Impact of Financial inclusion and financial stability: Empirical and theoretical review

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Abstract

The foremost objective of the recent research work is to review the connection among the financial inclusion (FI) and banks financial stability (FS). The research article survey a vest body of literature devoted to evaluating the relationship of among the FI and FS of the banks. The literature review evaluates recent empirical research studies on the impact of FI and banks FS. The research works divided into following part (i) What is financial inclusion (FI) (ii) What is stability (FS) (iii) the influence of FI and FS (iv) FI measurement and indicator (v) whether FI lead to enhance the FS. This paper present the relevant review of imperialistic research on the nexus among the influence of FI on FS since the period of 1995-2020. Abundant research studies to date suggest that FI has positive and significant impact on FS of the banks. While few other research study also reveals that when FI have negative influence on the FS is due to the without having efficient management when the credit is expanded in this time it will increase the risk for financial stability.

Keywords: financial inclusion, financial inclusion indicators, financial inclusion measurement, financial stability, banks financial stability, impact of financial stability.

Introduction

FI concept has gained much attention from the last few decades 2000s, Empirical evidence finding reveals that FI influence and significant positive and reduces the poverty from the country (Shiimi, 2010). The research works divided into following part (i) What is FI (ii) What is stability (iii) the influence of FI and FS (iv) FI measurement and indicator (v) whether FI lead to enhance the FS. In financial literature the financial inclusion is playing active role, however there is not recognized definition of FI in the past literature (Tita and Aziakpono 2017).

FI is denoting the financial service access to the both level in the society individual level as well as the business level of financial produced and service of the financial institution like transaction, payment, saving, credit and insurance at an affordable cost(Alex bank, 2017). The term FI is means the financial product and service such is debit card credit card to the enormous segment at an affordable cost in the population (Chhabra, 2015). The main purpose of the FI is the access to financial service and product to
that type of the group whose is excluded from the financial service in the society, FI include on the saving and payment of accounts, credit insurance, pension and ATM (Singh et al. 2014).

However, some other research works explain that FI is the easily access to the availability and accessibility of the financial service at affordable cost to entire segment of the population (Sarma, 2008). Enhancement in the FI service will lead to higher rate of saving, increasing in capital , reduction poverty, improvement on well-being, increases in employment rate , improve the economic development and lead to the economic growth(Park and Mecado, 2018). Other research work also examine that FI is the easy access to the financial product and service to the entire society including the weaker group of the society at cheap cost and without any judgment (Chakrabarty, 2013).

FI is the financial service for the society where the member of the can use in effectively and efficiently use (Demirguc-Kunt et al. 2017). However other examiner also defines as, that FI is easy access and availability to the financial service of all member of society included member who is excluded from the basic financial service in the different reason (Ozili, 2018). Some other scholar also define that the FI is basic banking financial service to all member of the society at an affordable cost and without disadvantage and low-income groups (Dev, 2006).

The research studies indicate from the research that financial inclusion (FI) focused on the access and available of financial to each member of the society at affordable cost. FI will bring the population of the society to the formal financial service that haven’t access to financial product and service in the society (Allen et al. 2016). However, the examiner examine that only one factor is not sufficient, FI is the procedure there every member of the society positively and equally contributed and help the weaker section of the society (Sarma, 2012). However, other research study examines that access to the financial service to the entire section of the society to contribute in the economy (Sarma, 2008).

FI is most research defined that the financial inclusion is the access to the basic financial product and service including to the both level in society such is individual and enterprise level in the society (Kim, 2016). In the modern economic system everyone is participate in financial inclusion activity. FI is familiar as a System that bring enhancement in the quality, quantity and efficiency in financial intermediary service (Baba-jide et al. 2015), which turn to lead to improve lives, more opportunity and enhance the economic growth of the country. Baba-jide et al. (2015) reveal that FI bring increase in saving and investment and local business. Moreover research study also reveals that technological innovation also bring improvement in access to finance such as ATM, ATM cards, debits cards, prepaid card (Frame and White, 2012).

