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Achieving Sustainable Development Goals through Financial Inclusion: A Review of the Literature

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Abstract: *The study reviewed the role financial inclusion can play to advance the achievement of Sustainable Development Goals (SDGs). The methodology adopted is essentially a historical review of the literature. The Millennium Development Goals (MDGs) programme was launched in 2000 by the United Nations General Assembly. Eight goals were involved to tackle the scourge of poverty and other social ills that beset human life world-wide, especially among very poor nations. The MDGs scheme ended in 2015 and the United Nations wanted to sustain the goals by introducing Sustainable development Goals (SDGs). Seventeen goals were introduced. Researchers argued that financial inclusion should be included as one of the goals. But this suggestion was not adopted. Rather the argument shifted to the role that it could play in the attainment of the SDGs. The conclusion was that financial inclusion has positive contribution to make the attainment of the goals. The paper recommended that government should adopt the policy of financial inclusion to drive the pursuit of the SDGs. Furthermore, ways should be developed to get the private sector involved in the pursuit of the SDGs especially as part of its Corporate Social Responsibility (CSR).*

Keywords: *Millennium Development Goals, Sustainable Development Goals, Financial Inclusion, Global Partnership, Climate Change, United Nations.*

Section a: Introduction

The Millennium Development Goals (MDGs) programme was introduced into the international scene in 2000 by the United Nations General Assembly. By the goals, 189 countries including Nigeria agreed to seriously pursue objectives to lift their citizens to achieve high standards of living and reduce poverty at the global level. Developing nations which were known to be at the lowest level of development were to be the main targets in pursuit of the goals. Developed countries, that are better off were to serve as helping partners in the achievement of the goals. Eight broad goals were identified to be pursued to encourage development in economic and social conditions especially in the world's poorest nations.

United Nations Development Programme (UNDP, 2000) reported the eight goals as:

Goal 1: Eradicate extreme poverty and hunger by pursuing the special goals of reducing half the population of people living below $1.25 per day; achieve decent employment for women, men and young people and reduce by half the population of people who suffer absolute hunger.

Goal 2: Achieve universal primary education. More specifically all children should be able to attain primary education.

Goal 3: This is to promote gender equality and empower women. Here the target is to eliminate gender disparity in primary and secondary education.

Goal 4: Is to reduce child mortality rate. The target is to reduce mortality under five years.
Goal 6: Combat HIV/AIDS, malaria and other diseases. The target is to halve and begin to reverse the spread of HIV/AIDS among the prevalent age group of 15 – 24 years. There is to be free treatment for HIV/AIDS. There also should be move to halve the spread of malaria and other major diseases.
Goal 7: Was to ensure environmental sustainability. Specifically, there was a move to integrate the principles of sustainable development into member nations' policies and programmes; reverse the loss of environmental resources and reduce biodiversity loss. By end of 2015 every country (developing countries) should halve the proportion of the population without access to safe drinking water and basic sanitation.
Goal 8: Was to develop a global partnership for development. There should be a target of achieving an open, ruler-based, predictable and non-discriminating trading and financial system. There also should be a target of comprehensively dealing with the issues of foreign debts of Highly Indebted Poor Countries (HIPCs).

As the Millennium Development Goals (MDGs) scheme came to a close in 2015, the member nations of the United Nations General Assembly resolved to sustain the goals (however small) of the MDGs scheme. This led to the introduction of Sustainable Development Goals (SDDs). The concept of sustainable development involved the position that the present generation should utilize existing resources in such a way that future generations should also have access to resources for their use. According to Hasna (2007) sustainability implies simultaneous pursuit of economic prosperity, environmental quality and social equity. These are popularly referred to as the "triple bottom line". According Rio +20 Outcome (2013), the 8 goals of MDGs are expanded to seventeen to be pursued from 2016 – 2030. The seventeen SDGs are stated below:

Goal 1: End poverty in all forms everywhere.
Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
Goals 3: Ensure healthy living and promote well being for all including reduction of material mortality and eliminate deaths of children under five years.
Goal 4: Ensure inclusive and equitable quality education and promote life-long learning opportunities for all.
Goal 5: Achieve gender equality and empower women. That means end all forms of discrimination against females.
Goal 6: Ensure availability and sustainable management of safe drinking water and sanitation for all.
Goal 7: Ensure access to affordable reliable modern renewal energy and safe environment for all.
Goal 8: Promote sustained inclusive and sustainable economic growth rate envisaged at 7% P.a.
Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
Goal10: Reduce inequality within and among nations.
Goal 11: make cities and human settlements safe.
Goal 12: Ensure sustainable consumption and production patterns.
Goal 13: Combat climate change and its impacts.
Goal 14: Conserve and sustain safe use of oceans, seas, lakes and marine resources.

