

EMEA – EMANES RESEARCH DEBATES

FINANCIAL INCLUSION IN THE SOUTHERN AND EASTERN MEDITERRANEAN COUNTRIES A SURVEY OF EGYPT, JORDAN, LEBANON, MOROCCO AND TUNISIA

WEDNESDAY 9 FEBRUARY 2022, 15:00- 16:30 CEST



EURO-MEDITERRANEAN AND AFRICAN
NETWORK FOR ECONOMIC STUDIES

EMEA – EMANES RESEARCH DEBATE SERIES (EMEA-EMANES RDS) Financial Inclusion in the Southern and Eastern Mediterranean Countries. A survey of Egypt, Jordan, Lebanon, Morocco and Tunisia

Speakers:

- **Rym Ayadi**, Mediterranean Economists Association (EMEA), Director, Euro-Mediterranean and Africa Network for Economic Studies and Professor at The Bayes Business School (Former CASS)
- **Mais Shaban**, Research Fellow at EMEA and an Assistant Professor at Al- Zaytoonah University of Jordan
- **Sandra Challita**, Assistant Professor at ESDES Business School in Lyon, Research Fellow at EMEA and EMANES Coordinator, France
- **Yeganeh Forouheshfar**, Researcher at Euro-Mediterranean Economists Association (EMEA)
- **Serena Sandri**, Associate Professor at the School of Management and Logistic Sciences at German Jordanian University
- **Claudia Girardone**, Professor of Banking and Finance at Essex Business School of the University of Essex, Director of the Essex Finance Centre (EFiC) and the Director of Research, and member of EMANES Scientific committee
- **Atilla Yücel**, Policy Advisor for Sustainable Digital Financial Systems at the German Government's Agency for International Cooperation (GIZ)

Report Prepared by Mais Shaban

Concept Note

As part of the [research debate series](#) introduced by The Euro-Mediterranean Economists Association (EMEA), in collaboration with the Euro-Mediterranean and Africa Network for Economic Studies (EMANES).

The second webinar in the series will present the results of the study on [Financial Inclusion in the Southern and Eastern Mediterranean Countries: A survey of Egypt, Jordan, Lebanon, Morocco and Tunisia](#). Financial inclusion (FI) has been high on the agenda of international institutions, regulators and policymakers for a number of years and remains a priority. This is mainly due to its well documented positive impact in fostering sustainable social and economic development. However, developing economies, particularly countries in the South and East Mediterranean, are still lagging behind in terms of FI, both on individual and business levels. Additionally, the region exhibits a significant gender gap, urban-rural gap and a low level of access to financial services for young people.

This study provides an in-depth analysis of the state of FI in five countries in the South and East Mediterranean: Egypt, Jordan, Lebanon, Morocco and Tunisia. The analysis is based on a survey conducted by Euro-Mediterranean Network for Economic Studies (EMNES) researchers using interviews, literature research and secondary data. The main aim is to investigate the salient features of FI, the barriers to achieving FI, and the regulatory framework and policies used to promote FI in each country.

The surveyed countries have, in common, several salient features of FI, including: lack of availability and access to finance in rural areas; widespread use of informal financial services; commercial banks being the main providers of financial services, with high costs of lending; and strong dependence on government debt. Additionally, Micro, Small and Medium-sized Enterprises (MSMEs) and start-ups have limited access to finance provided by banks. Important actors emerging to enhance FI in the region are postal offices, microfinance institutions (MFIs) and mobile banking. The main identified barriers to FI in the region are related to supply and demand factors. On the demand side, barriers include financial illiteracy, insufficient funds, high collateral requirements and lack of trust. On the supply side, barriers include the high cost of financial services, limited branch networks and lack of data on individuals and MSMEs.

The findings show that several policies promoting FI are shared amongst countries in the region. National strategies are generally led by central banks and special focus is being placed on payment services and digital financial services. Additionally, to improve MSME lending, initiatives for microfinance development and regulation are encouraged and guarantee schemes are being developed.