Moreover, the term FI is the state of access to the financial product and service at low and affordable cost to the entire population without any discrimination (Aduda and Kingoo, 2011). The main purpose behind the FI is bringing increase in the access to the financial product and service to population without any discrimination (Hariharian and Marktanner, 2012).

FI define’ where financial product and service can provided to the whole society without any discrimination the segment of the society who could not use financial inclusion is the banking product and service where entire population takes the benefits from them (Kama and Adigun, 2013). FI is also define, the financial delivery of the financial service at affordable cost to the member of the society who is excluded from the basic financial service (Dev, 2006). Moreover few other research study also examine that the FI is process operating the financial accounts for the well-being of the individual (Allen et al. 2012).
The ease accesses to the finance will alleviate the income inequality from the society (Kim et al. 2016). FI is alleviating the income inequality and reduce the poverty from the society (Beck et al. 2007). Financial inclusion bring enhancement in the economic growth and development in country (Khan, 2011). FI is means the financial product and service at a low and affordable cost to weaker section in the society, both can access in society individual and firm level (Semian, 2016).

Numerous, research also examine that the FI is means the access to financial service at low cost to low segment of the society (Sharma and Kukreja, 2013; Kelakar, 2009). Moreover, the research works also defined that FI is state where financial product and service at reasonable cost to entire population such as debit cards, credit card, formal saving, payments pension funds and insurance (Umar et al. 2019).

Numerous, research works show the studies that Islamic finance only can attract the segment of the society who have excluded from the basic financial product and service due to religious reasons (Aaminou and Aboulaich, 2017; Tahir 2018; Gilani 2105) the research works investigate that Islamic finance are key player to attract the excluded segment in the Muslims and non-Muslims countries.

**Financial stability**

The idea of the (FS) has taken attention of both policy-maker as well as the academia in the recent crisis of the 2007-2009. Due to the recent financial crisis around the globe, the financial stability has renewed interest on the priority of the research works around the world. Prior research work reveals that the financial stability contributes the main role in the development and sustainability of the countries. In the meantime of financial crises, the standing position of the term financial stability has involved the consideration of scholars, legislators, and practitioners. After the financial crises of 2007-2008 the financial stability hottest topic for the research scholar and policymaker in developed and emerging markets (Beck et al. 2009).

The author reveals that the FS is the ability to help the economic system that manage the risk in the country, absorb shock and allocate the resource (Houben et al. 2002). FS is the broad terminology its consist three different dimension of the financial system (i) financial market (ii) financial institution (iii) financial infrastructure (Houben et al. 2004). However other study refers that institution depended on the FS and FS is made the financial system of the country (Crockett, 1997). Additionally, the research study finds the correlation among the financial access and FS in the data of the SME in Armenia (Morgan and Pontines, 2014).

The prior research studies measure the FS through different technique through banks Z-score and nonperforming loan (NPL). Furthermore author argued that FS is a state where financial shock could control by the financial system of the country it’s include in financial markets and intermediaries and infrastructure (Anatolyevna and Ramilevna 2013). According to the research efforts the term financial stability of banks is, the gap exist is from the bankruptcy or actual failure (Beck, 2008). Furthermore the research effort also shows that the financial stability is the spectrum variation eventually and reliable with manifold mixtures of its essential elements, shows that the capability to help the economic system assign capitals succeed risks and absorb shocks (Houben et al. 2004). Author argued that the FS is key pillar and pathway to the economic stability of the countries (Popovska, 2014). So the current research studies shows that the FS is show the ability of resistant to financial shock of the financial institution.
According to the research efforts the term financial stability of banks is, the gap exist is from the bankruptcy or actual failure (Beck, 2008). Furthermore the research effort also shows that the financial stability is the spectrum variation eventually and reliable with manifold mixtures of its essential elements, shows that the capability to support the economic system assigns capitals succeed jeopardies and fascinate shocks (Houben et al. 2004). Furthermore, the research works reveals that the FS is considered as the state in financial market, to “absorb shock, without triggering a failure of financial institutions, financial markets and payment structures (Motelle and Biekpe, 2015; Nelson and Perli, 2017).