Goal 15: Protect and promote sustainable use of terrestrial ecosystems, combat desertification and halt biodiversity loss.
Goal 16: Promote peaceful and inclusive societies, provide access to justice for all.
Goal 17: Strengthen and revitalize global partnership for all nations.

Statement of Problem

The main responsibility of achieving Sustainable Development Goals (SDGs) lies with the various national governments of members of the United Nations. There are, however, other stake-holders and agents who can play important roles for effective implementation of the SDGs. Nelson and Prescott (2013) argue that apart from the crucial role of governments, there are others who can take part in the implementation of the MDGs and subsequent SDGs. Achieving SDGs involves the application of good governance, upholding of the rule of law, human rights and tackling of corruption and conflicts. Apart from these, it is now seriously argued that financial inclusion should serve to support the achievements of Sustainable Development Goals (SDGs). Were (2015) has argued that although financial inclusion is not included as one of the SDGs, but it is perhaps, crucial and critical to support the realization of the goals. Similarly, UNCDF (2016) has opined that financial inclusion models can support the achievement of overall economic growth and the achievement of wider development goals. It will also create stable financial and economic systems, help to mobilize domestic resources through national savings and help to boast government revenue.

In view this background this study has been undertaken to review the ways and manners that financial inclusion can act towards the achievement of the SDGs. The study involves extensive review of literature to have an overview of how financial inclusion, although not one of the goals, can be critical in the achievement of the goals.

The main objective is to have an overview of how SDGs can be achieved as we are still at the early stage of the fifteen years project that terminates in 2030.

The methodology of the study is essentially theoretical and discursive in approach. That means the study is a review of existing literature, discussion of ideas and comments of goals and targets as set out in the Sustainable Development Goals Objectives.

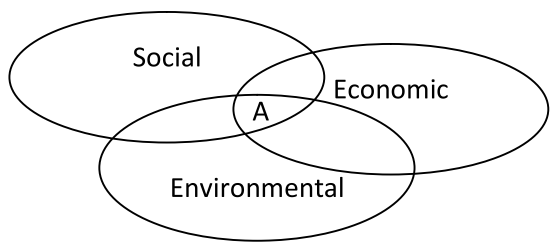
The plan of the study is in sections:

(a) Introduction dealing with points discussed so far.
(b) This section deals with a review of related literature on financial inclusion and sustainable Development Goals (SDGs).
(c) Section (c) deals with discussions on issues of financial inclusion and Sustainable Development Goals.
(d) This section deals with conclusion and recommendation(s).

Section b: Review of Related Literature

To start with, we review conceptual issues involved. Sustainable Development is a concept that has dominated international political and economic domain for past several decades. It can be said to be extension of economic development which can be said to be sustained, concerted actions of a nation’s rulers and policymakers to promote actions and policies to improve living standards of the citizenry. Sustainable economic development can be quantitative and qualitative changes for a nation ranging from Gross Domestic Product (GDP), per capita income, human capital development, critical infrastructure, social inclusion, health and other initiatives to improve human living standards. According to Myint (2014), economic development can be seen as a process whereby low income countries are transformed into modern economies. Economic development matters assumed unprecedented importance after World War II when colonial nations rose to demand for political independence. These former colonial peoples were trapped in vicious circles of poverty characterized by low income levels, low capital accumulation, low level of productivity, high unemployment and high population growth rate. Economic development is then aimed at breaking out of the vicious circles.

