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RESEARCH ARTICLE

BANK COMPETITION AND FINANCIAL INCLUSION IN GCC BANKS

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Abstract

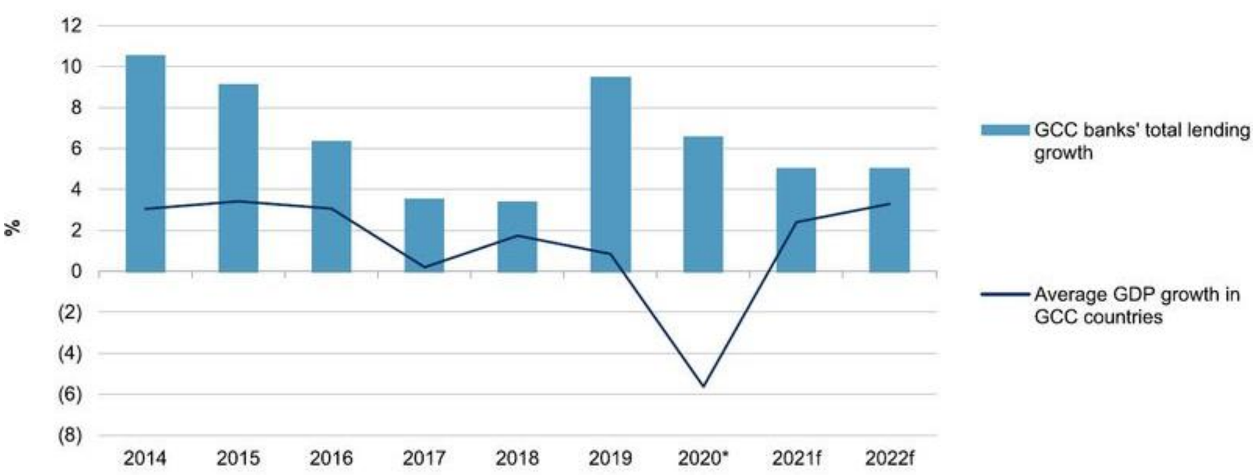
Large banks' dominance in the banking business is attributed to an increasing return on scale, which gives them a cost-cutting advantage over their smaller competitors. Larger banks have an advantage over smaller banks because they can fund large, high-risk projects in return for higher profits. The most important sources of rising return to scale in banking systems are major banks' competence and capacity in screening potential investment proposals and reducing bad loans. After such selection competence has been created, banks with greater sizes get more lending capacity and, as a consequence, keep higher goods. Financial inclusion is a method through which banks make their financial and banking services available to the general public. Financial inclusion aims to include people into the society by providing them with basic financial services regardless of their savings or income. It focuses on providing financial solutions to the economically underprivileged. The purpose of this research study is to examine the competition and financial inclusion in GCC banks. A qualitative research is conducted on basis of the existing data. Total 50 journals and articles are selected from which only 33 journals and articles are used to collect relevant information concerning to competition and financial inclusion in GCC banks. Each of the economy should have proper focus with proper planning to enhance the performance of financial inclusion to better growth of the country.

Key Words: Bank competition. Financial inclusion, GCC banks, Economic growth.

Introduction

The dominance of large banks in the banking sector is due to a growing return on scale, which offers giant banks a cost-cutting edge over their smaller competitors. Bigger banks have a competitive edge over smaller banks because they can fund huge, high-risk projects in exchange for larger earnings. This is because smaller banks' financial capability prevents them from financing large, profitable enterprises (Wheelock and Wilson, 2012). The skill and capacities developed by large banks in screening viable investment ideas and lowering bad loans are the most important sources of growing return to scale in banking systems. Banks with larger sizes obtain more lending capacity and, as a result, retain higher products after such selection expertise has been established. Another factor that contributes to bigger banks' competitive advantage is the uniformity of their financial products, which allows them to benefit from the banking system's competitive environment. This is because the borrowing company wishes to be funded by a major bank with greater experience in order to improve the quality of the market investment project (Babihuga and Spaltro, 2014). Also, because they can better diversify their assets and lower risks, larger banks can compete better for public support. Consequently, small banks with the inexperienced and limited staff are at a disadvantage in the competitive marketplace, since they will eventually be absorbed by larger banks or forced to exit the industry completely. The muted lending growth and mild economic recovery of GCC banks is presented in the below graph:

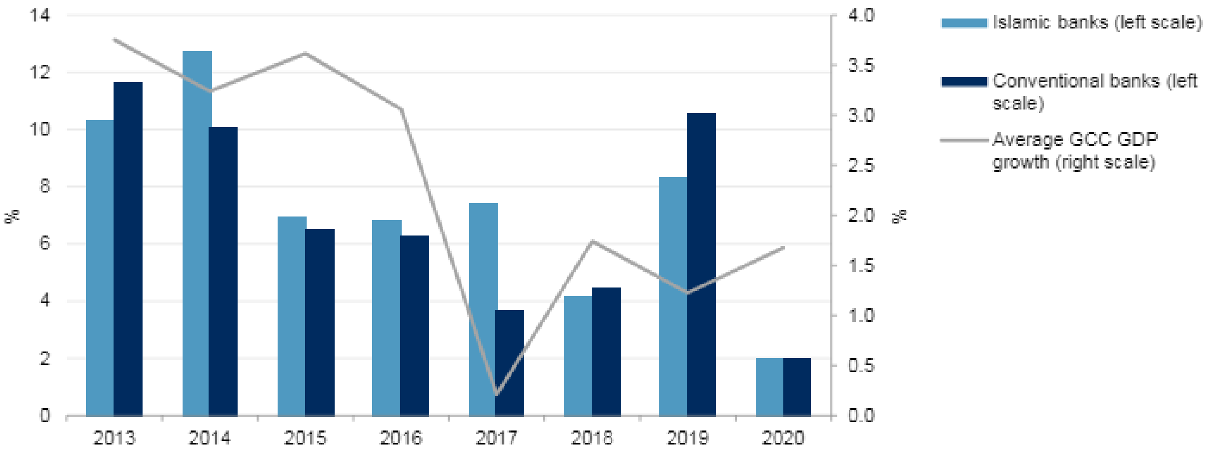
A Mild Economic Recovery And Muted Lending Growth



*To June 30. f--Forecast. Source: S&P Global Ratings, GCC banks.

Financial inclusion it a technique through which the banks offer their financial and banking services to the individuals. The aim of financial inclusion is to include individuals in the community by offering them basic financial services in spite of their savings and income. It focuses on assisting the economically disadvantaged with financial solutions (Kim et al., 2018). The phrase refers to the provision of low-cost, easy-to-use savings and lending services to the poor. Its goal is to guarantee that the poor and disenfranchised have access to financial education and make the greatest use of their resources. Over the previous two decades, robust economic activity fuelled by huge hydrocarbon revenues and ample liquidity, as well as expanding Islamic finance, boosted credit expansion and helped banks enhance their financial situations. A flurry of changes aimed at modernizing financial stability regulatory frameworks and financial safety nets, as well as advances in banking supervision, aided the banking sector's resilience and balance sheet development (Pradhan et al., 2016). Supervisory frameworks and Stock market regulatory have been strengthened, corporate governance has been improved and foreign investment restrictions have been relaxed as part of financial market reforms.

Asset Growth Comparison: GCC Islamic Vs. Conventional Banks (2013-2020)



Source: S&P Global Ratings and GCC Central Banks.

The banking business in the Gulf Cooperation Council (GCC) countries is relatively new, with the earliest institutions originating from the 1950s. Despite the fact that the bulk of the businesses are privately owned, the government still plays a significant role. The public sector continues to play a significant role in the banking industry of the GCC countries, whether through the equity contribution in different banks or through a number of government-owned specialized credit institutions that provides subsidized financing to both private and public sector enterprises (Buallay and Al-Ajmi, 2019). Financial institution ownership in the private sector is likewise disproportionately concentrated among a few shareholders, reducing the risks and benefits of the market for better commercial control.

Objectives of the research

- To review the competitive advantages obtained by the GCC banks
- To investigate the role of financial inclusion in economic growth by GCC banks

Literature review

Wheelock and Wilson (2012) identified a significant correlation between bank size and increasing return to scale, implying that larger banks have a cost-cutting advantage over smaller banks. Large banks have the ability to offer a wide range of financial services through a single planning process, lowering their operating costs. Large banks have adequate room in their offices to run several financial services from a single location, saving money on rent and other expenditures for various branches. In addition, Hughes and Mester (2013) found no significant evidence of a relationship between a bank's size and return to scale if risk preferences of managers are not taken into consideration. When managers' risk preferences are taken into consideration, however, there is a substantial relationship between return to scale and bank size. As a result, they suggest that any study measuring the relationship between return to scale and bank size that does not account for managers' risk-taking behavior may be incorrect. They go on to add that bigger banks provide more diversification benefits and cost-cutting opportunities due to their large information systems.

