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Impact of financial inclusion on economic growth

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Abstract:

The research problem arises from individuals' reluctance to use financial services and products, and their reliance on informal entities for their financial transactions ,This research aims to examine the impact of the relationship between financial inclusion and economic growth. Economic growth is the most powerful tool for poverty reduction, and rapid and sustainable growth is crucial for the rapid advancement of countries. With the recent widespread diffusion of digital technology, the use of electronic services has gained widespread acceptance among most segments of society. Financial inclusion has gained increasing importance locally and internationally due to its effective role in economic and financial development, and thus its role in achieving sustainable development. Many countries, both foreign and Arab, have achieved high rates of financial inclusion. The research defines financial inclusion as the timely, appropriate, dignified, and sustainable provision of formal financial services to the general public, especially the poor and financially marginalized. It also aims to enhance financial literacy among citizens and enable them to engage in the formal economy at affordable prices, thus enhancing economic growth. The research focuses on analyzing the relationship between increasing access to financial services, such as bank accounts, loans, and insurance, and improving economic growth rates by supporting small and medium-sized enterprises, encouraging savings and investment, and bridging gaps. The research also addresses challenges that hinder effective financial inclusion, such as weak infrastructure and awareness levels. It also discusses the role of financial technology in improving financial inclusion rates, especially in light of the trend toward digital transformation in the financial sector. The research concludes that enhancing financial inclusion leads to increased productivity and improved living standards. It recommends developing supportive policies to expand the

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scope of financial services and increase the percentage of those covered, which contributes to enhancing economic growth and financial stability.

Keywords: economic growth; financial inclusion; gross domestic product.

1. Introduction

Enhancing financial inclusion for all different groups has become a key goal for many countries and an important topic that has received increased attention in recent decades, whether at the level of economic theorizing, at the level of international bodies and institutions, or at the level of state macroeconomic policies in general. The study of economic growth and the factors influencing it is considered one of the main objectives of economic policy makers and economic decision makers. The financial sector has played a vital role in achieving economic development in various countries around the world. Like all sectors, it has witnessed successive changes and developments. The technological revolution in the type and quantity of banking financial services and products it provides has made it generally acceptable in a short time and increased the spread of awareness campaigns about the importance of its use and its role in enabling citizens to obtain their needs easily and conveniently without imposing any additional burdens. It also provides valuable inputs for activities in the economic and industrial sectors and individuals, in a manner that ensures the mobilization, direction, and expansion of local savings and the availability of credit for micro, small, and medium-sized enterprises for individuals. Countries around the world vary in the application of inclusion. Many institutions pay attention to financial inclusion as it represents the cornerstone of development. The World Bank Group considers financial inclusion one of the main enabling factors for eliminating extreme poverty. The Arab Monetary Fund believes that progress in financial inclusion enhances financial stability and contributes to economic growth, in addition to the social aspect related to improving the living conditions of individuals, especially the poor. Among them, the G20 has adopted financial inclusion as one of the main pillars of the economic and financial development agenda.

1.1.Importance of the Research

The research is significant because it discusses a relatively new topic and provides a theoretical framework and scientific background for the concept of financial inclusion, as it is a national strategic objective of the state and a focus of attention for financial institutions due to its overall economic gains. Governments are increasingly concerned with the risks of financial exclusion and its negative impact on economic, financial, political, and social stability. Financial inclusion contributes to improving the effectiveness of economic and monetary policies by providing a stable and influential environment, which contributes to enhancing economic growth and financial stability by enabling society to invest and save more. It also helps improve financial transparency and communication. Governments can use financial data to reduce tax evasion and increase tax revenues, and provides broader access to financial services. Financial inclusion enables governments to enhance oversight and monitoring of financial transactions, which reduces the risks of money laundering. Furthermore, it aims to improve quality of life and provide financial protection for consumers by providing transparent information, appropriate financial products, and compensation mechanisms in the event of losses. Research Objectives

The research aims to identify the applications of financial inclusion, the importance and benefits of these applications, the obstacles to their widespread adoption, and the extent to which financial inclusion impacts economic growth. The objectives of financial inclusion in most countries around the world are to increase the financial capabilities of targeted segments of society by developing the culture and knowledge of women, youth, and the unemployed, enhancing their confidence in financial service providers and banks, and enhancing access to financial services, products, and financing sources for all segments, especially in rural and marginalized areas. It also supports the transition from reliance on cash payments as a means of settling financial and commercial transactions to a system based on electronic banking settlement.

1.2.Research Problem

The research problem arises from individuals' reluctance to use financial services and products and their reliance on informal entities for their financial transactions. Will adopting financial inclusion policies, by expanding access to banking and financial services for poor and marginalized groups, support economic growth and reduce poverty In countries, especially developing countries.

1.3.Research Hypothesis

Financial inclusion has a positive and significant impact on economic growth.

2. Literature review:

Studies addressing the topic of financial inclusion and its relationship to economic growth have varied, with differing results and opinions.

