
Inclusive Financial Development through Solidarity Finance and Microfinance

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Abstract

This paper examines the relationships among solidarity finance, microfinance and financial inclusion by bringing together three complementary strands of literature. The first concerns solidarity-oriented financial mechanisms, including ethical banking, community finance, crowdfunding and Islamic microfinance. The second examines the institutional performance, outreach and socioeconomic effects of microfinance institutions. The third addresses the determinants, digital transformation and developmental consequences of financial inclusion. The literature indicates that alternative forms of finance can broaden access to financial services among populations insufficiently served by conventional banking, but their contribution depends on institutional design, governance, financial sustainability and the capacity to preserve a social mission. Evidence on microcredit also shows that expanded access does not automatically generate large improvements in income, consumption or empowerment, since effects vary considerably across borrowers and contexts. Digital finance and mobile money can reduce transaction costs, facilitate transfers and strengthen household resilience, although technological infrastructure, financial literacy and institutional trust remain important conditions for effective participation. Overall, the literature suggests that inclusive finance contributes more consistently to poverty reduction, resilience and economic participation when financial access is accompanied by appropriate institutional, educational and socioeconomic conditions. Financial inclusion should therefore be considered as part of a broader development framework rather than as an autonomous objective.

Keywords: Solidarity finance; Microfinance; Financial inclusion; Digital finance; Poverty reduction

JEL classification: G21; G23; I32; O16; O33

Introduction

Financial exclusion remains an important constraint on the economic participation of households, entrepreneurs and communities that are insufficiently served by conventional financial institutions. In response, solidarity finance and microfinance have developed alternative mechanisms intended to reconcile financial intermediation with social objectives. Solidarity finance differs from conventional banking through its emphasis on ethical objectives, stakeholder relationships, transparency and the financing of activities with social or territorial value. Cornée et al. (2020) associate social banking with lending priorities that incorporate social and environmental objectives, while Artis (2017) emphasizes reciprocity and collective relationships as



constitutive characteristics of solidarity finance. Related approaches include community-development banking, crowdfunding and Islamic microfinance, all of which attempt to address particular forms of exclusion by adapting financial mechanisms to underserved populations. Hudon and Meyer (2016), for example, connect community-oriented financial institutions with collective territorial benefits, whereas Widiarto and Emrouznejad (2015) underline the need to evaluate Islamic microfinance through both sustainability and social outreach. These approaches consequently extend the meaning of financial inclusion beyond access to conventional bank accounts by emphasizing alternative institutional arrangements through which households and enterprises may obtain savings, credit, payment and investment opportunities.

The expansion of microfinance and digital financial services has nevertheless raised questions concerning whether wider financial access systematically produces improvements in welfare, poverty reduction and economic development. Research increasingly distinguishes formal access from effective use and socioeconomic outcomes. Randomized evaluations summarized by Banerjee et al. (2015) and Meager (2019) indicate that microcredit frequently affects borrowing, investment and entrepreneurial activity without producing uniformly large improvements in household income or consumption. Evidence from rural Morocco provided by Crépon et al. (2015) similarly shows changes in borrowing and self-employment alongside relatively limited average welfare effects. At the same time, digital finance has introduced new opportunities by lowering transaction costs and facilitating payments, transfers and risk sharing. Suri and Jack (2016) identify poverty-reduction effects associated with mobile money, while Bachas et al. (2018) show that digital channels can reduce the costs of accessing formal financial services. Financial inclusion therefore cannot be interpreted exclusively as a matter of increasing the quantity of financial accounts or loans. Its developmental relevance depends on who obtains access, the conditions under which financial services are provided, and whether households can translate financial participation into greater economic security, productive activity and resilience.

1. Solidarity Finance and Alternative Mechanisms of Financial Inclusion

1.1. Conceptual Foundations, Ethical Finance and Social Banking

Cornée et al. (2020) show that social banks combine conventional financial intermediation with explicit social and environmental objectives through distinctive lending priorities, stakeholder relationships and strategic choices. This implies that solidarity-oriented finance should not be defined simply by the existence of socially desirable borrowers but by the way financial institutions organize their entire business model. Artis (2017) reinforces this broader interpretation by conceptualizing solidarity finance as a financial space embedded in reciprocity, collective action and social relations rather than governed exclusively by profit maximization. Barigozzi and Tedeschi (2015) add that ethical orientation can influence borrower preferences, selection mechanisms and contractual relationships because customers may value the social identity of the intermediary alongside conventional credit conditions. Valls Martínez et al. (2021) further connect ethical banking with poverty-alleviation banking, showing that alternative financial institutions can integrate responsible investment with objectives related to inclusion and socioeconomic development. Taken together, these contributions imply that solidarity finance constitutes a distinct mode of financial intermediation in which economic viability and social purpose are institutionally combined. Its developmental significance therefore depends on whether financial mechanisms actually direct resources toward underserved populations and socially valuable activities while preserving sufficient organizational sustainability.