Glance of comparison of Islamic and conventional

The research study analysis from prior the research that Islamic banks is much stable than the conventional banks (Nosheen and Rashid, 2020; Ramala and Adnan, 2016; Yanikkaya et al. 2018; Trade et al. 2017). No doubt, financial stability is playing a significant role in the efficient financial system and economic growth of the country. Such is study reveals that the financial stability of the banking sector not only enhances the economic growth of country side by side the financial stability increases capability to sustain the internal and external shock but lead to achieve local financial stability and global financial stability (Athanasoglou et al. 2008).

Islamic banks less suffered from the credit risk due the musharakah and murabahah principle in the banking financing activity (How et al. 2005). Similarly, the research also finds that the main reason of behind the Islamic banking stability is the diversification of the asset (Ghassan and Taher, 2013). Islamic banks efficiently manage the risk in the financial crisis of 2007-2008(Rahim and Zakaria, 2013; Mirza et al. 2015; Mobarek and Kalonove, 2014). Taken a sample of 46 Islamic and 71 conventional banks which is operating operation in the GCC countries from the period of 2005-2017, the examiner research reveals that on average the Islamic banks are more profitable then counterpart (Hadriche, 2015).

Numerous research studies have done a comparative investigation on the Islamic and conventional banks. For instance, the authors examine that Islamic banks are better performed then the conventional banks in terms of profitability and stability (Samad and Hassan, 1999; Iqbal, 2001; Rosly and Abubaker, 2003; and Safiullah, 2010). However, the research study also reveals that Islamic financial system superiorly perform then the counterpart financial system, due to the less risky and better regulation (Ryu et al. 2012; Elsiefy, 2013; Erol et al. 2014).

Further, the research work also examine that the conventional banks are more profitable then Islamic bank due to the large capital and market size (Johnes et al. 2014; Zoubi, 2008; Ariss 2010). While, some researcher reveals that Islamic banks are less profitable due to ineffective management and high cost of operation (Ashraf and Rehman, 2011). Similarly, some of the researchers claim that Islamic and conventional banks are insignificant in terms of profitability (Hamid and Azmi, 2011). While some of the researcher”s treat the Islamic and conventional bank in same realm in terms of efficiency (Rozzani and Rehman, 2013).

Research question

Q1. What is financial stability and theory?
Q2. What is the financial inclusion and measurement approach?
Q3. Is there is an empirical relationship among the financial inclusion and financial stability?
Q4. Is there is a theoretical relationship between the financial inclusion and financial stability?
Financial stability and access to financial service becoming a priority from the researcher and financial policymakers from last few decades. Manifold research studies explore from the research work that financial inclusion have effect the economic inequality, poverty reduction, economic growth and financial stability. The article overview various research worldwide whether financial inclusion enhance the financial stability of banking sectors. First research article define that what is financial inclusion, so financial inclusion or financial access is define, financial inclusion is the financial inclusion service initiative by the local government for to ease access to the financial product and service to entire population without any discrimination.

The research mentions the different indicator of the financial inclusion. The secondly, financial stability is resistance to the financial shock in financial sectors. Thirdly, financial inclusion has numerous researches done that financial inclusion positive impact on the financial stability of the financial sectors. Financial inclusion enhances the financial stability of the financial sectors such (Asaolu and Jegede, 2011; Mutinda and Kenyanya, 2018; Ikram and Lohdi, 2015; Shihadeh et al. 2018; Le et al. 2019; Ditta and Saputra, 2020; Demirguc-Kunt et al., 2017).

Theoretical Approaches

According to the research works the segment of the society who did not use the basic financial service are ultimately takes benefits from the financial inclusion (Bhandari, 2018). While little research studies also believe that females also take benefits from the financial service in the society (Demirguc-Kunt et al. 2013; swamy, 2014; vinod, 2017). Moreover, some research study also investigate that financial have positive impact on the country economic growth, financial stability and poverty reduction (Swamy, 2014; Kim et al. 2018; Mehrotra and Yetman, 2015). Several research studies empirical and theoretically established and analysis that FI enhances the financial stability of the banking sector. Below some financial inclusion theories that supported the links between the financial inclusion and financial stability.