- Ahmed Saeed Kamel and Iman Farouk El-Haddad's study, 2022, "Financial Inclusion and its Impact on the Economic Growth Rate in Egypt," Journal of the Faculty of Economics and Political Science (aimed to demonstrate the importance of financial inclusion in the local and international arena due to its effective role in economic and financial development and the impact of the spread of digital technology in raising levels of financial inclusion. The study concluded that the Egyptian government has made significant efforts to enhance financial inclusion by providing accessible services that guarantee citizens' access to them. The implementation of an electronic payment system has contributed to raising Egypt's credit rating, and financial inclusion contributes to cash flow and reducing inflation rates.(

- A study by Idris Ramadan Haji, Harith Ghazi Al-Dabbagh, and Amir Hazem Abdul Rahman, 2023, on the reality of financial inclusion in Iraq and the requirements for strengthening it, College of Administration and Economics, University of Mosul and University of Salah Al-Din/Erbil (The study aimed to present the reality of financial inclusion in Iraq for the period 2017-2022 by analyzing its behavior and the direction of its financial indicators to determine the nature of financial inclusion in Iraq and its pillars, and to monitor the direction of developing its indicators. The results showed an increase in financial inclusion in Iraq compared to the period of 2017, which reflects the success of the Central Bank of Iraq in urging banks to achieve financial inclusion by supporting individual confidence, raising the level of their dealings with banks, and expanding the infrastructure and technology to reach the largest number of individuals).

- The Historical Evolution of Growth and Development Theories in Economic Thought, Abdel Halim Shaheen, 2021 (The book indicated that growth is one of the most important topics related to economic development, as it is one of the most important measures for evaluating and measuring economic development. Growth is often referred to when we talk about developed countries, and development when we talk about developing countries. The book pointed out the importance of capital accumulation and its impact on economic development and how to use money efficiently. The ultimate goal of economic development goes beyond achieving growth in GDP or even per capita, and working to meet the needs of the current generation without compromising the future generation.

3.Theoretical and conceptual framework for financial inclusion

The concept of financial inclusion emerged at the beginning of the nineteenth century, when the cooperative movement emerged in India in 1904. It was opposed to unestablished lending agencies, such as money lenders, who charged exorbitant interest rates from poor farmers. The movement also opposed the poor's lack of access to financial services from formal sources, which led to the exploitation of local borrowers. During this period, it encouraged the emergence of a comprehensive financial system. Bridging the gap between rural and urban areas in the provision of financial and banking services led to the term "financial inclusion" being introduced in 1993. This was part of a study by Leachton and Thrift, which examined financial services in southeastern England. Following this study, a bank branch in this country was closed due to the lack of access to financial and banking services for the residents of this region (Dharb, Fazal, 2023, pp. 400-401). International interest in financial inclusion increased following the global financial crisis at the end of 2007. As a result, the global trend towards achieving financial inclusion increased through policies and measures taken by monetary authorities in countries that aim to enhance and facilitate access to financial services for all segments of society and enable them to use all financial products and services at low costs. The Alliance for Financial Inclusion (AFI) was established in 2008, which is the first international network for learning from countries' experiences in the field of financial inclusion. It includes (94) developing countries. The first annual conference of the Alliance for Financial Inclusion was held in Kenya in 2009, followed by conferences in Indonesia, Mexico, South Africa, Malaysia, Trinidad and Tobago, Mozambique, and Egypt in 2017. The leaders of the G20 group recognized financial inclusion as one of the basic pillars of the global development agenda in Seoul (2010). This group established an association consisting of the Alliance for Financial Inclusion (AFI), the Consultative Group on the Poor (CGFI), and the International Finance Corporation (IFC) under the name of the Global Partnership for Financial Inclusion (GPFI) to develop a multi-year plan with the aim of implementing financial inclusion by inviting (5) bodies specialized in setting international standards with the assistance of a group of experts to implement financial inclusion. In the same year, the World Bank developed data for the Global Financial Inclusion Index covering more than (140) Countries around the world. The Council of Arab Central Banks and Monetary Authorities Governors subsequently established a regional working group in 2012 to promote financial inclusion in Arab countries by contributing to the development of policies and procedures to increase financial literacy levels and protect consumers of services (Al-Najjar, 2021, 18).

3.1.The Concept of Financial Inclusion:

Financial inclusion aims to spread and disseminate financial and banking services to the largest possible number of institutions and individuals, particularly those with limited income and those excluded from services.

There are several definitions of financial inclusion, including the following:

- Definition of financial inclusion in terminology: The term financial inclusion has been coined by many terms, including financial inclusion, financial deepening, or in English (Financial Inclusion). Financial inclusion was defined in its early stages as the process of providing financial services to low-income groups in society at an affordable cost. The Center for Inclusion in Washington later defined it as the state in which all individuals are able to access a full range of quality financial services at reasonable prices and in a convenient manner that preserves the dignity of customers (Al-Jamal, 2022, 406). The Central Bank also defined financial inclusion as the ability of individuals and businesses to access useful financial services and products at reasonable prices to meet their needs for transactions, payments, savings products, credit facilities, loans, and insurance services, and to deliver these services in a sustainable and responsible manner (World Bank, 2020).

-It can also be defined as a wide range of formal financial services and products of high quality (such as payments, savings accounts, current accounts, credit transfers, lending, financing, etc.), supported by a set of measures taken by regulatory bodies to promote access and use of these services by all segments of society in a transparent and fair manner, in a timely manner, at low costs, and of high quality, sufficient to meet their needs and enable their effective use. It is important to provide these services through the formal channels of the formal financial system within a legal and regulatory environment (Al-Bakl and Al-Haddad, 2022, 160).

- Through the previous definitions, it can be said that financial inclusion is the availability and provision of financial services (credit, insurance, transfer, payment) and their use by segments of society, especially those with limited income. These services are also provided fairly and at reasonable costs to help them continue to become part of the economic activity in light of the official channels governed by the Central Bank through the laws and controls issued by the Central Bank, as well as monitoring and supervising the implementation of instructions to ensure consumer protection and the dissemination of financial culture. Financial inclusion cannot be achieved without financial education, as the aware consumer is more aware of the risks and gains. Financial inclusion also prevents individuals from resorting to informal financing methods that are not subject to supervision by the competent authorities and providing the following services (Zidan, 2023, 13).