Cornée et al. (2016) demonstrate that social banks distinguish themselves through both selective financing and transparency, indicating that institutional identity depends on how projects

are chosen and how information concerning those choices is communicated to stakeholders. This perspective is reinforced by Barigozzi and Tedeschi (2019), who show that credibility represents a central challenge for ethical banks because depositors and borrowers require assurance that declared social commitments correspond to actual financial practices. Callejas-Albiñana et al. (2017) add a demand-side dimension by demonstrating that customers can be attracted to financial institutions whose practices correspond with ethical and social preferences rather than purely financial considerations. Ferreira et al. (2016) further show that ethical banking decisions involve interactions among financial, organizational and social criteria, making narrow profitability measures insufficient for representing institutional decision-making. Together, these contributions imply that solidarity finance relies heavily on trust and observable consistency between mission and practice. Transparency, credible selection procedures and stakeholder communication therefore become economic as well as normative resources. Institutions that cannot demonstrate how their financial decisions reflect stated social objectives risk weakening the distinctive legitimacy on which ethical banking relationships and customer commitment depend.

Cornée (2019) shows that soft information generated through relationship-based lending can improve the assessment of small-business credit risk beyond what standardized quantitative indicators provide. This finding implies that solidarity-oriented banks may expand access to finance without necessarily abandoning prudent risk management, particularly for borrowers lacking extensive formal financial histories. Artis (2017) complements this interpretation by emphasizing the socially embedded character of solidarity finance, where interpersonal relationships and collective objectives form part of financial intermediation itself. Ferreira et al. (2016) further demonstrate that practitioners evaluate ethical banking through multidimensional combinations of financial, social and organizational considerations rather than through isolated indicators. Cornée et al. (2016) add that selective project financing constitutes a defining feature of social banks. Considered jointly, these contributions imply that inclusive financial intermediation may require informational mechanisms different from those used in standardized conventional lending. Relationship-based knowledge can help institutions identify viable borrowers and socially valuable projects that conventional scoring systems may exclude. Solidarity finance therefore becomes most distinctive when social orientation is combined with robust screening, contextual information and transparent decision processes capable of expanding access while maintaining financial discipline.

1.2. Community Finance, Prosocial Microfinance and Crowdfunding

Hudon and Meyer (2016) show that community-development banks can generate collective benefits extending beyond individual borrowers because local participation, community ownership and social objectives influence how financial resources circulate within territories. This implies that solidarity microfinance should be evaluated through community-level development effects as well as individual credit outcomes. Dávila Pinto et al. (2025) reinforce this territorial interpretation by linking solidarity finance with sustainable local development and emphasizing the importance of locally embedded financial relationships in strengthening community capacities. Alzate Cárdenas and Alzate Montoya (2023) add that microfinance becomes more inclusive when financial arrangements are adapted to the circumstances of people experiencing poverty rather than applying standardized commercial lending criteria. Bruton et al. (2015) further broaden this perspective by showing that institutional innovations such as microfinance, crowdfunding and peer-to-peer lending can create alternative pathways for entrepreneurs excluded from conventional credit markets. Taken together, these contributions imply that solidarity finance derives its developmental relevance from institutional design rather than from



credit provision alone. Community ownership, adapted lending mechanisms and alternative financial channels can expand access while connecting individual financing with broader territorial objectives. Their effectiveness therefore depends on whether financial innovation strengthens productive opportunities and community capacities rather than simply increasing the number of financial transactions.

Allison et al. (2015) demonstrate that narratives communicating social purpose can influence funding decisions in prosocial microlending environments, showing that lenders respond to both economic and intrinsic motivations. Moss et al. (2015) reinforce this socially embedded interpretation by demonstrating that signals concerning borrowers' virtuous and entrepreneurial orientations can influence lending and repayment outcomes. Anglin et al. (2020) add that microfinance institutions operating between borrowers and crowdfunding participants provide third-party signals capable of reducing uncertainty and strengthening confidence in financing decisions. Anglin et al. (2023) further show that identity-related and cultural cues, including religious expression, can shape lender reactions within crowdfunded microfinance. Together, these contributions imply that digital solidarity finance is not an impersonal mechanism in which financial resources are allocated exclusively according to conventional risk-return criteria. Funding decisions also depend on narratives, identity, institutional certification and perceptions of social purpose. This relational dimension can facilitate financing for borrowers who might otherwise remain excluded, but it may also create differentiated access according to how lenders interpret social signals. Crowdfunding platforms therefore require credible intermediary mechanisms and transparent procedures capable of preserving prosocial motivation while limiting biases unrelated to project viability or social contribution.

