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LUMINOUS INSIGHTS

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The Impact of Financial Inclusion on Income Inequality and Sustainability: An Analysis through the Lens of the UN Sustainable Development Goals

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This study investigates the impact of financial inclusion on income inequality and sustainability within the framework of the United Nations Sustainable Development Goals. Utilizing a longitudinal panel dataset spanning 2000 to 2024 and drawing from reputable international databases—including the World Bank Global Findex, World Development Indicators, International Monetary Fund databases, United Nations Sustainable Development Goal indicators, United Nations Development Programme Human Development Reports, and the Standardized World Income Inequality Database—the research constructs composite indices to measure financial inclusion and sustainability. Employing a panel Autoregressive Distributed Lag model, the analysis reveals a robust, positive long-run relationship between financial inclusion and sustainability, with financial inclusion significantly enhancing sustainability outcomes across economic, social, and environmental dimensions. The findings underscore that financial inclusion facilitates broader access to credit, savings, insurance, and digital financial services, empowering households and firms to invest productively and build resilience, thereby contributing to poverty reduction, economic growth, and environmental stewardship. Gross Domestic Product growth emerges as a consistent positive driver of sustainability, while inflation negatively affects it, highlighting the importance of macroeconomic stability. Governance factors such as political stability and government consumption complement financial inclusion by accelerating adjustment dynamics and reinforcing sustainable development. The study also identifies that the sustainability benefits of foreign direct investment are contingent upon institutional quality. Policy recommendations emphasize the necessity of long-term structural financial inclusion strategies, alignment with macroeconomic stability, complementary government expenditure, institutional strengthening, and integration of financial inclusion into national sustainability frameworks. This comprehensive approach ensures that financial inclusion acts as a strategic enabler for reducing income inequality and achieving sustainable development goals, supporting inclusive and resilient economic systems globally.

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Conflict of Interest

The authors declare that there is no conflict of interest regarding the publication of this paper.

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