3.2. Financial Inclusion Policies:

The German Agency for Technical Cooperation (GIZ) has developed six effective financial inclusion policies, four of which can improve poor people's access to financial services through various channels, including: agent banking, mobile payments, diversification of service providers, and reform of state-owned banks. The remaining two solutions are consumer protection and financial identity policies, which play a key role in enabling financial inclusion (Qaidum, 2022, 10).

3.3.Financial Inclusion Indicators

G20 leaders agreed, at the Los Cabos Summit in June 2012, on a core set of indicators to measure financial inclusion, based on the Global Partnership for Financial Inclusion (GPFI) recommendation to support global and national financial inclusion data effortS.(Indicators, 2012, GPFI, G20, Financial Inclusion) These indicators address three main dimensions: (Al-Dhabawi, Shaker, Nasser, 2024, 2178)

Access to financial services: The existence of a transaction account is a key step towards broader financial inclusion, as a bank account enables society to save surplus funds, receive payments, and transfer funds. A transaction account can also be a key step towards other financial services. This is why ensuring people around the world have access to a formal transaction account is a priority, as emphasized by the World Bank Group in its recommendations for advancing financial inclusion.

- Use of financial services: This dimension measures the percentage of people using financial services provided by banking financial institutions. This dimension is typically measured by the number of depositors and lenders per 1,000 people, checks per 100,000 adult population, and the percentage of mobile phone users among the adult population for payment purposes.

- Financial product quality refers to the provision of high-quality financial products that meet users' needs. Quality typically refers to competitive markets. The role of governments and independent bodies is to set standards that motivate financial service providers to make their products easy to use and affordable. There are several factors that determine the quality of advanced financial services, including consumer awareness, consumer protection services, the effectiveness of compensation mechanisms, and the cost of **services.**

3.4. Obstacles Facing Financial Inclusion

Achieving financial inclusion goals faces numerous challenges and obstacles, some of which are related to customs and traditions, and others related to financial institutions that do not prioritize the poor when achieving their goals. Among the most important of these challenges are: (Al-Najjar, 2022, 20(

- The increasing volume of cash circulating outside the banking system is one of the greatest challenges facing the plans to achieve financial inclusion adopted by the banking system. There is no doubt that banks face the problem of changing this cultural heritage among individuals. It is necessary to enhance trust between citizens and banking transactions, educate customers, attract them to deal with banks, and reduce the volume of cash transactions outside banks.
- The spread and penetration of the parallel (informal) economy, especially in rural areas. The parallel economy refers to a group of economic activities that produce goods and services and generate income not registered with tax authorities. These activities are conducted in cash, and transactions with banks are not permitted due to misconceptions related to fear of being subject to oversight by certain entities.

There are a number of determinants and barriers that limit the spread of financial inclusion in many countries around the world. Part of these barriers relate to the supply side, while the other part relates to the demand side of financial services. In poorer economies, these barriers are increasing, limiting access to financial services. Furthermore, high fees, excessive interest rates, and the quality of services provided limit access to finance for various segments of society (Zidan, 2023, 20). These barriers and barriers to the implementation of financial inclusion include:

- Income level: Financial status (low income) is often one of the most significant barriers to financial inclusion, as the poorest people face difficulty accessing financial services. Poor individuals also suffer from irregular income, which is a major cause of financial exclusion.
- Psychological and cultural barriers: These barriers include fear, suspicion, and mistrust of financial institutions. The recent financial crisis has created a lack of trust among financial institutions, leading people to avoid banks and withdraw their money, which has had a negative impact on the level of financial inclusion.
- Religious Reasons: One of the reasons leading to financial exclusion is religious factors, especially since 70% of the poor live in Muslim-majority countries. In recent years, there has been interest in Islamic finance, i.e., the creation of financial products that comply with Sharia law.
- Weak Banking Penetration: The lack of financial services and their availability to customers in all geographic areas, especially in rural areas, prevents access to banking services and hinders financial inclusion.

- High Costs: These include account opening costs, transaction costs, and general fees, on the one hand, and the lack of collateral from customers, such as cash guarantees and real estate collateral, on the other hand. This constitutes a barrier to the poor's access to financial services, leading to a decline in demand for formal financial products and individuals resorting to the informal financial sector.
- Human Financial Determinants: These include limited financial literacy, lack of legal identity, citizens' financial status, and demographic issues (Al-Najjar, 2022, 20).
- Regulatory determinants include limited understanding of customer needs, poor quality of services provided, and an inappropriate regulatory framework (Al-Najjar, 2022, 2020).
- Infrastructure determinants include location, high cost, distance, lack of knowledge in using technology, and weak bank incentives (Al-Najjar, 2022, 2020).

3.5. Components of Successful Financial Inclusion

For the components of financial inclusion to gain general acceptance and successfully fulfill their mission, they must achieve the following: (Al-Bakl, Al-Haddad, 2022, 2020).
- Availability of financial education and awareness, as they are essential to successful financial policies. The Organization for Economic Co-operation and Development (OECD) defines financial education as the process that aims to improve users' awareness of the concept of financial services and their associated risks. This is achieved through providing information, training, skill development, and building confidence in financial services, tailored to different age groups.
- Providing information to users about financial services, providing marketing channels, and using text messages and interactive dialogue services that simplify information, enabling users to understand the various types of financial services and facilitate informed decision-making.
- The existence of policies and regulations that contribute to establishing the foundations for the transition to cashless payment methods and electronic collection through financial regulatory institutions that monitor, regulate, and encourage the use of electronic financial products and provide effective means of protection.