Sahmi et al. (2021) identify crowdfunding as a potentially important financing mechanism for social and solidarity economy organizations in Morocco because digital platforms can mobilize dispersed contributors around projects that face difficulties accessing traditional finance. Their contribution implies that financial innovation can broaden the financing architecture available to SSE actors rather than replacing conventional institutions entirely. Bruton et al. (2015) reinforce this interpretation by showing that crowdfunding and peer-to-peer mechanisms can circumvent some limitations of traditional intermediation and connect entrepreneurs directly with alternative resource providers. Anglin et al. (2020) nevertheless demonstrate that intermediaries remain important even in digitally mediated finance because institutional information reduces uncertainty and provides certification between lenders and borrowers. Hudon and Meyer (2016) further show that community-oriented financial institutions can create collective development benefits when financial services remain embedded in participatory and locally oriented arrangements. Considered jointly, these contributions imply that digitalization should complement rather than eliminate the relational and institutional foundations of solidarity finance. Crowdfunding can widen access to capital for SSE organizations, but sustainable inclusion still requires trust, credible intermediation and mechanisms connecting financed projects with community-level objectives.

1.3. Islamic Microfinance and Solidarity-Oriented Inclusion

Widiarto and Emrouznejad (2015) show that Islamic microfinance institutions should be evaluated through both financial sustainability and social outreach, implying that profitability alone cannot capture their developmental performance. Hassan (2015) reinforces this dual perspective by presenting Islamic microfinance as a mechanism for extending financial services to disadvantaged Muslim populations whose ethical or religious preferences may limit participation in conventional interest-based finance. Abbas and Shirazi (2015) add that culturally compatible financial products can strengthen the potential of microfinance to address poverty, although

institutional and operational constraints may restrict implementation. Fianto et al. (2019) further demonstrate that access remains uneven even within Islamic microfinance because age, gender and income influence household participation. Taken together, these contributions imply that the creation of Sharia-compliant financial institutions does not automatically produce universal inclusion. Their developmental value depends on whether they combine financial viability with effective outreach toward populations excluded from mainstream finance. Performance assessment should therefore examine not only institutional sustainability but also which socioeconomic groups obtain access and whether product design, selection mechanisms and institutional arrangements reduce rather than reproduce existing inequalities in financial participation.

Haneef et al. (2015) propose integrating waqf with Islamic microfinance, demonstrating how charitable endowments can reduce financing costs and expand support for poor households and microenterprises. This model implies that solidarity finance can combine redistributive mechanisms with sustainable financial intermediation rather than treating philanthropy and credit as separate activities. Amran et al. (2019) complement this institutional innovation by showing that mobile banking can improve the operational and outreach performance of Islamic microfinance providers, potentially extending services toward geographically or economically marginalized populations. Hassan et al. (2021) further demonstrate that poverty alleviation, social finance and financial inclusion have become central themes within the expanding Islamic microfinance literature. Shikur and Akkas (2024) add that poverty-reduction outcomes depend not only on financial access but also on beneficiary characteristics and supportive regulatory conditions. Together, these contributions imply that Islamic microfinance develops most effectively through combinations of social-finance instruments, technological delivery and institutional support. Waqf resources can strengthen affordability, while digital channels can broaden outreach, but these mechanisms require appropriate regulation and organizational capacity if financial services are to generate sustained socioeconomic benefits for vulnerable households. Islam (2021) shows that Islamic microfinance can contribute to women's empowerment, while emphasizing that access to financial services alone does not guarantee substantive changes in socioeconomic position. This implies that financial inclusion should be evaluated through capabilities, agency and control over economic resources rather than through borrowing or account ownership alone. Fianto et al. (2019) reinforce this concern by demonstrating that gender and other socioeconomic characteristics influence access to Islamic microfinance, indicating that inclusion-oriented institutions may still reproduce unequal participation patterns. Shikur and Akkas (2024) further show that household characteristics such as income, education, age and family size condition poverty-reduction outcomes, while Hassan (2015) emphasizes the importance of financial products compatible with the ethical preferences of underserved communities. Considered jointly, these contributions imply that Islamic microfinance offers a culturally grounded pathway toward financial inclusion, but its social impact remains contingent on accessibility and the effective use of financial resources. Policies should therefore combine Sharia-compatible financial services with education, institutional support and gender-sensitive mechanisms so that formal access can translate into stronger household capabilities, poverty reduction and meaningful economic participation.

2. Microfinance Institutions, Outreach and Development Outcomes

2.1. Sustainability, Funding, Governance and Institutional Performance

Cull et al. (2018) show that subsidies continue to play an important role in the microfinance sector despite increasing commercialization, indicating that deep outreach toward financially excluded populations cannot always be combined with complete financial self-sufficiency. Their

findings imply that public or philanthropic support may remain justified when institutions generate social benefits that conventional lenders would not provide. Quayes (2015) reinforces this perspective by showing that the relationship between outreach and financial performance is more complex than a simple trade-off, suggesting that financial sustainability and inclusion can coexist under certain organizational conditions. Cobb et al. (2016) add that access to funding depends partly on the compatibility between microfinance organizations and the institutional logics of their funders, meaning that financing arrangements can shape organizational priorities and potentially affect the populations served. Cuéllar-Fernández et al. (2016) further demonstrate that operational and institutional characteristics influence financial margins and consequently the affordability of services. Taken together, these contributions imply that sustainable microfinance requires a balance among outreach, funding structure, operational efficiency and financial viability. Support mechanisms should therefore be assessed according to whether they enable institutions to serve excluded clients without creating cost structures or external pressures that progressively weaken the social mission.