The study shows that countries in the region recognise the importance of FI and, thus, are investing considerable efforts into promoting it. The efforts to accelerate FI have resulted in improvements in recent years, particularly due to government initiatives and digital services that have been highly utilised during the COVID-19 pandemic. FI has been a key pillar of resilience during the crisis, since it has played a vital role in facilitating reach to vulnerable groups. Countries in the South and East Mediterranean utilised a number of FI tools to ease the impact of the pandemic. For example, Jordan witnessed a significant increase in the uptake of digital wallets, mainly due to its adoption by public and private entities in order to transfer money and pay salaries, as well as the digitisation of social protection payments. Egypt also accelerated its efforts in terms of digital financial services and amended the simplified Know Your Customer (KYC) regulations to facilitate the inclusion of individuals and small businesses in the financial sector. Similarly, Tunisia focused on developing a broad range of e-banking services and introduced digital wallets. The majority of countries in the region also utilised credit guarantee schemes as a policy response to support MSME access to finance during this period.

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Moreover, the study provides recommendations to enhance the level of FI and highlights the possible role of the European Union (EU). In particular, there is a need to encourage financial literacy initiatives, whilst the banking sector needs to be institutionally diversified. To improve the quality of information, credit registries need to be developed and empowered. In addition, the role of guarantee schemes should be enhanced, since they demonstrated their importance for MSME financing in several countries, particularly during the pandemic. The role of post offices, MFIs and mobile banking should also be enhanced. There is also a need to develop youth FI policies tailored to their financing needs, in order to enhance productivity and job creation.

The EU can play a role in enhancing the level of FI, by retaining the existing support and providing long-term action plans for MSME financing, such as developing a common guarantee initiative. The EU can also support countries in their debt restructuring in order to lower their financing costs.

In this EMEA-EMANES webinar, researchers and experts will discuss the state of FI in the Southern and Eastern Mediterranean Countries, the barriers to achieving FI, and the regulatory framework and policies used to promote FI in each country, in addition to the challenges and opportunities created by the COVID pandemic.

[EMEA](#) is a Barcelona-based regional think-tank, established in 2012, that serves as a leading independent and innovative policy research institution, a forum for debate on the political and socio-economic reforms in the Mediterranean and Africa, and a promoter of actions and initiatives that fulfil the objectives of sustainability, inclusiveness, regional integration and prosperity. It strives to contribute to the rethinking of Euro-Mediterranean and Africa partnerships in view of the new dynamics of an emerging, multi-polarised world and amidst protracted crises. EMEA has a large network of economists, high-level experts and institutional partners (research institutes, think tanks and universities) in the Euro-Mediterranean area and Africa.

[EMANES](#) is a regional network, composed of 30 institutions and more than 100 experts and researchers in the Mediterranean and Africa region, co-funded by the European Commission (DG NEAR) and EMEA, and coordinated by EMEA. It aims to provide a **renewed vision** for socio-economic development in the Mediterranean countries, mainly **focusing on employment creation, social inclusion, sustainable development and regional integration**. EMANES aims to develop new **research activities** and **publications** in several areas of economics and disseminate findings through the organisation of **annual conferences** and **workshops**, to bring together leading researchers, policy makers and representatives of civil society to discuss and debate optimal policies for the future of their region. EMANES is co-funded by the European Commission under Grant ENPI/2014/354-488 and [The Euro-Mediterranean Economists Association \(EMEA\)](#) foundation.

Report of the meeting

Wednesday 9th February 2022, 15:00-16:30 CEST - Recording of the meeting is available here: <https://www.youtube.com/watch?v=HttMWBQ-92s>

The second webinar of the research debate series, introduced by The Euro-Mediterranean Economists Association (EMEA), in collaboration with the Euro-Mediterranean and Africa Network for Economic Studies (EMANES), presented the results of the study on **Financial Inclusion in the Southern and Eastern Mediterranean Countries: A survey of Egypt, Jordan, Lebanon, Morocco and Tunisia**.