Public good theory

Public good theory, the financial inclusion theory argued that (a) the basic financial service is easily access to the whole region and discrimination in the service (a) No restriction for anyone in the society each every member take benefits from the financial service. The theory claimed, that every member of will contributed in economy and no one can exclude from the basic financial service. According to the public good theory, all member of the society take benefits from the financial inclusion service. The main financial inclusion service is Automated Teller Machine (ATM), Banks accounts, credit cards, debit cards and banks deposits.

Financial intermediation theory

The financial inclusion theory, the financial intermediation theory stated that the banks are working as an intermediary between individual and population. The financial intermediary theory is based on the transaction cost and information asymmetric.

Dissatisfaction theory

Financial inclusion theory, the financial theory argued that financial inclusion program in society only targeted the section of society who already use the financial service but left due dissatisfaction the from the financial service of the financial sector. So the financial inclusion
theory claimed that focused on the section of the society who already engaged in previously in the financial service.

**Vulnerable group theory**

The financial inclusion theory, that financial inclusion program targeted the group of the society who vulnerable in the society such as young peoples, woman poor people, elder people who suffer from the financial crises. The group is the most effect group during the financial and economic crisis of 2007-2009. So the theory reveals that the financial inclusion initiative program targeted the weaker section of peoples in the society. So the vulnerable theory brings the peoples who are affected during the economic recession of 200-2009 and bring a formal financial program.

**Echelon theory**

The echelon theory, the financial inclusion theory argued that the basic financial must be delivered to the section of the society who is excluded from the basic financial service. The financial service should on their communal leader because the community leader has influence on the society. The community will trust on their leader in society and give much respect to the leaders. The entire member of the society trust on the leaders and the member of the society think that the leader decisions were beneficial for the community.

**Public service theory**

The financial inclusion theory, the theory defines the financial inclusion services are the public responsibility of the government initiative by where they impose on it. The public service claimed that financial inclusion is the financial service should be delivered to the entire without any discrimination to whole society. The public good theory state that the theory working for the welfare of the society and target the section whose is excluded from the basic financial service. The theory quantified, without the government support the financial inclusion program cannot be achieved, when government take the responsibility for the financial inclusion. The economic and financial system control by the government then financial inclusion accomplished.

**Special agent theory**

The financial inclusion argued that for the delivery of the financial service to the section of the society. A special type of the person hire for the delivery of the financial service to the section that are exclude from the financial service. The special agent theory, the theory claimed that the hire person should be highly skill full and the person has capability that brings the excluded population to formal financial service. The hired person has personal relationship with the principle. The special agent theory also claimed that the financial institution and technology is also play a significant role of the special person.

**Research methodology**

The main strategy of the current research article methodology, we first explained what is financial stability, what is financial inclusion, whether financial inclusion enhance the financial stability of the banks. The literature review evaluates around 100 empirical research articles studies on the impact of FS and banks FS. This article divided into following section (i) what
Financial inclusion and financial stability: A discussion

Growing body of research work found mixed consequences on the connection among the financial inclusion and banks profitability/Performance. The researcher use different countries and different proxies use in his research work. Stable financial system enhances the economic performance and wealth accumulation (Houben et al. 2004). According to research study the term financial inclusion is the condition where the bulk of financial service spread and adequately huge segment of the population in the society (Olaniyi and Adeoye, 2016). Banks profitability was measure through Return on asset (ROA) the research works find that there is synergies association among the financial inclusion and bank profitability (Adasme et al. 2008).