According to Kumar (2013), failure to take market power into account might lead to incorrect assumptions regarding the profitability-bank size connection. Large financial organisations provide considerable cost-cutting opportunities (Babihuga and Spaltro, 2014). According to a study report issued by Clearing House in 2011, larger banks provide higher returns on scope, scale, and innovation than smaller banks. Beccalli et al. (2015) used the stochastic frontier approach with the translog cost function to investigate 103 European banks from 2000 to 2011. According to their results, banks with more liquidity and equity capital have a higher return to scale. Government guarantees, such as too-big-to-fail (TBTF), according to Boot (2016), may provide giant banks an unfair edge when competing with smaller banks. Between 1996 and 2008, Elsas et al. (2010) studied international banks. Through income diversification, they uncover evidence of scope economies. Using a Bayesian output-oriented distance function, Feng and Serletis (2010) and Feng and Zhang (2012) demonstrate growing return to scale. Feng and Zhang (2014) used an arbitrary stochastic output distance function that set aside various talents to discover that technology was not a part of the bank's assets throughout the period 1997 to 2010. As a result, large banks did not necessarily have more cost-cutting options than smaller banks.

With exogenous outputs and endogenous inputs, Restrepo-Tobon and Kumbhakar (2015) use a nonparametric input distance function. The return to scale of small banks is increasing, whereas the return to scale of large banks is stable or even declining. Davies and Tracey (2014) examine a number of large international banks that employ a translog cost function and find evidence of increasing return to scale when data isn't adjusted for interest expenses, but return to scale becomes constant when data is corrected for interest expenses. Kendall et al. (2010) and Ghosh (2011) used data from Indian sub-national levels to evaluate the impact of financial access on economic growth, indicating that access to and use of financial services had a positive impact on India's economic growth. Communication and financial inclusion technologies, according to Kim et al., (2018), are also crucial for economic growth. The use of these technologies allows banking firms to connect with prospective stakeholders and provide financial services to the people and businesses that need them.

According to Azman-Saini and Hui (2014), bank development has a negative influence on economic growth. Financial inclusion, according to Pradhan et al. (2016), is also a hindrance to economic progress. Financial inclusion can reduce lending criteria as banks try to reach out to the underserved by lowering loan terms, but it can also jeopardise a bank's image, as some countries have decreased the threshold for establishing banks in rural areas. Financial inclusion can assist disadvantaged individuals better their financial status and living standards while also helping to close the income gap. Financial services have the capacity to break the poor's cycle of poverty through a culture of saving and the creation of efficient and low-cost payment systems. According to Sanjaya (2014), financial inclusion through microcredit programmes can improve the poor's economic and social status. According to Park and Mercado (2015), financial inclusion, income inequality, and poverty have a negative relationship. From 1988 to 2012, Boukhatem (2016) looked at the influence of monetary growth on poverty reduction in 67 low and middle income countries, finding that higher financial growth had a direct impact on poverty reduction.

Financial inclusion increases economic growth and reduces poverty in medium and high-income countries, according to Nguyen et al. (2020), but the financial sector has minimal positive influence on economic growth in low-income countries. In Vietnam, it was observed that economic expansion is beneficial to poverty reduction. Financial inclusion, on the other hand, does not necessarily result in poverty reduction. It's possible that it won't be able to provide adequate financial assistance to the economy. While financial growth supports economic progress, it does not always benefit low-income persons in developing nations, according to Seven and Coskun (2016), since financial inclusion does not play a substantial role in poverty reduction. According to Neaime and Gaysse (2018), financial inclusion has no significant influence on poverty. Financial inclusion may have both positive and negative effects on financial stability. Bank asset diversification, deposit base stability, and monetary policy transmission are all positive impacts, whereas bank reputation risk, reduced loan criteria, and weak controls are all negative influences.

