to support job creation in different economic sectors (Kummitha, 2018).

Financial inclusion has been found to promote economic growth, leading to job creation. Inclusive financing helps provide access to capital for businesses, which can contribute to job creation (Demirgüç-Kunt et al., 2018). Financial inclusion has been shown to lead to job creation through increased access to loans. Training and the effective utilization of loans can enhance business skills and contribute to job creation (Dupas & Robinson, 2013). While some studies have found a positive impact of financial inclusion on job creation in Sub-Saharan Africa, others have not found a statistically significant relationship. However, the expected sign of the variables indicates a potential economic relationship (Demirgüç-Kunt et al., 2017). Financial globalization and improved literacy rates have been identified as drivers of financial inclusion, which may in turn support job creation (Demirgüç-Kunt et al., 2018).

Poverty is a global issue that affects more than just income and finance. It is a result of social exclusion and capability deprivation, and development should focus on maximizing individuals' ability to ensure more freedom of choices. Poverty reduction is the most important goal of Sustainable development and is an attractive area for governments and development institutions. To effectively reduce poverty using financial inclusion:

- Governments should enhance financial literacy and technology awareness among young people and impoverished communities.
- Financial institutions should enhance access to finance and promote financial inclusion, thereby enhancing social well-being.
- Governments and communities should collaborate on eradicating it through adapting strategic objectives.
- Governments should establish a policy and institutional framework, maintaining income levels, meeting basic human needs, and minimizing external threats.

References

[1] Aden, Y. A., &Sensoy, N. IMPACT ANALYSIS OF CONVENTIONAL AND ISLAMIC MICROFINANCE ON POVERTY ALLEVIATION IN SOMALIA. Volume:04/Issue:05/May-2022

[2] Aguera, P. (2015). Financial Inclusion, Growth and Poverty Reduction. Finance for All: Promoting Financial Inclusion in Central Africa. In ECCAS Regional Conference, Brazzaville, Congo, March 23rd.

[3] Ahmad, A. H., Green, C., & Jiang, F. (2020). Mobile money, financial inclusion and development: A review with reference to African experience. Journal of economic surveys, 34(4), 753-792. https://doi.org/10.1111/joes.12372

[4] Ali, A. H., Abu-Hadi, A. O., & Ali, A. Y. S. (2013). The accessibility of microfinance for small businesses in Mogadishu, Somalia. International Journal of Humanities and Social Science, 3(11), 172-180.

[5] Amadou, D. (2018). Financial inclusion and poverty reduction: Selected Approaches and Implications for Mali's Choice. Academic Journal of Economic Studies, 4(4), 50-56.

[6] Amatus, H., & Alireza, N. (2015). Financial inclusion and financial stability in Sub-Saharan Africa (Ssa). International journal of social sciences, 36(1), 2305-4557.

[7] Brief, A. E. The Banking System in Africa: Main Facts and Challenges. Volume 3 Issue 4 2019.

[8] Cicchiello, A. F., Kazemikhasragh, A., Monferrá, S., & Girón, A. (2021). Financial inclusion and development in the least developed countries in Asia and Africa. Journal of Innovation and Entrepreneurship, 10(1), 1-13. DOI https://doi.org/10.1186/s13731-021-00190-4

[9] Dahir, A. M. (2015). The challenges facing microfinance institutions in poverty eradication: A case study in Mogadishu. International Journal of Humanities Social Sciences and Education, 2(2), 56-62.

[10] Demirgüç-Kunt, Asli and Singer, Dorothe, Financial Inclusion and Inclusive Growth: A Review of Recent Empirical Evidence (April 25, 2017). World Bank Policy Research Working Paper No. 8040, Available at SSRN: https://ssrn.com/abstract=2958542

[11] Duvendack, M., & Mader, P. (2018). PROTOCOL: Impact of financial inclusion in low-and middle-income countries: a systematic review of reviews. Campbell Systematic Reviews, 14(1), 1. doi:10.1002/CL2.211

[12] Erlando, A., Riyanto, F. D., & Masakazu, S. (2020). Financial inclusion, economic growth, and poverty alleviation: evidence from eastern Indonesia. Heliyon, 6(10).