Sustainable development arose from the concept of economic development. It aims at maintaining the ability of nature to provide natural resources and ecosystems on which the human society depends. Bruntland Commission Report (1987) came up with the concept of sustainable development which it defined as development that meets the needs of the present which also provides for the needs of future generations. Hasna (2007) and UN (2006) explained sustainable in terms of “triple bottom line”. This refers to process of resolving conflicts between three competing goals of economic prosperity, environmental equality and social equity. The triple bottom line has been explained as in the diagram below:-



Source: http//en.wikipedia.org/wili/sustainabledevelopment accessed 29/9/2017

The diagram shows that each of three factors poses challenges to the society. The meeting point is only in point A.

Financial inclusion is a very important issue among developing countries today. Onaolayo (2015) defines financial inclusion as a process which ensures easy access, availability and use of formal financial system by adults of a country. It can also be seen as a situation where financial services mainly through the financial system are available to all adults of a country. Kama and Adigun (2013) say the financial inclusion is a situation where financial services are delivered by a wide range of providers to reach everyone who has need for them.

In Nigeria, the precursor financial policy and activities by the government can be said to have started in 1977 when the Federal Government introduced Rural Banking Policy. By this, big commercial banks especially, First Bank, Union Bank and United Bank for Africa were mandated to open branches in rural areas. Although the rural branches operated at losses to the banks, the government’s intention was to try as much as possible to get banking services available to rural dwellers. Later as part of this intention, People’s Bank was set up by the Federal Government. The Banks opened branches in areas ignored by commercial banks. In furtherance of achieving the objectives of financial inclusion (although mention of this was not explicitly stated), Community Banks were organized by various communities with counterpart funding from the government. About 2006, the government transformed community banks to Microfinance Banks. Capital base was raised from ₦1m to ₦20m.

Not until 2012 did the government make a formal launching of the policy of financial inclusion. The National Financial Inclusion Strategy Summary Report (2012) was launched. The Strategy Report stated that financial inclusion is based on some of these criteria:

a. Financial products must be within easy reach for all groups and should avoid onerous requirement.
b. It should imply access to a wide range of financial services such as payments, current account, savings account, credits and pension schemes.
c. It's products and services should be designed according to targeted clients' needs.
d. Financial services should involve affordable costs especially interest rates.

Umeora (2015) listed some strategies of achieving financial inclusion to include:

a. Agent Banking which involves the delivery of banking services outside normal traditional bank services through some agents in areas where the banking is not represented. The most current outstanding operator of this system is First Bank operating "First Money Agent" in selected rural areas. The agents link to the principal through Point Of Sale (POS).
b. Mobile Banking/Mobile Payments through the use of mobile phones with or without the use of tokens.
c. There is the linkage models which involve arrangements between traditional banks and those not strictly in core banking such as Microfinance Bank.

EFINA (2010) noted some barriers to financial inclusion in Nigeria. Some of these are:

a. Demand – side barriers which arise from some factors such as loss of employment and irregular income.
b. Supply – side barriers which can result from long distance between financial services providers and the beneficiaries.
c. Regulatory barriers come about in forms of cumbersome requirements imposed by regulators such as requirements of Know Your Customers (KYC).

Other empirical works on financial inclusion are reviewed here. Nwankwo and Nwankwo (2014) studied sustainability of financial inclusion on rural dwellers in Nigeria: problems and the way forward. They focused on the services of deposit money banks (commercial banks) and microfinance banks as regards financial intermediation to rural dwellers. They used Pearson Product Moment-correlation method to examine any relationship existing between rural people's use of financial inclusion as their productivity. They found out that most people were aware of the existence of banking services but are not easily persuaded to adopt full scale involvement. They concluded that financial institutions are not enough to ensure full financial inclusion.

Oruo (2013) examined the relationship between financial inclusion and Gross Domestic Product (GDP) in Kenya. Adopting a descriptive survey research design, the study concluded that gross domestic product has a strong positive relationship with financial inclusion in Kenya.

Shabria (2014) studied financial inclusion and vicious circle of poverty and unemployment in India. His study was a review of existing literature. He found out from the literature that people's increasing savings and investment will be a serious way of tackling the endemic poverty and unemployment.

Abiola, Folashade and Onankhanlen (2015) studied financial inclusion and economic growth in Nigeria for the period 1982 – 2012. They discovered that inclusive financial services greatly influenced reduction of poverty.