According to Van et al., (2021), financial inclusion has the potential to improve financial stability because poor people's access to savings in financial institutions can increase family capability to manage financial vulnerabilities from the negative effects of crises, and diversified funding from financial institutions has the potential to reduce distresses with the occurrence of gl. According to Sulong and Bakar (2018), financial inclusion can strengthen financial intermediation competency through greater investment and domestic savings, therefore promoting financial stability. According to Azman-Saini and Hui (2014), financial inclusion is a prerequisite for economic growth and development since Kenya's financial stability is influenced by a variety of financial programmes. SMEs will have more financial stability if they borrow more, according to Neaime and Gaysse (2018). Financial inclusion, GDP per capita, banking assets, and portfolio investment can all help to maintain financial stability.

Azman-Saini and Hui (2014) found contradictory results. As financial institutions try to serve lower-income groups by lowering loan requirements, financial inclusion might jeopardise financial stability. According to Ghosh (2011), a growth in banking services in Kenya does not lead to greater financial stability since it is not followed by a decrease in lower-middle-class borrowing rates, a reduction in lack of trust, or an improvement in service quality. Rapid loan growth or fund intermediation that isn't accompanied by sufficient regulation might jeopardize financial stability.

Research methodology

Research philosophy: The research philosophy is a crucial component of the research procedure that is often used to collect all of the information or data connected to the issues or concerns of the research study in a more effective manner. Interpretivism, positivism and realism are main three philosophies that can be used in a research project.

Positivist philosophy is mostly used to provide all of the necessary views or concepts in order to address the research study's issues or concerns. Furthermore, the approaches used for generalising various observations or facts in this research philosophy primarily quantifies all perspectives or facts associated with the research and aids in the most effective resolution of all problems or issues that may affect the research project's organisation. Qualitative data is primarily used for conducting research studies in the interpretivism philosophy, and it primarily includes various perspectives, emotions, experiences, or statements of different respondents who have participated in surveys or interviews to conduct research projects in a straightforward manner. In addition, the realism philosophy is useful for analysis of the real facts and events.

Justification for the selected philosophy:

Interpretivism philosophy is used in this research study to investigate the competition and financial inclusion in GCC banks. This philosophy has enabled in understanding the views and perceptions of different scholars concerning to the research issue. The interpretivism philosophy has also played a significant role in developing a theoretical base for the research study on basis of views and thoughts of different scholars. In contrast, positivism philosophy is not used in investigating competition and financial inclusion in the GCC banks as it is a challenging task for the researcher to develop hypotheses and conduct quantitative analysis of the collected data. The development of research hypotheses is not good for investigation of the selected research issue. In addition, realism philosophy is also not considered as there is lack of real facts for investigation.

Research approach: Research approaches are also regarded as the most important component of research technique since they are generally utilized to examine various viewpoints or points of view related with the chosen research topic, as well as to determine the most important parts of the study. Inductive and deductive approaches are two key ways for doing research efficiently; however, in some situations, a hybrid strategy combining both inductive and deductive approaches can be used to conduct research.

Deductive approach is characterised as a research technique that is generally centred on creating or designing hypotheses or assumptions for doing effective research. Different methodologies or processes are also used to test the provided hypothesis, demonstrating the relevance of different hypotheses in conducting successful and efficient research. The inductive technique is generally focused on obtaining data from many sources in order to make comprehensive observations for that data, and then using that deep knowledge to develop abstractions that are certain to be based on numerous properties.

Justification for the selected approach:

Inductive approach is used a most significant approach for analysis of the data concerning to the competition and financial inclusion in GCC banks. This approach played a significant role in evaluating and exploring the facts and theories concerning to the selected research issue. Interpretation of various obtained data using various methodologies or approaches undoubtedly aids in the analysis of previous academics' varied views or viewpoints, which can also be used to study competitiveness and financial inclusion in GCC banks. In contrast, the use of deductive approach is avoided in this research study as the development of research hypotheses or assumptions is not a good idea to attain the objectives of the study. In addition, this approach is not able in interpreting different ideas and perceptions of different scholars concerning to the research issue.

Research design: The research design is a technique that is used to promote or define the blueprint for various data gathering methods as well as data analysis. Qualitative and quantitative are two research design that can be used by the researchers to collect relevant information about the research issue.