Sainz-Fernandez et al. (2015) show that rapid expansion and weaknesses in portfolio or organizational management can increase the vulnerability of microfinance institutions, implying that maximizing outreach without sufficient prudential capacity may ultimately undermine financial inclusion. Wijesiri et al. (2017) reinforce this interpretation by demonstrating that institutional age and size influence both financial and outreach efficiency, meaning that organizational growth creates benefits only when resources are converted effectively into sustainable social and financial outcomes. Tchakoute-Tchuigoua and Soumaré (2019) add that decentralizing loan approval can improve responsiveness to local borrowers while simultaneously creating challenges for portfolio quality and managerial control. Brown et al. (2016) further show that specialized microfinance banks can expand formal financial access where conventional banking systems inadequately serve poorer households. Together, these contributions imply that institutional expansion must be accompanied by governance and risk-management capacities capable of preserving portfolio quality. Financial inclusion becomes durable when organizations combine local responsiveness with disciplined management rather than pursuing rapid growth as an objective in itself. Policies supporting microfinance should therefore strengthen governance, information systems and prudential capabilities so that broader outreach does not increase institutional fragility and eventually reduce access for clients with few alternative financial providers.

Cozarenco et al. (2016) broaden the conception of microfinance by showing that institutional form affects the provision of savings products, demonstrating that inclusion involves more than access to credit. Savings can strengthen household capacity for consumption smoothing, risk management and asset accumulation and therefore represent an important component of financial resilience. Brown et al. (2016) complement this perspective by showing that microfinance banks can extend formal financial services to households left outside conventional banking networks. Tchakoute-Tchuigoua and Soumaré (2019) further demonstrate that internal governance influences the capacity of microfinance institutions to use local information while maintaining portfolio quality, while Wijesiri et al. (2017) show that organizational characteristics condition the efficiency with which institutions generate both financial and outreach outcomes. Considered jointly, these contributions imply that inclusive microfinance should be evaluated through the breadth and quality of financial services as well as the number of borrowers reached. Institutions capable of combining credit, savings and locally responsive decision-making may provide a more complete financial infrastructure for underserved populations. Financial inclusion policy should therefore encourage product diversification while ensuring that organizational growth and decentralization remain compatible with sound governance and sustainable service provision.



2.2. Outreach, Mission Drift, Social Performance and Gender Inclusion

Mia and Lee (2017) show that commercialization can encourage microfinance institutions to shift toward wealthier or less risky clients, creating a tension between financial sustainability and the original objective of serving excluded populations. This implies that institutional survival cannot be evaluated independently from the depth of social outreach. Arrassen (2017) reinforces this concern by demonstrating that financial and social performance respond to different organizational determinants and that mission drift can be particularly relevant for some institutional forms. D'Espallier et al. (2017) add that unstable external funding can weaken social performance, indicating that reduced outreach may result not only from deliberate commercialization but also from an unpredictable financing environment. Xu et al. (2016) further show that macroeconomic conditions can influence borrower composition and institutional behavior, complicating attempts to interpret every change in outreach as strategic abandonment of poorer clients. Taken together, these contributions imply that mission drift should be assessed through both internal organizational choices and external constraints. Microfinance institutions need sufficient financial stability to survive, but sustainability becomes socially meaningful only when it permits continued service to disadvantaged populations. Performance frameworks should therefore combine profitability, portfolio quality and funding stability with indicators measuring the socioeconomic characteristics of clients actually reached.

Shohel et al. (2021) demonstrate that women's participation in microfinance does not necessarily translate into financial empowerment when patriarchal household relations limit control over borrowed resources and decision-making. This finding implies that access indicators alone provide an incomplete measure of gender inclusion. Corsi and De Angelis (2017) reinforce this argument by showing that women and men may experience different lending conditions even within institutions explicitly oriented toward financial inclusion. Cozarenco and Szafarz (2018) similarly demonstrate that gender bias can persist in French microcredit, indicating that alternative financial institutions are not automatically protected from discriminatory practices found in conventional finance. Drori et al. (2018) broaden this perspective by showing that linguistic and institutional conditions can shape women entrepreneurs' access to microfinance and wider economic opportunities. Together, these contributions imply that gender-sensitive financial inclusion must be assessed through treatment, resource control and effective capabilities rather than through female participation rates alone. Microfinance policy should therefore examine lending procedures, communication practices and household power relations to determine whether women can convert formal access into meaningful economic agency and greater control over financial decisions.