In her welcome note, Professor **Rym Ayadi** highlighted that financial inclusion (FI) has been high on the agenda of international institutions, regulators and policymakers due to its role in enhancing financial development and economic growth. FI has been a key pillar of resilience during the crisis, particularly through digital financial services, as it has played a vital role in facilitating the reach to individuals and MSMEs excluded from the financial system. However, new challenges arise that require careful consideration, including digital connectivity, financial literacy and security related matters.



Dr. **Mais Shaban** presented the regional context and highlighted, that countries in the South and East Mediterranean, are still lagging behind in terms of FI, both on individual and business levels. Additionally, the region exhibits a significant gender gap, urban-rural gap, lack of access to financial services for young people, digital division and high levels of informality. However, the efforts to enhance FI have resulted in improvements in recent years, particularly due to government initiatives and national strategies led by central banks, utilising guarantee schemes, digital services and other players who are emerging in the region, including post offices and microfinance institutions.

The panellists presented an in-depth analysis of the state of FI in the surveyed countries, the barriers to achieving FI, the regulatory framework and policies used to promote FI in each country, in addition to the challenges and opportunities created by the COVID-19 pandemic.



Dr. **Sandra Challita** presented the case of Egypt and Lebanon, highlighting the improvement in the availability, access, and use of financial services in the case of Egypt. On the other hand, with Lebanon being hit with an economic crisis, in addition to the COVID-19 crisis, this had had a negative impact on FI in the country, particularly in terms of trust in banks.



Dr. **Yeganeh Forouheshfar** presented the case of Morocco and Tunisia. A number of policies and initiatives have been adopted in Morocco to support low-income individuals, households and MSME financing. However, FI in Tunisia is relatively limited compared to other countries in the MENA region.

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Dr. **Serena Sandri** presented the case of Jordan, highlighting the improvement in account ownership, the gender gap and the use of digital services in recent years, due to policy interventions.

During the discussion section, Professor **Claudia Girardone** and Mr **Atilla Yucel** discussed the study and shared their inputs and views on the topic.



Professor Claudia Girardone, stressed the importance of the topic in relation to sustainable and responsible social and economic development. Key highlights of the discussion were:

- The importance of identifying best practices and progress around FI in different countries, as shown in the report
- The role of the European Union in providing support at different levels - from technical support to potentially developing a common guarantee initiative. This is very important, particularly for enhancing trust in the system
- Having more diversity in the banking system, enhancing transparency, targeting policies to increase access to financial services for young people and refugees, reducing the gender gap and the urban rural gap, developing credit registries, focusing on financial education, and utilising post offices and mobile banking are all common recommendations to enhance FI and are key to developing the financial sector
- For future research, it is recommended to carry out a detailed analysis of the financial and banking sectors in the region, one that includes alternative sources of finance, in order to investigate the barriers to a more diverse banking sector and to what extent more extensive banking sectors provide greater inclusivity
- Digital inclusion is important for enhancing financial inclusion, hence, digital divide, digital literacy, financial literacy and security issues need to be taken into consideration and should be prioritised



Mr. Atilla Yucel, pointed out to the importance of digital financial services as a pillar of resilience during COVID-19. Key highlights of the discussion were:

- Digital Financial inclusion has an important role to play in terms of socio-economic outcomes, countries relying more on digital financial infrastructure which was better able to support and reach vulnerable groups during the pandemic
- Enhancing the reach to the unbanked segment of the economy does not only have a positive social impact, but there is also a viable commercial interest for service providers, as seen in the Micro-finance industry
- The current focus of policy objectives are: inclusion, stability, integrity and consumer protection. It is also recommended to take into consideration competition and its impact. In terms of competition, more focus is needed on Fintech and alternative solutions. As for impact, future research should be open to more impact-related issues, including ESG factors

Enhancing digital infrastructure, innovation, and digital and financial literacy can all play a key role in the region in bolstering FI