Okaro (2016) investigated financial inclusion and its effect on the Nigerian economy. He sued financial inclusion to be represented by such financial products as savings, Current

Accounts, banks credit to the private sector insurance and pensions payments. He applied Ordinary Least Squares (OLS) techniques and found out that financial intermediation, financial deepening and financial infrastructure all have positive and significant effect on the economy represented by economic growth.

Section c: Discussion

In this section we take a look the issue of how financial inclusion can help to achieve sustainable development goals which is what this paper has set out to investigate. This is done through examination of the literature.

Were(2015) observes that although the world leaders did not adopt Financial Inclusion as one of the goals of Sustainable Development Goals, it is nevertheless crucial in the attainment of the goals such as abolition of extreme poverty, fight against inequality, justice and climate change. Financial inclusion, he opines, is making available access to affordable, sustainable and qualitative financial services and products to all especially underprivileged segments of the society. He further adds that having availability of financial products and services, such as banking services, insurances and others, enable people to deal with system shocks that adversely affect them and exposing them to untold hardships.

An arm of the United Nations, UNCDF (2016) states that it is leveraging on its innovative models under SDG_{17} to contribute to SDG_{1} on poverty eradication. It aims at using Financial Inclusion models to support economic growth and achieve wide development goals of the SDG programme. UNCDF adopts approaches such as:

(i) Financial Inclusion that ensures that individuals, especially the poor and disadvantaged, have access to wide range of financial services and products at reasonable costs.

(ii) UNCDF, in pursuit of financial inclusion, has supported programmes in 31 least developed countries (LDCs) with 20 in sub-Saharan African countries.

(iii) Furthermore, UNCDF provides seed capital and technical support by the process of inclusive finance so as to ensure that more households and small businesses get finance to expand business opportunities.

Queen Maxima (2016) speaking at the United Nation’s Secretary Generals Special Advocate Report (UNSGSA) says that SDGs imply that financial inclusion is a catalytic agent to advance human development. According to her, data are available to suggest that universal financial inclusion is possible and can help to identify needs of communities and making notable progress in achieving SDGs. UNSGSA is capable of strengthening the links between financial inclusion and development outcomes. The end point is for the UNSGSA to go more deeply into how the agency can deliver real values to the poor people, expand gender equality and other goals of SDGs. In other studies, UNSGSA indentified eleven goals where financial inclusion will very helpful. Let us briefly see them.

SDG Goal 1 - No poverty. Financial inclusion will help people climb out of poverty hole by accumulating more savings smooth consumption, accumulate assets and invest in human capital development such as health and education.

SDG Goal 2 – Zero hunger. Farmers will get access to finance to improve farm yields and preservation to survive bad harvest.

SDG Goal 3 – Good Health and Wellbeing. Financial inclusion will enable people to manage their medical expenses. Some countries such as Nigeria have tried to tackle this goal by introducing Health Insurance schemes.

SDG Goal 4 – Quality Education. Financial inclusion will help people to achieve learning which goes to support the belief that human capital development is key to economic growth and development.
SDG Goal 5 – Gender Equality. Financial inclusion for women will enable them assert their economic power and improve gender equality.
SDG Goal 6 – Clean Water and Sanitation and
SDG Goal 7 – Affordable and Clean Energy.
Financial inclusion will help reduce prohibitive cost of providing infrastructure in water, electricity and clean energy that reduce such polluting energy sources such as firewood.
SDG Goal 8 - Decent Work and Economic Growth. Financial inclusion will lead to increases in returns on investment and income thereby affecting economic growth.
SDG Goal 9 - Industry, Innovation and Infrastructure Access to fanatical services such as credits will get more businesses to start and existing ones to expand. Overall effect is that there will be expansion in the number of small and medium scale businesses that create more jobs.
SDG Goal 10 – Reduced Inequalities and SDG Goal 16 – Peace, Justice and strong institutions. The world, both developed and developing are bedeviled by striking inequalities and instability. Financial inclusion will help reduce inequality (SDG 10) and promote peace and stability (SDG 16). UNSGSA in conclusion encourages governments to push for more financial inclusion.