Mader and Sabrow (2019) critically show that the transition from microenterprise lending toward a broader financial-inclusion agenda has altered institutional discourse and development priorities, warning that greater access to financial products does not automatically generate improved socioeconomic outcomes. Their contribution implies that inclusion should ultimately be judged through changes in welfare and capabilities rather than through expansion in formal financial relationships. Mia and Lee (2017) complement this perspective by showing that financial sustainability pressures can weaken outreach to poorer clients, while Shohel et al. (2021) demonstrate that nominal loan access may coexist with limited empowerment when borrowers lack effective control over resources. Arrassen (2017) further shows that stronger financial performance and deeper social outreach do not necessarily move together across microfinance institutions. Considered jointly, these contributions imply that the success of microfinance should not be inferred from institutional growth, commercialization or borrower numbers alone. A more substantive assessment requires evidence concerning who receives services, under what

conditions and whether those services improve economic agency, welfare and participation. Financial inclusion becomes developmentally meaningful when institutional expansion preserves outreach to disadvantaged groups and converts formal access into effective socioeconomic opportunities.

2.3. Causal Effects of Microcredit on Enterprise, Welfare and Poverty

Meager (2019) synthesizes evidence from several randomized microcredit experiments and finds generally modest average effects accompanied by substantial heterogeneity across borrowers and contexts. This result implies that microcredit should be treated as a financial instrument whose developmental consequences depend on circumstances rather than as a universally transformative anti-poverty intervention. Banerjee et al. (2015) reinforce this conclusion by showing across six randomized evaluations that expanded credit access can affect borrowing and business activity without consistently generating large improvements in household income or consumption. Crépon et al. (2015) provide particularly relevant evidence from rural Morocco, where increased access changed borrowing and self-employment behavior while broader consumption and welfare effects remained limited. Tarozzi et al. (2015) similarly demonstrate that relaxing liquidity constraints in rural Ethiopia does not automatically generate strong improvements across socioeconomic indicators. Taken together, these contributions imply that financial inclusion and poverty reduction should be conceptually distinguished. Microcredit can widen household financial choices and support specific economic activities, but its effectiveness depends on local opportunities, borrower characteristics and the productive uses to which financing is directed. Evaluation should therefore examine heterogeneous pathways rather than relying on average lending or participation indicators alone.

Attanasio et al. (2015) show that the effects of microfinance depend partly on contractual design, with joint-liability lending influencing entrepreneurial activity among some Mongolian households without producing uniformly large consumption gains. This suggests that the institutional architecture of credit affects how borrowers respond to financial access. Augsburg et al. (2015) reinforce this perspective by demonstrating that microcredit can stimulate self-employment while also changing household labor allocation and consumption, revealing that borrowing may generate both benefits and adjustments elsewhere in household behavior. Angelucci et al. (2015) similarly find that expanded microcredit access in Mexico produces changes in borrowing, household decisions and business activity without uniformly large improvements in income or consumption. Banerjee et al. (2015), in the Hyderabad experiment, further show that increased borrowing and business investment can coexist with limited average effects on education, health, consumption and women's empowerment. Together, these contributions imply that microcredit outcomes are multidimensional and shaped by product design and household circumstances. Financial-inclusion policies should therefore avoid assessing success solely through loan uptake or repayment and instead examine whether particular lending arrangements generate sustainable productive activity without imposing adverse adjustments on consumption, labor allocation or household wellbeing.

Breza and Kinnan (2021) demonstrate that a major contraction in microfinance credit can generate economic effects extending beyond individual borrowers by influencing wider local economic activity. Their findings imply that once microfinance becomes sufficiently embedded within a local economy, its developmental relevance cannot be understood through borrower-level outcomes alone. Meager (2019) complements this perspective by showing that individual treatment effects remain modest on average and heterogeneous across contexts, suggesting that micro-level and equilibrium effects need to be distinguished. Crépon et al. (2015) further demonstrate that expanded credit access in rural Morocco can alter self-employment behavior even when immediate average welfare improvements remain limited. Banerjee et al. (2015)

similarly show that microfinance often changes financial and entrepreneurial behavior without producing universal transformations in household living standards. Considered jointly, these contributions imply that the contribution of microfinance may operate through several layers: individual financial choice, enterprise activity and broader local market interactions. Its value should therefore neither be overstated as a universal poverty solution nor dismissed because average household effects are modest. More complete evaluation requires attention to heterogeneous borrower responses and the wider economic consequences generated when credit expands or contracts across communities.

3. Financial Inclusion: Determinants, Digitalization and Socioeconomic Outcomes

3.1. Determinants, Measurement and Barriers to Financial Inclusion

Zins and Weill (2016) show that financial inclusion across African countries is strongly conditioned by education, income, age and gender, indicating that formal financial participation reflects persistent socioeconomic inequalities rather than infrastructure availability alone. Allen et al. (2016) reinforce this broader interpretation by demonstrating that account ownership and use depend simultaneously on individual characteristics, financial costs, geographic accessibility and institutional conditions. Soumaré et al. (2016) add that inclusion patterns in Central and West Africa vary substantially across individuals and countries, confirming that household characteristics interact with national institutional environments. Fungáčová and Weill (2015) further show that even a rapidly developing financial system such as China's can leave particular socioeconomic groups outside formal finance. Taken together, these contributions imply that financial inclusion should not be pursued exclusively through expansion in branches, accounts or financial providers. Effective participation also depends on whether potential users can overcome income, educational and institutional barriers. Public policy should therefore combine supply-side development with targeted measures for groups systematically disadvantaged in access and use. Such an approach is especially important when aggregate increases in financial participation conceal persistent disparities among women, low-income households and individuals with weaker educational resources.