In a qualitative study, descriptive reports are often used to collect a variety of perspectives, shared values, feelings, views, and attitudes from the many people who participated or were engaged in the research. Qualitative characteristics in terms of non-numerical values or themes are frequently used in research investigations in which diverse respondents' thoughts or opinions are important in achieving the best possible outcomes or findings. In contrast, Quantitative designs typically use specific amounts, values or data to measure and analyze data collected during the study process. Different statistical models are used by researchers in the quantitative study design to efficiently explain a variety of data that is obtained from various sources.

Justification for the selected research design:

In order to obtain qualitative data, qualitative research design is combined with exploratory design. This indicates that textual data is being used to have a better understanding of the entire research project. With the use of qualitative design, descriptive reports can be quickly generated, which will certainly aid in gathering trustworthy views, sentiments, perspectives, or opinions from researchers on competition and financial inclusion in GCC banks. This study technique enables for the evaluation of relevant information from the acquired data by using a subjective approach. In this research project, the use of a quantitative research methodology is eschewed since numerical data alone cannot give a realistic answer to the study topic. The quantitative research design is linked to the gathering of numerical data from various sources. The quantitative data is effectively analysed using various figures or facts, and the relationship between variables in the development of the figures is established. The use of a quantitative design is avoided in this research study since there are no relationships between any of the variables.

Research strategy: The research strategy is also recognized as a vital and significant component of the research methodology. The research strategy is generally used to develop or build an acceptable plan for completing the research study in the most effective manner feasible. This is the element that various elements, facts, or useful information may be investigated in order to meet the study's primary objectives or goals, as well as outlining the paths or procedures by which research can be carried out in the most effective and essential way. Action research, desk research, surveys, ethno methods, interviews, grounded theories and case studies are some of the approaches that may be used to complete a research project on time and successfully.

Justification for the selected strategy:

Desk research is used as most appropriate strategy for collection of the secondary data. This research strategy plays a significant role in collection of huge data smoothly or in less time concerning to competition and financial inclusion in GCC banks.

Data collection methods: Data collection is also one of the most important and vital parts of research projects since it is used to collect all necessary data in order to conduct research studies as efficiently as possible. Primary and secondary data collections are two data collection methods. Telephone or personal meetings can be used to conduct interviews that might be unstructured, semi-structured, or structured for obtaining primary data. Participants may be asked open-ended or closed-ended questions during research studies. In contrast, secondary data collecting methods such as online research and journals are widely used to develop theories or models for research and to obtain useful concepts or information based on the study's demands. Articles or magazines can also be used to acquire useful information. Depending on the research objectives, secondary data can also be obtained through internet portals or other websites in order to acquire the most practical and genuine information.

Justification for the selected data collection method:

Secondary data collection method is used as most appropriate method of collecting data from the existing resources. Different journals, articles, books and websites are used for collection of the data concerning to competition and financial inclusion in GCC banks. This method plays a significant role in collection of huge data smoothly in less time and cost comparing to primary data collection methods. In addition, the consideration of secondary data improved the significance of research study as a qualitative research study. In contrast, primary data collection method is not used in this research project as this method consumes huge time and money for collection of relevant information.

Sampling: In order to attain the objectives of a research project, sampling is a method of selecting the most feasible and accountable samples or units from a particular population. Probable and non-probable are two sampling techniques that are used in this research study to select a sample size. Probabilistic sampling approaches guarantee that each of the representatives picked for sampling has an equal probability of being chosen, reducing the possibility of bias in sample selection and allowing more relevant research to be conducted. Samples are chosen depending on the researchers' ideas or level of convenience for their investigations, and non-probability techniques are also used.

Justification for sampling technique and sample size:

Probable sampling technique is used with simple random sampling technique as most appropriate sampling technique for this research study. With this sampling technique, different journals and articles concerning to the research issue are selected to collect relevant information. Total 50 journals and articles are selected from which only 33 journals and articles are used to collect relevant information concerning to competition and financial inclusion in GCC banks.

Data analysis: There are different options of data analytical tools for a researcher to analyze the collected data. These analytical tools are content analysis, MS-Excel, SPSS and statistical analysis. In this research, content analysis is used as most appropriate data analysis tool for analysis of the secondary data or qualitative data.

Ethical consideration: Generally, ethical consideration is conducted in collection of both primary and secondary data collection procedures. Secondary data are used in this research study so that ethical consideration is conducted on secondary data collection process. In this way, secondary data are collected from the authentic sources and the data are written in own language to avoid the issues concerning to plagiarism, copyright, patent and registered trademark.