[13] Girón, A., Kazemikhasragh, A., Cicchiello, A.F. et al. Financial Inclusion Measurement in the Least Developed Countries in Asia and Africa. J Knowl Econ 13, 1198–1211 (2022). https://doi.org/10.1007/s13132-021-00773-2

[14] Jiang, Y., & Liu, Y. (2022). Does financial inclusion help alleviate household poverty and vulnerability in China?.Plos one, 17(10), e0275577. https://doi.org/10.1371/journal.pone.0275577

[15] Khan, I., Khan, I., Sayal, A.U. and Khan, M.Z. (2022), "Does financial inclusion induce poverty, income inequality, and financial stability: empirical evidence from the 54 African countries?", Journal of Economic Studies, Vol. 49 No. 2, pp. 303-314. https://doi.org/10.1108/JES-07-2020-0317

[16] Khan, I., Khan, I., Sayal, A.U. and Khan, M.Z. (2022), "Does financial inclusion induce poverty, income inequality, and financial stability: empirical evidence from the 54 African countries?", Journal of Economic Studies, Vol. 49 No. 2, pp. 303-314. https://doi.org/10.1108/JES-07-2020-0317

[17] Kulmie, D. A., & Omar, M. M. (2024). The impact of participatory Islamic finance on Shari'ah banks' profitability. Asian Economic and Financial Review, 14(7), 482-496. DOI: 10.55493/5002.v14i7.5083

[18] Kulmie, D. A., Hilif, M. D., & Hussein, M. S. (2023). Socioeconomic Consequences of Corruption and Financial Crimes. International Journal of Economics and Financial Issues, 13(5), 88-95. https://doi.org/10.32479/ijefi.14714

[19] Kulmie, D. A., Hussein, M. S., Abdi, B. M., Abdulle, M. A., Adam, M. A., Bank, P., & Mogadishu, S. (2023). Entrepreneurship training, job creation and youth empowerment. Asian Social Science, 19(6), 111. URL: https://doi.org/10.5539/ass.v19n6p111

[20] Mohammed, J. I., Mensah, L., & Gyeke-Dako, A. (2017). Financial inclusion and poverty reduction in Sub-Saharan Africa. African Finance Journal, 19(1), 1-22.

[21] Mohammed, J. I., Mensah, L., & Gyeke-Dako, A. (2017). Financial inclusion and poverty reduction in Sub-Saharan