Grohmann et al. (2018) demonstrate that financial literacy is positively associated with participation in formal financial systems, suggesting that financial knowledge contributes directly to households' capacity to understand and select appropriate financial products. Morgan and Long (2020) reinforce this relationship by showing that stronger financial literacy is associated not only with inclusion but also with saving behavior, thereby connecting knowledge with observable financial practices. Ghosh and Vinod (2017) add that women's financial participation in India remains constrained by socioeconomic and household characteristics, implying that financial capability operates within broader gendered structures of resource control and employment. Xu (2020) further demonstrates that trust influences participation in formal finance, showing that financial decisions depend partly on confidence in institutions rather than solely on affordability or physical access. Together, these contributions imply that meaningful financial inclusion requires both capability and institutional credibility. Opening formal access may produce limited developmental benefits when users lack sufficient knowledge to evaluate products or distrust the organizations providing them. Financial-education policies should therefore be accompanied by measures strengthening transparency, consumer confidence and women's effective capacity to control and use financial resources.

Tinta et al. (2022) extend financial-inclusion research by examining financial resilience, suggesting that access becomes developmentally meaningful when financial services strengthen

households' capacity to withstand economic difficulties. This outcome-oriented perspective implies that formal participation should be evaluated according to what households can accomplish with financial services rather than through account ownership alone. Morgan and Long (2020) support this interpretation by showing that financial knowledge can translate inclusion into stronger saving behavior, which can contribute to household financial management. Xu (2020) adds that institutional trust affects whether individuals enter formal financial relationships in the first place, while Zins and Weill (2016) demonstrate that socioeconomic inequalities continue to shape who obtains such opportunities across African countries. Considered jointly, these contributions imply that financial resilience results from interactions among access, capabilities, trust and household resources. Financial inclusion policies should therefore move beyond numerical expansion in account ownership and examine whether different groups can use financial products for saving, managing shocks and improving economic security. A resilient financial-inclusion strategy consequently requires accessible services, financial capability and trustworthy institutions capable of converting formal participation into substantive household-level benefits.

3.2. Digital Finance, Mobile Money and FinTech-Based Inclusion

Bachas et al. (2018) show that digital financial services can substantially reduce the transaction costs associated with accessing and using formal accounts, particularly where physical banking infrastructure is inconvenient or distant. Their findings imply that digitalization promotes inclusion by changing the practical cost structure of financial participation rather than merely by introducing new financial products. Ozili (2018) reinforces this perspective by showing that digital finance can improve affordability, convenience and access for underserved populations, while also emphasizing the importance of regulatory and financial-stability considerations. Lashitew et al. (2019) add that successful mobile-money diffusion depends on the interaction between technological innovation, institutional environments and business strategies, meaning that technological availability alone does not guarantee broad access. Evans (2018) further demonstrates that internet and mobile-phone diffusion can facilitate financial inclusion across Africa, while unequal connectivity and technological capabilities may create new forms of exclusion. Taken together, these contributions imply that digital financial inclusion depends on both technological infrastructure and institutional conditions. Policies should therefore expand connectivity and affordable digital channels while ensuring that regulation, provider networks and user capabilities develop sufficiently to transform technological availability into effective and sustainable participation in formal finance.

Suri and Jack (2016) provide evidence that widespread mobile-money access can generate broader socioeconomic effects, including reductions in extreme poverty and particularly important benefits for women. This suggests that digital financial infrastructure can produce developmental outcomes when agent networks make transfers and payments practically accessible. Munyegera and Matsumoto (2016) reinforce this mechanism by showing that mobile money facilitates remittance transfers and is associated with improved household welfare in rural Uganda. Riley (2018) extends the argument toward resilience by demonstrating that mobile transfers can strengthen risk sharing after village-level shocks, allowing households to obtain support from geographically dispersed networks rather than relying exclusively on neighbors affected by the same disturbance. Aron (2018), however, cautions that widespread adoption should be distinguished from demonstrated welfare improvements because outcomes depend on actual usage, complementary institutions and local economic conditions. Together, these contributions imply that mobile money becomes developmentally meaningful when digital access is translated into concrete financial functions such as remittances, risk sharing and

resource management. Financial-inclusion evaluation should therefore move beyond registration or account statistics and examine whether users can employ digital services to improve welfare and strengthen their capacity to withstand economic shocks.