3.6. The most important principles and requirements of financial inclusion can be summarized as follows:

- Diversity: This refers to adopting a policy approach that encourages competition in the financial market to ensure continuous and sustainable access to financial services and the use of these services at reasonable costs. These services include credit, insurance, loans, payments, and money transfers. These policies provide a diverse range of service providers for protection. Furthermore, the diversity of services leads to enhanced competition among financial service providers, resulting in the innovation of new products and reduced fees and commissions for services provided to individuals(Zidan, 2023, 19).
- Innovation: It ensures the encouragement of innovation and support for technological development in order to expand access to the formal financial system and address weaknesses in the financial infrastructure, as the

weakness of the financial infrastructure of the financial system represents a major obstacle to financial inclusion, as proven by experience. Therefore, it requires the development and support of the infrastructure represented by the development of payment systems, and the clearing system.

Electronic banking, automated teller machines (ATMs), and insurance services. Technological developments are also being leveraged through the expansion of digital financial services and mobile payments, which serve financial inclusion.

- Leadership: Leadership refers to the government's commitment to financial inclusion to help alleviate poverty. The most successful governments are those that most support financial inclusion, and this is achieved through supporting financial education programs.

- Protection: This refers to the availability of a comprehensive approach to consumer protection. This is achieved by establishing fair and transparent consumer protection laws. Due to the development of the financial sector and the diversity of financial services, consumers are unable to protect themselves from financial complexities. Consumer protection involves providing information to customers about the type of financial services and the cost of services provided, including total fees, loan interest rates, and credit card usage. Consumers are treated fairly and without discrimination, as well as providing advisory services and handling and resolving complaints. All of this reduces risks and increases the benefits achieved from financial inclusion by increasing customer confidence in the formal financial sector. Collaboration: This means creating an environment of direct partnerships, consultations, and cooperation between governments, companies, and relevant stakeholders in the financial sector.

- Knowledge: Sufficient information and accurate data must be obtained, and this data must be used to develop evidence-based public policies to measure financial inclusion among financial service providers.

- Proportionality: This refers to comparing the risks and benefits of innovative financial services in developing policies that are appropriate and suitable for these services.

- Empowerment: This means enabling customers to benefit from financial services and developing their capabilities and financial culture through financial literacy. Financial awareness and financial education play a role in informing people about the importance of dealing with banks and recognizing the benefits of the financial sector. The financial sector has an important role in improving their standard of living, as well as introducing them to financial services that suit their needs and how to protect their rights towards financial institutions. In order to achieve financial inclusion, the level of financial education must be developed for all segments of society. Framework: When developing the regulatory framework, international standards must be taken into consideration, as well as the local conditions of the country and the degree of competition between producers. It must be flexible to face risks, and the conditions for using agents and representatives to deal with customers.

4.Theoretical and conceptual framework of economic growth

Economic growth is a common concept in economics. It is considered the primary goal of most economic theories and the most important topic of interest to government administrations concerned with developing their countries and ensuring the prosperity of their people. It is a reflection of economic activity and its level of development. Pioneers of economic thought have spent considerable time researching and investigating the means and policies by which countries can emerge from the depths of underdevelopment to the highest levels of development and economic growth.

4.1. The Concept of Economic Growth

The concept of economic growth focuses on the change in the average quantity of goods and services obtained by an individual, without considering the structure of the distribution of real income among individuals or the quality of goods and services provided (Jalal Khasheeb, 2014, p. 1).

The concepts of economic growth have varied and differed according to the perspectives of writers and researchers. There are many definitions of economic growth, including the following:

- It is one of the most important economic indicators and the set of values added to all production units operating in the various branches of production in a given economy. Economic growth works to achieve a high rate of aggregate change, such as the gross domestic product, which achieves a high rate of satisfaction and well-being for members of society (Ali, 2021, 292).

-It is also defined as a long-term increase in the ability to supply an increasingly diverse range of economic goods to the population. These growing capabilities are based on the technology provided and the institutional and ideological adaptation required for it (Jalal Khashab, 2014, 1).

John Maynard Keynes defined it as an increase in aggregate demand, with total investment and consumer spending playing an important role in achieving growth.

-Paul Romer focused on the role of technology in promoting economic growth, believing that innovation and the continuous development of ideas are key drivers of long-term growth.

-The simplest definition of economic growth is the increase in the volume and quantity of goods and services produced by a given country over time (Zidan, 2023, 38)..

- Based on the above, economic growth can be defined as an increase in a country's real total income, which results in an increase in the average per capita real income. The growth rate must be greater than the population growth rate, or it must represent the added value of the production units operating in the economy, along with the provision of productive and social services. It facilitates technological progress, which raises growth rates in countries and contributes to supporting various economic sectors, including industrial, agricultural, and service sectors.

4.2. Factors Affecting Economic Growth

Economic growth is influenced by many and varied factors, such as political, social, and cultural factors. These factors include (Al-Hakari, Hayawi, 2023, 553).