Africa. African Finance Journal, 19(1), 1-22.
[22] Mohamud, F.A.S., Mohamed, A.A. (2023). "Determinants of Financial Inclusion of Female Entrepreneurs in Somalia". Glob Soc Welf. https://doi.org/10.1007/s40609-023-00311-9
[23] Mohamud, Fartun Ahmed Sheikh, and Abdinur Ali Mohamed. "Determinants of Financial Inclusion of Female Entrepreneurs in Somalia." Global Social Welfare (2023): 1-12. DOI https://doi.org/10.1007/s40609-023-00311-9
[24] Nor, A. I. (2021). Alleviating poverty through youth and women entrepreneurship Developments. European Journal of Business and Management, 13(11), 37-46.
[25] Nor, A. I. (2024). Entrepreneurship Development as a Tool for Employment Creation, Income Generation, and Poverty Reduction for the Youth and Women. Journal of the Knowledge Economy, 1-24. https://doi.org/10.1007/s13132-024-01747-w
[26] Nsiah, A. Y., Yusif, H., Tweneboah, G., Agyei, K., & Baidoo, S. T. (2021). The effect of financial inclusion on poverty reduction in Sub-Sahara Africa: Does threshold matter?. Cogent Social Sciences, 7(1), 1903138. https://doi.org/10.1080/23311886.2021.1903138
[27] Ofori, I. K., Gbolonyo, E. Y., Dossou, T. A. M., & Nkrumah, R. K. (2022). Remittances and income inequality in Africa: Financial development thresholds for economic policy. Research in Globalization, 4, 100084. https://doi.org/10.1016/j.resglo.2022.100084
[28] Omar and Inaba Economic Structures (2020) 9:37. https://doi.org/10.1186/s40008-020-00214-4
[29] Omar, M. A., & Inaba, K. (2020). Does financial inclusion reduce poverty and income inequality in developing countries? A panel data analysis. Journal of economic structures, 9(1), 37. DOI https://doi.org/10.1186/s40008-020-00214-4
[30] Ouechtati, I. (2020). The contribution of financial inclusion in reducing poverty and income inequality in developing countries. Asian Economic and Financial Review, 10(9), 1051. DOI: 10.18488/journal.aefr.2020.109.1051.1061
[31] Park, Cyn-Young and Mercado, Rogelio, Financial Inclusion, Poverty, and Income Inequality in Developing Asia (January 1, 2015). Asian Development Bank Economics Working Paper Series No. 426, Available at SSRN: https://ssrn.com/abstract=2558936 or http://dx.doi.org/10.2139/ssrn.2558936
[32] Saha, S.K., Qin, J. Financial inclusion and poverty alleviation: an empirical examination. Econ Change Restruct 56, 409–440 (2023). https://doi.org/10.1007/s10644-022-09428-x
[33] Saiti, B., Salad, A.J., Bulut, M. (2019). The Role of Cash Waqf in Poverty Reduction: A Multi-country Case Study. In: Ghazali, E.M., Mutum, D.S., Rashid, M., Ahmed, J.U. (eds) Management of Shari'ah Compliant Businesses. Management for Professionals. Springer, Cham. https://doi.org/10.1007/978-3-030-10907-3_3
[34] Schubert, D. (2019). The Impact of Financial Inclusion on Poverty in Low-and Middle-Income Countries. http://hdl.handle.net/2268.2/7465
[35] TOURAY, Y. K. (2019). Does financial inclusion reduce poverty? (Doctoral dissertation, KDI School). https://archives.kdischool.ac.kr/handle/11125/34191
[36] Tsouli, D. (2022). Financial Inclusion, Poverty, and Income Inequality: Evidence from European Countries. Ekonomika, 101(1), 37-61. https://doi.org/10.15388/Ekon.2022.101.1.3
[37] Https://openknowledge.worldbank.org/bitstream/handle/10986/25078/9781464809583.pdf Zeleny M (1974) A concept of compromise solutions and the method of the displaced ideal. ComputOper Res 1:479–496
[38] World Bank. (2016). Poverty and shared prosperity 2016: taking on inequality. The World Bank. https://doi.org/10.1596/978-1-4648-0958-3
[39] Yawovi M. A. Koudalo&MoumbarkToure (2023) Does financial inclusion promote financial stability? Evidence from Africa, Cogent Economics & Finance, 11:2, 2225327, DOI:10.1080/23322039.2023.2225327
[40] Zins, A., & Weill, L. (2016). The determinants of financial inclusion in Africa. Review of development finance, 6(1), 46-57.
[41] Kulmie, D. A. (2023). Financial crimes in Somali public sector: Causes and consequences. International Journal of Economics and Finance, 15(4), 1-18.https://doi.org/10.5539/ijef.v15n4p18
[42] Ibrahim, A. A., Hussein, J. M., & Kulmie, D. A. (2024). Islamic Banking in Africa: A Booming Market with Growing Pains. International Journal of Religion, 5(9), 318-333. https://doi.org/10.61707/3dg7rh70
[43] Kulmie, D. A., Mohamud, A. A., & Ibrahim, M. S. (2024). Good Governance, Public Service Delivery and Public Trust: Case of Banadir Regional Administration of Somalia. International Journal of Religion, 5(9), 60-68. https://doi.org/10.61707/1fzxbj65
[44] Mohamed, N. A., & Kulmie, D. A. (2023). Role of Effective Monitoring and Evaluation in Promoting Good Governance in Public Institutions. Public Administration Research, 12(2), 48.http://dx.doi.org/10.5539/par.v12n2p48