Ait Hbib et al. (2021) show that FinTech adoption intentions among unbanked informal-sector workers in Morocco are significantly shaped by relative advantage, compatibility, complexity and observability, whereas trialability does not exert a significant influence. Their findings imply that digital financial inclusion depends strongly on how potential users perceive the usefulness and accessibility of technological services. Bachas et al. (2018) complement this behavioral perspective by demonstrating that digital channels can reduce the economic costs of interacting with formal financial institutions. Evans (2018) adds that access to mobile and internet infrastructure determines whether excluded populations can participate in increasingly digital financial systems, while Aron (2018) emphasizes that adoption alone does not guarantee substantive welfare improvements. Considered jointly, these contributions imply that FinTech can extend financial participation among populations excluded from conventional banking, but effective inclusion requires more than the existence of digital services. Simplicity, compatibility, awareness and connectivity shape adoption, while financial and digital capabilities influence subsequent use. Policy should therefore combine technological expansion with education and accessible service design so that informal and unbanked populations can convert digital access into sustained participation in formal financial systems.

3.3. Financial Inclusion, Poverty, Inequality and Economic Development

Koomson et al. (2020) show that financial inclusion is associated not only with lower current poverty but also with reduced vulnerability to future poverty, thereby extending its developmental significance from immediate welfare toward household resilience. Omar and Inaba (2020) reinforce this perspective by demonstrating that broader access to formal financial services can contribute to reductions in poverty and income inequality across developing countries, although institutional and economic conditions influence the strength of these effects. Churchill and Marisetty (2020) similarly identify a negative relationship between financial inclusion and poverty using extensive household-level evidence while emphasizing that benefits remain heterogeneous across socioeconomic groups. Park and Mercado (2018) further show that financial inclusion can be associated with improved distributional outcomes across economies, positioning financial participation within a broader conception of inclusive development. Taken together, these contributions imply that the developmental value of financial inclusion should be assessed through its effects on poverty, vulnerability and inequality rather than through account ownership alone. Wider access to saving, borrowing and transaction services can strengthen household economic security, but outcomes depend on whether disadvantaged populations can use these services effectively and under institutional conditions that allow financial participation to translate into durable improvements in welfare.

Sethi and Acharya (2018) demonstrate a positive long-run relationship between financial inclusion and economic growth, suggesting that broader financial participation can improve savings mobilization, investment and formal economic activity. Lenka and Sharma (2017) reinforce this macroeconomic interpretation by showing that deeper financial inclusion can stimulate economic growth through more extensive financial intermediation and productive participation. Mushtaq and Bruneau (2019) add that information and communication technologies can strengthen these mechanisms by expanding the reach of microfinance and formal financial services toward populations previously constrained by conventional delivery systems. Makhrouf et al. (2024) further provide Moroccan evidence associating policies promoting financial inclusion with pro-poor growth alongside education, employment, redistribution and institutional

quality. Together, these contributions imply that financial inclusion can support economic development through both aggregate and distributional channels. Its contribution is not limited to transferring resources toward poorer households; it can also expand their capacity to save, invest and participate in productive economic relationships. However, financial inclusion should be embedded within broader development strategies because finance alone cannot compensate for weaknesses in education, employment opportunities or institutions that limit the productive use of newly accessible financial services.

Makhrouf et al. (2024) place financial inclusion within an integrated Moroccan framework of pro-poor growth, showing that its contribution operates alongside education, employment creation, redistribution and institutional quality. This implies that inclusion becomes more developmentally effective when financial access is supported by complementary socioeconomic policies. Mushtaq and Bruneau (2019) reinforce this interconnected perspective by demonstrating that ICT can extend the reach of microfinance and financial services, potentially strengthening their effects on poverty and inequality. Omar and Inaba (2020) further show that institutional and economic conditions influence whether financial inclusion generates favorable distributional outcomes, while Koomson et al. (2020) demonstrate that multidimensional participation in financial services can reduce households' vulnerability to future deprivation. Considered jointly, these contributions imply that inclusive finance should be evaluated as one component of a broader development architecture rather than as an autonomous policy objective. Digital access and expanded financial services can strengthen resilience and productive participation, but their effects depend on institutional quality and on households' capacity to convert finance into economic opportunities. Policy should therefore coordinate financial inclusion with human-capital development, employment creation and effective institutions so that wider financial participation contributes simultaneously to growth, poverty reduction and greater economic resilience.

4. Discussion

The literature first demonstrates that solidarity finance derives its specificity from the institutional combination of financial viability and social purpose. Cornée et al. (2020) show that social banks incorporate environmental and social objectives into their lending strategies, while Cornée et al. (2016) emphasize selective project financing and transparency as characteristics distinguishing these institutions from conventional banks. Artis (2017) provides a complementary interpretation by locating solidarity finance within social relationships, reciprocity and collective action. These contributions suggest that solidarity finance cannot be reduced to conventional credit directed toward poorer borrowers; its distinctiveness also concerns the procedures through which resources are mobilized, assessed and allocated. This institutional dimension is reinforced by Cornée (2019), who shows that relationship-based lending and soft information can improve the assessment of small-business credit risk. Such mechanisms may be particularly appropriate for borrowers who possess limited formal financial histories. Community and digitally mediated mechanisms extend this reasoning. Hudon and Meyer (2016) emphasize community ownership and territorial benefits, whereas Bruton et al. (2015) identify crowdfunding and peer-to-peer finance as alternatives capable of widening entrepreneurial access. Solidarity finance therefore appears most effective when social objectives are supported by credible screening, transparent governance and institutional arrangements capable of maintaining financial discipline.