- Natural resources: The primary factor influencing economic development is natural resources. Natural resources include land area, soil quality, forest wealth, a good river system, minerals, and a favorable climate. Abundant natural resources are essential. A country lacking natural resources may not be in a position to develop rapidly. However, the availability of rich natural resources is a necessary, but not sufficient, condition for economic growth. In less developed countries, natural resources are often underutilized, underexploited, or misused, which is one of the reasons for their underdevelopment. On the other hand, countries such as Singapore, Japan, and others do not have abundant natural resources, yet they are among the world's most developed nations. These countries have demonstrated a commitment to conserving available resources, making every effort to manage them, and minimizing their waste. � Technological progress: Technological progress is a very important factor in determining the rate of economic growth. Technological progress primarily involves research into new production methods or improving old ones. Technological progress sometimes leads to the availability of natural resources, but technological progress generally leads to increased production. Technological progress increases the more efficient and productive use of natural and other resources. To increase production through the use of improved technology, greater output can be obtained from the use of certain resources, or a given output can be obtained using fewer resources. Technological progress improves the ability to fully utilize natural resources. For example, the use of powered agricultural equipment has seen an increase in agricultural production. The United States, France, Japan, and other advanced industrial nations have gained industrial power from the use of advanced technology.

- Capital formation: Capital formation is another important factor in economic development. Capital formation is the process by which a society's savings are directed toward investments in capital goods such as factories, equipment, and machinery, which increase a nation's productive capacity and worker efficiency, thus ensuring a greater flow of goods and services within the country. The process of capital formation means that a society does not spend its entire income on goods for current consumption, but rather saves a portion and uses it for production or the acquisition of capital goods that significantly add to the nation's productive capacity.

-Population growth: An increased population growth rate leads to an effective increase in the labor force, thus increasing the number of productive workers. Conversely, increased population growth leads to increased purchasing power, i.e., an expansion in the market size. There is also debate among economists about whether increased population growth has a positive or negative impact on economic growth. This impact depends on the nature of the country's existing economic system and its ability to absorb and employ the additional labor force.

4.3. Measures of Economic Growth

Economic growth is measured in two ways: the national product growth method and the per capita income growth method: (Jalal Khashab (8, 2014)

- National product: It is a measure of the outcome of productive activity, and its growth rate is calculated, which is called the growth rate. National product can be calculated by calculating the output achieved in a country and its progress in that country's currency, then comparing it to the results of the previous period and determining the growth rate. The drawback here is that each country has its own national currency, and therefore it is not possible to compare the growth achieved in different countries according to this measure. Therefore, a single international currency is often used to evaluate the national product of different countries, to facilitate comparison between the growth rates achieved in them.
- Average per capita income: This is considered the most widely used and reliable criterion for measuring economic growth in most countries of the world. However, in developing countries, measuring per capita income is difficult due to the lack of accurate population and individual statistics.

There are two methods for measuring growth rates at the individual level:

-The simple growth rate method measures the rate of change in average real income from one year to the next.

- The central growth rate method: It measures the annual growth rate of income as an average over a long period of time. Relatively.

4.4. Types of Economic Growth

There are four types of natural growth: (Hussein, Al-Idrisi, 2024, 32(

- Natural or Automatic Growth: Natural or automatic growth occurs automatically in the economy without the state developing a specific plan or policy to achieve it. This growth occurs as a result of adopting specific methods and policies in the production process and other economic sectors within the country, which results in the automatic achievement of growth from one sector to another.
- Transient Growth: This is growth that lacks stability and is achieved as a result of certain unforeseen factors, usually external. This type of growth appears in developing countries, where the growth index rises as a result of certain external transactions and then quickly disappears and fades away. Therefore, this growth does not achieve real growth in production, income levels, or anything else.

-Balanced Growth: Balanced growth is achieved when growth is comprehensive across all economic sectors in the country at the same time through a regular process. This growth is reflected in increased production, increased job opportunities, and decreased unemployment rates, in addition to achieving an actual increase in per capita income and stability in the prices of goods and services.

-Planned growth: This is the growth achieved as a result of comprehensive planning for all resources and societal needs. The strength and effectiveness of this type of growth is linked to the capacity and effectiveness of planners, the realism of the plans drawn up, and the ability to implement and follow up, as well as public participation in the planning process at all levels, ensuring true growth and development in society.

4.5. Theories of Economic Growth

The Classical Theory of Economic Growth: The economic thinker Adam Smith is considered the founder of this theory. He emphasized that wealth is not limited to gold. Adam Smith's theory of economic growth can be summarized by the following hypothesis: Any increase in a nation's wealth or per capita income results from increased specialization and an increase in the level of specialization over time. Adam Smith indicates in his famous book, The Wealth of a Nation, that economic growth continues to increase as long as there is an increase in specialization and the level of specialization. Specialization refers to the division of labor, whereby worker productivity increases through the division of labor. This is achieved through increased practice, which reduces the waste of raw materials. This increases worker efficiency, leading to an increase in the number of productive units at all stages of production and for all companies in the economy, leading to an actual increase in the nation's wealth and per capita income.

.Keynesian Growth Theory: This theory focuses on the importance of employment and returns on capital. Keynes's theory considers effective demand as one of the key factors, and believes that an increase in effective demand must stimulate economic growth. Keynesian theory aims to explain fluctuations in economic activity. Keynes demonstrated that consumption, savings, and investment decline during recessions due to high unemployment and low income levels. Keynes believed that the cure for recessions is to encourage investment, through the following:

- Using fiscal policy: The government continues infrastructure projects, which leads to the creation of new job opportunities and, consequently, increased income and demand.
- Using monetary policy: This means lowering interest rates. When the central bank reduces interest rates on commercial banks, commercial banks' interest rates will decrease, which in turn will lead to lower interest rates for customers.