Results and discussion

From the analysis of the data it is found that the size of banks affects to their profitability and return of scale in big manner. Big size of banks has benefited the banks in the competitive market in sustainable manner. As well as, the role of financial inclusion is also found as essential economic efforts of the gulf corporation council banks for growth of the economy of gulf countries.

To review the competitive advantages obtained by the GCC banks:

It is found that the there is a strong and positive relationship between the bank size and competitive advantages. The size of GCC banks supports them to generate good return on their investment and attain the competitive advantages in the industry. Similar to Wheelock and Wilson (2012) have discovered a strong link between bank size and growing return to scale, indicating that larger banks have a cost-cutting advantage over smaller banks. Large banks have potentials to offer diversified banking services with a single planning to reduce their operational expenses. The large banks have enough space in their workplace so that they can operate several banking services from a place and reduce expenses related to rent and other expenses for different branches. It is also found that preference of managers is essential in the business operations to attain the competitive advantages. The consideration manager’s risk presences enable the large banking firms to gain better return. In this concern, Hughes and Mester (2013) examined that if risk preferences of managers are not taken into account, there is no substantial evidence of a link between a bank's size and return to scale, according to their findings. However, there is a strong link between return to scale and size of a bank when managers' risk preferences are taken into account. As a result, they argue that any study that does not account for managers' risk-taking behavior in assessing the connection between return to scale and bank size may be inaccurate. They go on to say that because of their big information systems, major banks offer greater diversification advantages and cost-cutting possibilities.

According to Kumar (2013), neglecting to account for market power might lead to erroneous conclusions about the profitability-bank size relationship. Large financial institutions provide significant cost-minimization benefits (Babihuga and Spaltro, 2014). Greater banks produce larger returns to return to scope, size and innovate quicker than smaller banks, according to a study paper published by Clearing House in 2011. In this regard, it is found that failure to take market power into account might lead to incorrect assumptions regarding the profitability-bank size connection. Large financial organizations provide considerable cost-cutting opportunities. Greater banks provide more returns when it comes to returning to scope, scale, and innovating faster than smaller banks.

The stochastic frontier technique with the translog cost function was utilized by Beccalli et al. (2015) to examine 103 European banks from 2000 to 2011. Their findings show that banks with more liquidity and equity capital have a better return to scale. According to Boot (2016), government guarantees, such as too-big-to-fail (TBTF), may provide large banks unfair advantages when opposing alongside the smaller banks. Elsas et al. (2010) looked at foreign banks between 1996 and 2008. They discover evidence of scope economies through revenue diversification. Feng and Serletis (2010) and Feng and Zhang (2012) demonstrate rising return to scale using a Bayesian output-oriented distance function. On basis of these arguments, it is found that a greater return to scale is achieved by banks with more liquidity and equity capital. Government guarantees, such as the so-called "too-big-to-fail" rule, may give giant banks an unfair edge when competing with smaller banks.

In contrast, it is found that there are different research studies that have indicated that it is not necessary that the large banks have more well-organized as compare to small banks. The small banks may also have competitive advantages for better financial inclusion in the economy. In this regard, a study was conducted by Feng and Zhang (2014) by using an arbitrary stochastic output distance function that set aside varied skills to find out that during the period from 1997 to 2010 as technology was not element of bank’s assets. As a result, huge banks did not always have greater cost-cutting opportunities.

The return to scale of small banks is increasing, whereas the return to scale of large banks is stable or even declining. Use a translog cost function to uncover evidence of increasing return to scale when the data isn't adjusted for interest expenses, but return to scale becomes constant when the data is corrected for interest expenses. Restrepo-Tobon and Kumbhakar (2015) employ a nonparametric input distance function with exogenous outputs and endogenous inputs. Small banks have a rising return to scale, whereas giant banks have a steady or even falling return to scale. Davies and Tracey (2014) look at a number of big multinational banks that use a translog cost function and find evidence of growing return to scale when the data isn't adjusted for interest expenditures, but when the data is adjusted for interest expenses, return to scale becomes constant.