The study also concluded that the expansion in using automatic Teller machine will improve the financial performance of the Nigerian banks (Jegeda, 2014). To investigate the impact of credit card on the banks performance of the Kenya the results examine that the credit card will improve the financial performance the bank of Kenya (Alfonse and Florence, 2012). To investigate the relationship between financial performance and electronic-based banking, financial performance was measured through return on asset and return on equity. The research work described that the electronic-base service have positive impact financial performance (Akhisier et al. 2015). The research work advocates that the financial access to Islamic financial product have a positive relationship with FI in mostly Muslim countries (Mohseni, 2017).

Ahmed (2013) described that financial inclusion, access to finance, financial development and public policy not clear yet and expended. Taken the data of 5 Nigerian banks over the period of 2009-2015 using the Panel Least Squares technique the study concluded that ATM, Mobile Phone account have positive impact the commercial banks (Anyanwaokoro, 2017). To investigate the relationship among the financial inclusion and banks financial using PCA and common factor Analysis the results described that financial inclusion highly correlated with financial stability (Amidzia, et al. 2014). Readdress the financial inclusion important and bring reform in in financial sector in Nigeria. The result of the research work is reveals that financial inclusions improve the financial profitability (Asaolu and Jegede, 2011). Taken sample credit card of the Nigerian bank to check the impact of financial inclusion on the banks profit the research work examine that the credit card have positive impact on the bank profit (Alfonse and Florence, 2012; Akhisa et al 2015; Mutinda and Kenyanya, 2018).

The data was taken from the 149 respondents and run regression analysis to check the impact of FI on banks profitability. The results of the study examine that financial inclusion not statistically significant but positive impact on the financial profitability (Ikram and Lohdi, 2015). To check the relationship of Islamic banks and financial inclusion the research work uses both the secondary as well as primary data for the research. The results of the research effort examine that Islamic finance repaid growth around the globe which ultimate lead to the economic growth (Nazer, 2017).
The research works using three models (Probit, Tobit and Juhn-decomposition method) to estimate the relationship of financial inclusion and Islamic banking and finance of Organization of Islamic corporation (OIC). The research works examine that the Islamic banking system are more financially inclusion than conventional banks (Abdu et al. 2018). Nawaz (2018) taken the data of 18 Islamic banking of Bangladesh and Pakistan run regression model the results of the research study reveals that in both country Islamic banks are more engaged in financial inclusion than counterpart. To check that whether financial inclusion directly impacts the Islamic banks performance. The research work results examine the financial inclusion positively improve on the Islamic banks performance and sustainability (Shihadeh et al. 2018; Le et al. 2019; Ditta and Saputra, 2020). Similarly, the research work also investigate to know that whether Financial inclusion equally important in Islamic banks in Pakistan. We did not find such research study that check investigates the impact of financial inclusion and Islamic banks profitability in Pakistan context.

The Islamic banking system has indeed been attracting the attention of researchers, research practitioner, and policymakers. The main principle Islamic banks around the world are to follow the principle profit and loss sharing (P/L). Such few contract of Islamic bank is, Mudabrah contract, Musharakah contract, Musawamah, Salam and Ististna contract. Islamic banking is play key and dominant role in Pakistan economic growth. In any economy, banking sector contributes toward better financial performance (FP) and helps in better resource utilization (Ahmed, 2010).

Islamic financial systems have gained incredible attention due to its quick growth and expansion with a predictable increase of 15-20 percent annually both in Muslim and non-Muslims world (Lone and Bhat, 2019). But, numerous the research studies reveal that one side Islamic gain repaid growth in the market while one other the Islamic finance is extremely suffering from the unbanked FI in Muslim countries as well as MENA area, Sub Saharan Africa and Central Asia (Ali, 2015).

However, Islamic banking signifies positive relationship with the financial inclusion (World Bank 2014). Shinkafi et al. (2019) conducted a theoretical study to check the relationship among the financial inclusion; the authors examine that technology effective financial access, service of Islamic financial, religious factor and awareness of Islamic financial product significant impact on the financial inclusion.