Modern Classical Growth Theory: This theory emerged in the 1960s and 1970s as a result of the failure to resolve dynamic equilibrium issues to achieve expected growth. This was due to the misuse of available capacity and technology, and the development and organization of production. The basic element of this theory is based on the factors of production. Money and the environment are considered independent factors contributing to the production of local goods. This is in addition to preventing the state from interfering in economic affairs, and giving large companies the opportunity to achieve their growth through market competition and the exploitation of some available resources.

Neoclassical thought according to Alfred Marshall: Marshall is one of the most prominent neoclassical economists. In his book, he discussed the issue of economic growth and had an optimistic outlook. He discussed the well-known principles of economics.

The development process is a continuous and renewable process due to technological progress, which is capable of eliminating any recessionary pressures that may be imposed by the scarcity of natural resources. This may result in temporary unemployment for some workers, but the net effect is to increase the overall demand for labor, not reduce it, as the classical economists and Marx believed. He also presented

Marshall's idea of external economies, every growth in an industry, no matter how small, leads to a chain of reactions that in turn affect many other industries, as economic growth in a particular sector leads to other sectors growing, and thus growth in Raya is an interconnected, integrated and compatible process with a positive impact (Shaheen, 2021, 11).

5.The relationship between financial inclusion and economic growth

Financial inclusion is one of the main drivers of economic growth, and improvements in financial services have a positive impact on economic growth. Therefore, policymakers who focus on financial sector reforms can stimulate long-term economic growth, especially in developing countries. Therefore, governments and policymakers must address the issues involved in access to financial services to stimulate economic growth. Financial inclusion causes economic growth, not the other way around (Badr 134). Many researchers have attempted to study the precise relationship between financial development and economic growth, as growth is one of the most important goals that countries seek, as it is the economic tool that expresses the state's performance. Financial inclusion is one of the most important reasons that lead to driving the wheel of economic growth in the country and plays a pivotal role in attracting saved funds and exploiting them in various investment projects. Therefore, the main goal of economic policymakers is to achieve high growth rates. Growth rates vary from one country to another due to the different factors that affect economic growth, which is characterized by the dynamics of absolute macroeconomic indicators such as the gross domestic product and other macroeconomic indicators. Economic growth is a measure of the extent of the well-being of individuals and the improvement of their standard of living, ensuring the country's progress. The absence of financial inclusion leads individuals to resort to informal financing channels in order to borrow at high interest rates from a mortgage they own in the event of default on payment on time, which negatively affects economic growth. From this emerges the importance of financial inclusion, through the benefits that are reflected in the economic reality, whether in terms of economic development or financial and banking stability, as well as political and social stability. Therefore, most countries have turned to supporting financial inclusion, which they consider a fundamental goal upon which they rely. On the other hand, financial inclusion contributes to achieving three goals: (Zaidan 2023, 43).

1-Supporting small, medium, and micro enterprises and projects, as it contributes significantly to providing the financial environment they need, one that is compatible with the circumstances and nature of their operations, in order to develop the company's or project's growth stages.

2-Social justice: Financial inclusion contributes to delivering financial services to disadvantaged groups, such as low-income and marginalized people, leading to an increase in their standard of living and a reduction in poverty rates.

3-Empowering women and youth: Financial inclusion enables women and youth to access financing easily and promptly, without discrimination.

5.1 The Impact of Banking Operations on Promoting Financial Inclusion and Its Relationship to Economic Growth:

Banking operations play a pivotal role in promoting financial inclusion, as they enable individuals and businesses to access formal financial services more easily and effectively. After increasing individual banking awareness of the importance of saving, which is one of the most important processes within banks and is encouraged, we will discuss the impact of raising savings rates on promoting financial inclusion and its impact on economic growth.

It is important to note that the process of promoting financial inclusion is also a result of the process of accumulating savings, which is a result of developing the banking account system. In other words, the process of developing banking accounts, which is primarily intended to promote financial inclusion, has led to another sub-result: the accumulation of savings. We can formulate the above in the equation: (age, 65, 2021).

Economic growth = improving the banking account system, which leads to an increase in the domestic savings rate, which promotes financial inclusion and leads to an increase in the rate of capital formation, which leads to increased economic growth.

From the equation above, it is clear that if we make good improvements to the banking system, this will lead to the accumulation of savings in banking institutions, which enhances financial inclusion. This accumulation will lead to the formation of the capital necessary for production processes, which will lead to an increase in economic growth rates. To achieve this process in accordance with the above, we propose the following:

1-The state must avoid the decline in the income level of individuals in society and the modest growth rates of this income by creating new job opportunities with incomes that guarantee a decent life. This can be achieved in two ways:

- Working to increase social protection rates.
- Working to increase medium- and small-scale production projects.

This way, we can maintain high rates while simultaneously increasing industrial production, provided that the products are tradable goods and that the state enacts legislation that maintains a minimum wage.

2-Working to curb consumerism and encourage the purchase of what is necessary for a decent life, which reduces imports of luxury and recreational goods, limiting these imports to basic goods. Local industries should also be encouraged to produce imported alternatives, provided that such production is non-commercial. This will ultimately lead to increased savings rates among individuals, allowing them to save what was previously earmarked for unnecessary consumption and use it for savings at banks.