To investigate the role of financial inclusion in economic growth by GCC banks:

The results during this research presenting that GCC banks play a significant role in economic growth through financial inclusion. The efforts made by the GCC banks make flow of money in the economy to offer a financial support for the individuals as well as organizations. Similarly, Kendall et al. (2010) and Ghosh (2011) examined the effect of financial access in economic growth using data from Indian sub-national levels, demonstrating that access to and usage of financial services has a beneficial influence on economic growth in India. According to Kim et al., (2018), communication and financial inclusion technologies are also important for economic progress. The consideration of these technologies enables the banking corporations to be engaged with the potential stakeholders and deliver financial services to the required persons and corporations.

It is also found that access to financing is a significant policy tool used by governments to enhance economic growth. It will have an influence on the growth of economic activities that will boost output by making funding more readily available and affordable to all economic players. Financial inclusion is a critical component of economic development. Thus, financial inclusion contributes the GCC banks in economic growth of the concerning countries. In the words of Sharma (2016), policymakers and governments utilize access to finance as a key policy instrument to boost economic growth. It will impact the expansion of economic activities that will enhance production by making financing available and cheap for all economic actors. With the use of data from 49 countries, Sarma and Pais (2011) discovered empirical evidence of a link between economic development and financial inclusion. Financial development is a key factor of economic growth. This study demonstrates how critical it is to improve the banking sector's operation in order to stimulate economic growth. A well-developed financial system is critical for economic progress, according to Law, Azman-Saini, and Hui (2014). Sarma (2016) went on to look at the causation link between several characteristics of economic growth and financial inclusion, demonstrating that there is a mutual association amid access to economic growth and banking services. Pradhan et al. (2016), Kim et al. (2018), and Raza et al. (2019) all recently demonstrated that economic growth and financial inclusion have a strong positive connection.

It is also found that economic growth is hampered by financial inclusion. Financial inclusion can reduce lending criteria as banks try to reach out to the underserved by lowering loan terms, but it can also jeopardize a bank's image, as some countries have decreased the threshold for establishing banks in rural areas. Financial services have the capacity to break the poor's cycle of poverty through a culture of saving and the creation of efficient and low-cost payment systems. Microcredit efforts that increase financial inclusion can help the disadvantaged improve their economic and social status. In this concern, Azman-Saini, and Hui (2014) have discovered that bank development had a detrimental impact on economic growth. Pradhan et al. (2016) also found that financial inclusion hinders economic growth. Financial inclusion can decrease lending requirements as banking institutions strive to reach out to the underserved by decreasing loan terms, but it can also put a bank's reputation at danger, as some nations have lowered the bar for ascertaining banks in rural regions. Financial inclusion can help impoverished people improve their financial situation and living standards while also reducing income disparity. Families may enhance their capacity to withstand financial shocks, consumption, stabilize accumulate assets, and invest in health and education through saving, according to Dixit & Ghosh, (2013). Through a culture of saving and the development of efficient and low-cost payment systems, financial services have the ability to break the poor's cycle of poverty. Financial inclusion through microcredit initiatives, according to Sanjaya (2014), can enhance the poor's economic and social standing. According to Park and Mercado (2015), there is a negative correlation between financial inclusion, income inequality and poverty. Boukhatem (2016) looked examined the impact of monetary growth on poverty lessening in 67 low and middle income countries from 1988 to 2012 and exposed that increasing financial growth had a direct impact on poverty reduction.

As per the research findings, the government can decrease poverty in the country by enhancing financial inclusion of financial services. These efforts provide an economic support to the poor people. In research of Nguyen et al. (2020), it is found that financial inclusion promotes economic growth and decreases poverty in middle and high-income nations, but the financial sector has little beneficial impact on economic growth in low-income countries. In Vietnam and discovered that economic growth helps to poverty reduction in a favorable way. However, it is not necessary always that financial inclusion reduce poverty. It may fail in offering appropriate financial support to the economy. According to Seven and Coskun (2016), while financial development promotes economic progress, it does not always help low-income individuals in developing countries since financial inclusion does not play a significant role in poverty reduction. Financial inclusion does not have a substantial impact on poverty, according to Neaime and Gaysse (2018). The impact of financial inclusion on financial stability may be both beneficial and harmful. Diversification of bank assets, greater deposit base stability and increased monetary policy transmission are all good influences, but bank reputation risk, lower loan requirements and insufficient controls are all negative influences.