Growing body of research work found diverse outcomes on the association among the FI and FS. The researcher use different countries and different proxies use in his research work. Khan (2011) discloses from research work that financial inclusion positive impact on the banks stability. The foremost goal of Islamic banks and finance is to promote the well-being, establishing socio-economic and equal distribution of wealth and financial stability (IMF, 2018). Financial stability is the ability to helps the economic system allocate resource, manage risk and absorb the shocks (Houben et al. 2014).

Financial stability is interconnected with the financial bubbles, or more generally, with volatility in financial market and those market bubbles impair financial market efficiency (Issing 2003; Foot, 2003). Houben et al. (2004) says that the financial stability is comprehensive notion, which cover three main financial systems such financial market, financial infrastructure and financial institution. Financial stability plays a significant and positive role in country GDP (Creel et al. 2015). Last few decades, financial inclusions have received a great attention from research field, politician, business sector and financial.
stakeholder. Financial inclusion is the universal access to the financial product and service (e.g. ATM, deposit, atm machine etc) at a reasonable cost (Sarma, 2008).

Moreover, the researcher also says that FI is the ease usage of financial service for entire society member (Arora, 2010; Ozili, 2018; Bhaskar, 2013; Olaniya and Adeoye, 2016). Taken the data from the small and median enterprises (SME) of Armenia the results of the study find that there is a correlation between the financial inclusion and banks stability (Morgan and Pontine, 2014). The research measured the financial stability is through z-score using GGM dynamic panel estimation of unbalance of small and median enterprises over the period of 2005 2011. The concept of the financial stability was the base study of the back (2009), the researcher measured the financial stability through the z-score, where the measurement definition is take insolvency risk and NPL ratio to the credit risk. The z-score indicate the Standard deviation that banks ROA to drop below the expected value before the equity. The z-score inc
crease the high profit and capitalization level, reducing with unstable earning by the higher standard deviation of ROA (Mostak and Sushanta, 2015).

Numerous research works have focused on the determinants of the FI in Africa (Zins and Weill, 2016: Uddin et al., 2017; Olaniyi and Adeoye, 2016; Musa et al 2015; Akudugu, 2013). Moreover the research efforts examine that FI is the access and usage of the finance. Around the world there is a different indicator of FI such is formal saving formal accounts, credit and insurance formal financial institution (Demirguc-Kunt and Klapper, 2012). The FI is consist deposits, transaction account and financial service for the repayment purpose and saving money (Demirgu-Kunt et al. 2017). The term FI is the situation, the delivery of wide range of financial product and service at an affordable price such as saving, credit cards, remittance, insurance service and payment service (Sarma and Pias, 2011).

While Malecky (2016) find out the research work there is synergies relationship between financial inclusion and banks stability. Furthermore, the research work finds different results that there is non-liner relationship among the financial inclusion and financial stability (Ardic et al. 2013). Moreover al-Smadi (2018) shows that there is adverse effect of financial inclusion on the financial stability. For the research results the researcher use fully modified least squares time series data. Financial stability is a condition where, financial shocks (e.g 2007-2008) could be resisted by a financial system that contains by the financial market, infrastructure and financial intermediaries (Anatolyevna and Ramilevna, 2013). Khan (2011) research works shows that when financial sector are efficient then the banks are perform a financial intermediation process among user and financial sector supported financial infrastructure. The research study reveals that when financial system is not stable the system divested the economy of the country.

Prior research work found mixed results on the relationship among the financial inclusion on banks stability and profitability. Financial performance was measured through the return on asset (ROA) and Return on equity, whereas for the measurement of the financial inclusion of the banks the research work uses six different indicators (Credit to Small and median enterprises, Automatic Teller machine (ATM), new service of ATM, and number of ATM, and number of credit) has significant impact on the financial performance (Shihadeh et al. 2018; Yussif, 2020;). While other author examine that financial has positive impact on the bank return on equity (ROE). However the results of the author reveal that there is affirmative relationship of financial inclusion index on bank return on asset (ROA) (Oranga and Ondabu, 2018).
In financial crisis of 2007-2009, if sound suitable and effective financial regulation is not provided, such crises are unavoidable. After the financial crisis of 2007-2009, legislators around the globe advanced and developed the main object of banks financial stability (Back, 2009). International evidence research described that the financial inclusion is good for the banks financial stability (Ahmed, 2017; Wairimu an Omagwa, 2020). Taken the data from the MENA region the research work examines that financial inclusions have positive impact on the financial stability (Neaime and Gaysset, 2017).