3-The state is responsible for narrowing the gap between the rich and the poor by expanding social protection programs, supporting marginalized groups, and meeting their needs for basic commodities and necessities. This will increase the ability of these individuals to meet daily burdens and help them build a small financial surplus that enables them to save and benefit from financial returns, provided that banks design programs that meet the needs of these individuals.

4- Working to increase funding for industrial projects, whether large, medium, or small, that produce tradable goods, creating a comprehensive economic renaissance for all sectors of the country, and enabling these goods to be exported. This leads to:

- Maintaining employment rates for the workforce and increasing employment.

This is in the future.

- The possibility of increasing salaries, incentives, and allowances for this workforce.

This will boost savings rates among this group of workers, which will consequently enhance financial inclusion, leading to increased growth rates as an indirect effect.

5-Limit imports to essential goods.

6-Work to reduce the state's general budget deficit by increasing exportable industrial and agricultural production and reducing imports.

7-Banking institutions should adopt policies that create savings products that suit the marginalized and the poor, under state guidance. This will lead to increased bank savings, thus enhancing financial inclusion, and raising economic growth rates.

8-Work to preserve scarce natural resources, and create and finance investment projects that invest in these resources to protect them from loss and optimally exploit them to increase distinguished industrial production with added value, thus raising economic growth rates.

9-Eliminate the phenomenon of capital flight abroad by continuously working to stabilize the economic and political climate. This can be achieved through long-term laws governing economic activity and ensuring that they are not changed from time to time. This can also be achieved through maintaining stable tax and insurance systems for long periods, and by not imposing taxes other than those stipulated by law. This can also be achieved through promoting the values of equality and reforming the judicial system by administering prompt and effective justice.

10-Eliminate hoarding and encourage capital investment in productive projects by creating new and innovative investment tools, such as investment funds and the stock exchange, etc.

Reducing government spending and limiting unnecessary expenditures between public spending and public revenues..

11-It is clear from the above that domestic savings can be accumulated, leading to capital formation that helps enhance financial inclusion and, consequently, impacts economic growth.

5.2. The relationship between financial development and economic growth from the perspective of schools of thought:

The most important of these schools of thought are (Al-Hakkari, Hayawi, 2024, 553). The starting point was (Goldsmith, 1969) (Gurly & Show, 1969). 1- The structural school: The pioneers of this school hypothesized that expanding the institutions of the banking system, diversifying its tools, and encouraging its spread is the most effective method for achieving financial growth first, then enhancing economic growth, and thus achieving financial development. The opposite occurs when financial institutions, systems, and tools are weak, as this can hinder development and economic growth. Among the ideas of this school is the necessity of liberalizing the financial system, which would lead to its development and, subsequently, would have a positive role in raising the rate of economic growth. The essence of this theory is based on easing the restrictions and controls imposed by the government on the financial system.

2- The Endogenous Growth Model School: This school focuses on the relationship between financial intermediation and economic development. These models focus on studying the factors that influence long-term economic growth, demonstrating that financial intermediation affects growth through a number of channels, including the impact of financial development on investment rates, the efficiency and allocation of financial resources, as well as the rate of productivity growth and its impact on savings levels.

3-The Modern Liberal School: This school assumes that the more the financial system expands through its institutions, diversifies its instruments, and increases the activities it handles and performs, the more positive this impact will be on investment and savings, and thus economic growth. The essence of this theory is based on the premise that the development of the financial system plays a prominent role in economic growth and development, and that its shortcomings hinder development and economic growth. Therefore, the optimal policy in this case is one that encourages the development of the financial sector.

5.3. Financial Exclusion and Its Impact on Economic Growth:

Financial exclusion is one of the obstacles to economic growth. It was found that financially excluded clients have disadvantages relative to the formal financial system in its current form, the most important of which are:

- Financial illiteracy and low awareness and understanding of the services and products offered by the formal financial system.
- Low income and variable, cyclical income characterized by instability and continuity due to its connection to the agricultural cycle in rural areas and the availability of work in urban areas, making adherence to fixed payment schedules impractical.
- Lack of minimum collateral.
- Lack of a verifiable credit history, making it difficult for formal financial institutions to extend credit.
- Lack of formal and verifiable identification.
-High levels of illiteracy, especially among rural residents.
-The type of credit required by the poor is for consumer expenses such as marriage and emergencies, making it difficult to obtain from formal sources.
-Access to banking services is long, and bank hours often coincide with working hours for the poor, which may lead the poor to forego a portion of their wages to conduct banking transactions. Bank employees must be careful in their dealings with individuals, especially the poor, who often display a hostile attitude toward them, leading to dissatisfaction and their abandonment or refusal to use banking services. This, in turn, leads to a decline in the effectiveness of financial inclusion and the failure to achieve economic growth. Some authors describe financial exclusion as part of an older, more widespread, and more comprehensive phenomenon: social exclusion (Gloukoievzoff, 2027). Financial exclusion is also defined as practices that prevent individuals from accessing appropriate and low-cost financial services and products, such as transaction accounts and general insurance (Mckillop and Wilon, 2007). Financial exclusion is also described as the inability or unwillingness of a group of individuals to access formal financial services and products. According to this definition, financial exclusion is the result of exclusion by financial institutions (Bunyan et al., 2016) or as a result of individual choice.