Global Impact Investing Network (GIIN) (2016) as a network of impact strategic investors encourage capital investment in areas which deal with SDGs. The main areas are climate change, reduction of poverty and financial inclusion, which although is not mentioned as a specific goal of SDGs, but nevertheless has a pivotal role to play in the achievement of many of the goals. GIIN (2016) opines that financial inclusion empowers people, firms and countries to achieve their full economic potentials and achieve areas of SDGs. It further says that if the impact objective (financial inclusion) are pursued, they will result in achieving eleven out of seventeen objectives of SDGs. The goals identified are goals 1, 2, 3, 4, 5, 8, 9, 10, 11, 16 and 17.

Dafe and Volz (2015) investigating the role of central banks in global development state that central banks can help enhance the achievement of SDGs. Central banks can and should look beyond well known macroeconomic targets and make policies directed at financial development, financial inclusion and aligning the financial system with achieving SDGs. They observe that an increasing number of central banks and financial regulators have become more involved to promote financial inclusion. At home in Nigeria, the government is trying to achieve the SDGs but seeks to build on and possibly complete the unfinished business of the predecessor Millennium Development Goals (MDGs), (Nigeria Roads to the SDGs, 2015). The road map states that it is not enough to jump from MDGs to SDGs but that if the experience if properly harnessed, it should provide the foundation for achieving the SDGs. To show its commitment to financial inclusion as a strong pillar of achieving the SDGs, the federal government under the Goodluck Jonathan Administration launched the Nigerian Financial Inclusion Policy in 2015. This was at the end of the period of MDGs and the inception of the SDGs. That was also the year when his administration was replaced by the present administration of Muhammadu Buhari.

Problems Hindering Financial Inclusion and SDGs

It is largely agreed that financial inclusion is a very strong pillar for achieving SDGs. However, UNSGSA (2016) points at some issues that remain unresolved especially gender inequality which it refers to as gender gap in financial inclusion. This sort of gender financial exclusion is most prevalent in developing countries.

Another problem facing financial inclusion is what some banks call “de-risking” which is financial discrimination against lines of business including women that the banks consider high risks relative to their profitability. Since banks are crucial in financial inclusion, such attitude will hamper the full achievement of the goals of financial inclusion and SDGs.

There is also the problem of ensuring stakeholders monitor social goals including setting social and financial goals that focus on goal areas. In other words, achieving financial inclusion is to be pursued not as an end but as a means to an end. According to Social Performance Task Force (2015) (SPTF) performances including adoption of financial inclusion should not be mere intent but affective achievement of stated goals.

Section d: Conclusion and Recommendation

We conclude by emphasizing that financial inclusion can play vital roles in the attainment of the Sustainable Development Goals (SDGs). The United Nation General Assembly in 2000 launched eight goals to be achieved under Millennium Development Goals (MDGs) over a period of fifteen years to terminate in 2015. At the end of the MDGs, the United Nation wanted to extend the spirit of development achieved. A new phase called Sustainable Development Goals (SDGs) was introduces to encompass seventeen goals to last for another 30 years, (2016–2030).

At early stage of the discussion on SDGs, it was argued that financial inclusion should be included as one of the goals to be pursued. However, financial inclusion did not make it as a goal, but it has been generally agreed that it has positive correlation between it and lowering inequalities and promote pro-poor growth (UNCDF 2016,1). UNSGA (2016:5) also emphasize the importance of financial inclusion which it said although it is not a goal ‘per se’ but a powerful engine of progress. Generally then, there was agreement that financial inclusion can in various ways assist substantially in the achievement of Sustainable Development Goals.

In the face of overwhelming arguments and agreements on the importance of financial inclusion on the achievement of Sustainable Development Goals, this paper recommends that all governments, should seriously adopt the policy of financial inclusion. In Nigeria, the government has introduced the Financial Inclusion Policy. As Nigeria’s road to the SDGs (2015) states, it will leverage on the achievements of MDGs and pursue the SDGs. It should vigorously pursue the SDGs which its policy states that the SDGs should provide more impetus that may not necessitate a wholesale adopting of new skills. It goes without saying the issues of SDGs should not be politicized even with the change of government at the centre.

In addition, the paper recommends a very important role for participation by the private sector. From the look of things the SDGs appear to be sole government business. Private businesses can adopt some goals as part of their Corporate Social Responsibility (CSR). This is in agreement with the views of Nelson and Prescott (2003) who during the MDGs stated that although the government has crucial role to play, there are other stakeholders who should play some roles.

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