It is also found that financial inclusion has the potential to improve financial stability because poor people's access to savings in financial institutions can increase a family's ability to manage financial vulnerabilities from the negative effects of a crisis during global crisis. As well as, financial inclusion has potentials to enhance financial stability by improving financial capability through greater investment and domestic savings. Financial inclusion is a prerequisite for economic development and prosperity. Van et al., (2021) have stated that the financial inclusion potentials of improving financial stability as the access of poor people towards savings in financial institutions can raise family capability to manage the financial vulnerabilities from the negative effects of crisis and diversified funding from the financial institutions that have potentials to diminish distresses with occurrence of global crisis. Financial inclusion, according to Sulong and Bakar (2018) can improve financial intermediation competence throughout the increased investment and domestic savings to promote financial stability. Financial inclusion is a precondition for economic growth and development, according to Azman-Saini, and Hui (2014), because numerous financial programs affect Kenya's financial stability. According to Neaime and Gaysse (2018), SMEs will have more financial stability if they borrow more. Increases in financial inclusion, GDP per capita, banking assets and portfolio investment can be a smart way to promote financial stability.

It is also found that financial inclusion may impact to financial stability in negative manner. Regarding the link amid economic stability and financial inclusion, Azman-Saini, and Hui (2014) came up with conflicting findings. Financial inclusion can harm financial stability by reducing lending criteria as financial institutions strive to serve lower-income populations by cutting credit conditions. According to Ghosh (2011), a rise in banking services in Kenya does not contribute to increased financial stability since it is not accompanied by a drop in lower-middle-class borrowing rates, an improvement in lack of trust and service quality. Rapid loan expansion or fund intermediation that is not escorted by adequate regulation can have a detrimental impact on financial stability.

Conclusion and recommendations

It is concluded that the size of a bank and its competitive advantages have a significant and favorable link. Because of their scale, GCC banks are able to get a strong return on their investments and gain competitive advantages in the business. Large banks have the ability to offer a wide range of financial services through a single planning process, lowering their operating costs. Large banks have adequate room in their offices to run several financial services from a single location, saving money on rent and other expenditures for various branches. Managerial preference is critical in achieving competitive advantages in company operations. The risk presences of the consideration managers help major banking businesses to obtain a higher return. Larger banks provide higher returns in terms of scope, scale, and innovation than smaller banks. Cost-cutting options abound in large financial companies. When it comes to returning to scope, size, and inventing faster, larger banks outperform smaller banks.

It's also been determined that through financial inclusion, GCC banks contribute significantly to economic growth. The GCC banks' efforts provide a flow of money in the economy, allowing individuals and organizations to get financial assistance. Technologies for communication and financial inclusion are also critical for economic growth. The use of these technologies allows banking firms to connect with prospective stakeholders and provide financial services to the people and businesses that need them. Furthermore, governments use access to credit as a key policy instrument to boost economic growth. It will have an impact on the expansion of economic activities that will increase production by making finance more accessible and cheap to all economic actors. Financial inclusion is an important aspect of economic growth. As a result, GCC banks contribute to the economic prosperity of the nations in question.

It is also concluded that the government can help to alleviate poverty in the country through promoting financial inclusion. These programs give financial assistance to the needy. In medium and high-income countries, financial inclusion boosts economic growth and reduces poverty, while in low-income countries, the financial sector has minimal influence on economic growth. Economic growth contributes to the elimination of poverty in a positive way. By increasing financial capabilities through increased investment and domestic savings, financial inclusion has the potential to improve financial stability. Financial inclusion is a necessary condition for economic growth and prosperity. It is also determined that financial inclusion may have a detrimental influence on financial stability.

Poor people's access to deposits in financial institutions can enhance a family's capacity to manage financial vulnerabilities from the negative impacts of a crisis during a global crisis financial inclusion has the potential to promote financial stability. Financial inclusion, on the other hand, does not automatically mean poverty reduction. It's possible that it won't be able to provide adequate financial assistance to the economy. Financial inclusion may have both positive and negative effects on financial stability. Bank asset diversification, deposit base stability, and monetary policy transmission are all positive impacts, whereas bank reputation risk, reduced loan criteria, and weak controls are all negative influences. As financial institutions try to serve lower-income groups by lowering loan requirements, financial inclusion might jeopardize financial stability. Rapid loan growth or fund intermediation that isn't accompanied by sufficient regulation might jeopardize financial stability.

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