There is a difference between access to and use of financial services, as an individual's access to financial services does not necessarily mean they will use them. In light of this, financial exclusion has been classified as follows: (Ghanem, Shousha, Shabana, 2023, 565(

- Forced exclusion: This refers to individuals who have the opportunity to access financial services and products but are unable to use them due to high costs, risk management processes in the financial services system, discriminatory policies against the poor and low-income individuals, or the unsuitability of the terms and conditions for providing financial services to certain segments of society.
- Exclusion Voluntary: Refers to individuals' access to financial services and products, but they choose not to use them due to lack of need or cultural, religious, or psychological barriers.

5.4. The Impact of Economic Growth on Poverty Reduction:

Poverty is a problem of concern to everyone, whether at the academic level, at the government level, or at the level of international organizations. Everyone seeks to study this problem, investigate its causes, and find the necessary solutions to eliminate poverty worldwide, especially in developing countries. Concepts of poverty have multiplied and evolved with the development of economic development concepts (Abdul Hafeez, 2023, 14). Today's world population suffers from malnutrition and poor performance in many other indicators of the Millennium Development Goals, which are vital measures of well-being in any society. Developing countries have focused primarily on promoting economic growth to achieve the goal of poverty reduction, assuming that economic growth can also correct income distribution over time. However, the transition channel between growth and poverty reduction is not as clear as many governments around the world have imagined. Many experiments demonstrate that the amount of Economic growth is important, but it is not sufficient to eliminate poverty. Finding a definitive answer to this problem is difficult, but unraveling the links is worth exploring and is important for policy considerations, especially as countries move towards eliminating all forms of poverty, a goal of sustainable development. (Sarangi, 2015, 1).

Financial inclusion leads to poverty alleviation through cooperative banks or banking system units, which have a direct and significant impact on poverty alleviation through access to basic financial services such as savings, loans, and insurance. Financial inclusion seeks to provide this to all segments of society, which has a positive impact on the lives of the poor and helps them escape the clutches of poverty Likewise, a higher growth rate, which means an increase in the average per capita share of real GDP, leads to a reduction in the poverty rate, as economic growth raises the average per capita share, which leads to an increase in the income of the poor, through higher wages and increased employment. The benefits of economic growth go first to the rich, followed by the poor once the rich begin spending their gains from economic growth. Therefore, there must be justice and equality in the distribution of income for the poor to benefit from it as well. From here, the term "pro-poor growth" began to emerge, meaning economic growth that absorbs labor and is coupled with policies and programs that reduce inequality and ensure the creation of job opportunities and income for the poor, especially women and less fortunate groups. Another is economic growth, which enables the poor to participate in and benefit from economic activity and financial services, even to a greater extent than the wealthy. Therefore, a pro-poor growth strategy requires removing all policies that are biased against the poor and designing economic policies that target the poor. Remittances from workers abroad can also contribute to reducing poverty rates by raising the rate of economic growth in the countries receiving these remittances. Increased remittances from workers abroad can stimulate economic growth rates by increasing savings and consumption, providing financing, and increasing aggregate demand. These banking operations help promote financial inclusion, which in turn contributes to increased economic growth and poverty reduction (Abdul Hafeez, 2023, 1). The World Bank's 2001 report, "An Attempt to Create a Better World Free of Poverty," found that poverty and inequality can be reduced through financial inclusion, economic growth, and technological change. This will lead to increased income-earning potential, capital flows, access to education, and the removal of social barriers, which will transform the livelihoods of the poor (Badr, 2001, 137).

6. Conclusions and Recommendations

6.1. Conclusions

-Financial inclusion is a goal pursued by many countries, as it achieves sustainable development goals, increases societal well-being, enhances financial stability, and reduces poverty and unemployment levels.

- The national financial inclusion strategy represents the cornerstone for achieving financial inclusion. It must be implemented through carefully considered phases and steps. Its success requires appropriate policies, regulations, legislation, and financial and digital infrastructure to promote financial inclusion.

-The widespread prevalence of poverty is one of the most important indicators of unequal income distribution and income disparities among members of society, which often requires state intervention to restore balance through changes in distribution and the provision of subsidies.

- The use of electronic means contributes to reducing informal financial transactions, combating corruption, and contributing to economic recovery.

- Financial inclusion cannot be achieved without financial literacy and education, which increases demand for financial products and thus increases the integration of marginalized groups into the formal economy.

6.2. Recommendations

-Adopting macroeconomic policies to reduce inflation and unemployment rates and poverty rates, enabling citizens to generate cash income, increasing administrative and investment capacity, and ultimately achieving financial inclusion.

- Exerting utmost care to achieve financial literacy and informing citizens of the system's advantages, rights, and responsibilities, and working to strengthen confidence in banking services.

- Holding training courses and producing introductory videos on how to use electronic payment and collection methods, contributing to eliminating ignorance of available financial services and reducing the prestige of dealing with financial institutions.

- Developing the financial sector through the development of financial services and the provision of financial services to all members of society is essential. This, in turn, leads to increasing the financial sector's contribution to the gross domestic product and supporting economic growth.

- Providing sound religious guidance and changing inherited beliefs regarding non-interaction with banking institutions and determining their legitimacy.

-Attention must be paid to coordination among banks to distribute branches and deploy electronic collection and sales points in a more efficient manner, achieving widespread coverage in all remote, poor, and marginalized areas.

-Striving to establish a solid foundation and appropriate infrastructure to embrace the requirements of the digital economy, completely eliminating manual transactions and cash, and developing communications and internet networks to withstand the pressure that a digital payment system could impose.

-Reducing the percentage of adults excluded from financial services. Enabling these excluded adults to access financial services contributes to their participation in economic activities and contributes to the country's development.

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