While, Alvi et al. (2020) find out there is controversy relationship between the financial inclusion and financial stability. Whereas, Bourkis and Nabi, (2011) says that Islamic banks are least effected in the financial crisis due the unique financial operation. Arun and Kamath (2015) took the data from the Indian commercial banks that financial inclusion boosts the GDP and sustainability. The author says that automatic Teller Machine is the key player in financial inclusion (Das and Guha, 2015).

Gupte et al. (2015) says that financial inclusion is the basic access to a wide range of financial service at a reasonable cost. Moreover there is little research work done that how financial inclusion affect the financial stability (Kalunda, 2015). However use a GMM for the panel data from the Sub-Saharan African countries over the time period of 2004-2011. Financial stability was measure through the z-score, finding of the research study show outstanding loan positive impact on the financial stability, whereas the deposit is negative impact on the banks financial stability (Amatus and Alirez, 2015). Using the data from the 90 countries the authors observed that financial inclusion positively promote the financial stability (Han and Melecky, 2013).

However, Mehrotra and Yetman (2015) show that financial inclusion speed growth for the financial stability. Using cross-country data, Sahay et al. (2015) investigate that financial inclusion has negative impact on the financial stability. Trade-off or synergies relationship between the financial inclusion and financial stability, the author reveals that financial inclusion is the wide range financial service which used in society individual and firm level (Malecky, 2016). After this crisis, little research works done that whether financial inclusion affects the financial stability. Petersen and Rajan, (1995) say that financial inclusion is the element which work for alleviate the injustice, promote the financial stability and reduce the information asymmetry. Theoretical research study done to check the relationship among the financial inclusion; the authors examine that technology effective financial access, service of Islamic financial, religious factor and awareness of Islamic financial product significant impact on the financial inclusion (Shinkafi et al. (2019).

**Conclusion**

The aim of this research effort is to analyze the impact of financial inclusion on the financial stability of banks from the time period of the 2000-2020. In the light of this research paper the relationship between the financial inclusion and financial stability is very relevant to the research community. The research work reviews the literature on the link between the FI and FS. Numerous research works explore that financial inclusion have positive impact on the financial stability. The prior research works have measure the financial inclusion through ATM card, Debit card, ATM machine, banks deposit, insurance and finance to small and medium enterprise. In overall, the links between the financial inclusions on the financial stability of banks are still inconclusive due to the mixed results found in the literature. Numbers of number research works reveals from the research works that financial inclusions have positive impact on the financial stability. But on the other side some research study also examine that...
financial inclusion has negative impact on the financial stability. The optimistic view for the financial inclusion on the financial stability based on the availability and accessibility of financial service in the banks sectors.

Furthermore, the research works reveals that the financial stability is considered as the state in financial market, to “absorb shock, without triggering a failure of financial institutions, financial markets and payment structures (Motelle & Biekpe, 2015; Nelson & Perli, 2007). Houben et al. (2004) says that the financial stability is broad concept, which cover three main financial systems such financial market, financial infrastructure and financial institution. Financial stability plays a significant and positive role in country GDP (Creel et al. 2015). Last few decades, financial inclusions have received a great attention from research field, politician, business sector and financial stakeholder. Financial inclusion is the universal access to the financial product and service (e.g ATM, deposit, atm machine etc.) at a reasonable cost (Sarma, 2008). Khan (2011) also reveals that a financial system is said to be stable, if it performs its financial intermediation process among the users smoothly, through a range of financial institutions supported by a myriad of financial infrastructure. FS is the defined that, the ability to resisted the financial shock for the financial institution and payment system (Nelson and Perli, 2007; Motelle and Biekpe, 2015).

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