A second result concerns the ambiguity of the relationship between microfinance outreach and socioeconomic transformation. Research does not support the assumption that a larger volume of microcredit necessarily produces correspondingly large reductions in poverty. Banerjee et al. (2015) show across randomized evaluations that microcredit expansion affects borrowing and

business activity but generates limited average changes in several household welfare indicators. Meager (2019) reaches a similar conclusion by identifying modest average effects combined with substantial heterogeneity across borrowers and contexts. In Morocco, Crépon et al. (2015) find that greater microcredit access influenced self-employment and borrowing behaviour while producing comparatively limited effects on consumption. Attanasio et al. (2015), Augsburg et al. (2015) and Angelucci et al. (2015) likewise demonstrate that outcomes depend on contractual arrangements and household circumstances. These findings do not imply that microfinance is ineffective. Rather, they indicate that its effects should be assessed through multiple dimensions, including enterprise activity, labour allocation, consumption, empowerment and resilience. Breza and Kinnan (2021) further show that changes in microfinance credit can have broader local economic consequences. The literature therefore supports a differentiated interpretation in which microfinance expands financial opportunities, but its developmental effects remain conditional rather than automatic.

The third major finding is that financial inclusion produces stronger socioeconomic effects when access is accompanied by financial capability, digital infrastructure and supportive institutional conditions. Zins and Weill (2016) demonstrate that income, education, gender and age continue to shape financial participation across African countries, while Grohmann et al. (2018) identify financial literacy as an important determinant of formal financial participation. Digitalization can reduce some traditional barriers. Bachas et al. (2018) show that digital financial services lower transaction costs, and Evans (2018) associates mobile and internet diffusion with stronger inclusion across Africa. Mobile money may also generate more direct welfare effects. Suri and Jack (2016) report reductions in extreme poverty associated with mobile-money diffusion, while Munyegera and Matsumoto (2016) connect mobile money with remittances and improved rural household welfare. Riley (2018) further shows that mobile transfers can strengthen household risk sharing following local shocks. At the aggregate level, Omar and Inaba (2020), Koomson et al. (2020) and Park and Mercado (2018) associate financial inclusion with lower poverty, vulnerability and inequality. These findings suggest that the developmental contribution of financial inclusion depends less on formal access alone than on households' capacity to use financial services effectively within supportive institutional and economic environments.

Conclusion

The literature reviewed in this paper indicates that solidarity finance, microfinance and financial inclusion represent closely related but analytically distinct dimensions of inclusive financial development. Solidarity finance emphasizes the institutional integration of economic viability with ethical, social and territorial objectives, while microfinance focuses more directly on the provision of financial services to individuals and enterprises underserved by conventional banking systems. Financial inclusion constitutes a broader framework encompassing access to, use of and benefits from formal and alternative financial services. The evidence shows that these mechanisms can reduce barriers to financial participation through relationship lending, community-based finance, ethical banking, Islamic finance, crowdfunding and digital technologies. However, institutional identity and social objectives alone do not guarantee successful inclusion. Governance, transparency, funding stability, risk management and credible organizational practices remain necessary to preserve both financial sustainability and effective outreach. Moreover, the literature concerning gender inclusion demonstrates that formal participation does not necessarily imply substantive empowerment. As shown by Shohel et al. (2021), Corsi and De Angelis (2017) and Cozarenco and Szafarz (2018), unequal control over resources and differentiated lending conditions can persist even within financial institutions explicitly oriented toward inclusion.

The broader implication is that expanding financial services should be considered a means of supporting socioeconomic development rather than an end in itself. Evidence from Banerjee et al. (2015), Crépon et al. (2015) and Meager (2019) demonstrates that expanded microcredit generates heterogeneous effects and does not systematically produce large increases in income or consumption. Conversely, research on mobile money and wider financial inclusion suggests that financial services can contribute to poverty reduction, resilience and economic participation when they perform concrete functions for households. Koomson et al. (2020) associate inclusion with reduced poverty vulnerability, while Omar and Inaba (2020) identify favorable relationships with poverty and inequality reduction. Makhrouf et al. (2024) further situate financial inclusion within a wider framework involving education, employment, redistribution and institutional quality. These findings support an integrated policy perspective. Financial inclusion should be coordinated with human-capital development, digital infrastructure, consumer capability, employment opportunities and effective institutions. Under these conditions, solidarity-oriented and conventional financial mechanisms can contribute more consistently to productive participation, household resilience and inclusive economic development.

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