

# Financial Inclusion in the Southern and Eastern Mediterranean Countries

A survey of Egypt, Jordan, Lebanon, Morocco and Tunisia

Rym Ayadi, Sandra Challita and Mais Shaban

December, 2021

Contributions from:

Alia El Mahdi, Taghreed Hassouba, Egypt

Nooh Alshyab, Serena Sandri, Dima Daradkeh, Jordan

Sandra Challita, Lebanon

Najat El Mekkaoui, Yeganeh Forouheshfar, Sara Loukili, Morocco

Olfa Benouda, Soumaya Ben Khelifa, Dorra Hmaied, Rania Makni, Tunisia



## ABOUT THIS STUDY

### EMEA-EMNES Studies – DECEMBER 2021

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 the 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 research team is led by Prof. Rym Ayadi, President, EMEA and Director, EMNES. It includes Sandra Challita, research fellow, EMEA and researcher, EMNES and Mais Shaban research fellow at EMEA and EMNES. Country contributions were provided from EMNES researchers: Alia El Mahdi, Taghreed Hassouba, Egypt, Nooh Alshyab, Serena Sandri, Dima Daradkeh, Jordan, Sandra Challita, Lebanon, Najat El Mekkaoui, Yeganeh Forouheshfar, Sara Loukili, Morocco, Olfa Benouda, Soumaya Ben Khelifa, Dorra Hmaied, Rania Makni, Tunisia.

#### DISCLAIMER:

The contents of the documents are the sole responsibility of the authors and can under no circumstances be regarded as reflecting the position of the Euro-Mediterranean Economists Association.

© Copyright 2021, Euro-Mediterranean Economists Association  
Published by the Euro-Mediterranean Economists Association

ISBN- 978-84-18352-08-9

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior permission of the authors.

## TABLE OF CONTENTS

<b>TABLE OF CONTENTS.....</b>	<b>1</b>
<b>ABOUT THIS STUDY.....</b>	<b>2</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>5</b>
<b>CHAPTER 1: FINANCIAL INCLUSION IN THE MEDITERRANEAN: A COMPARATIVE ANALYSIS .....</b>	<b>7</b>
I.    INTRODUCTION.....	7
II.   MACRO-ECONOMIC AND FINANCIAL CONTEXT.....	7
III.  FINANCIAL INCLUSION: RELEVANCE, MEASURES AND KEY FEATURES.....	12
1. <i>Relevance of financial inclusion</i> .....	12
2. <i>Measures of financial inclusion</i> .....	13
3. <i>Features of financial inclusion</i> .....	15
IV.  FINANCIAL INCLUSION DURING COVID-19 .....	18
V.    FINDINGS OF THE SURVEY.....	21
<b>CHAPTER 2: FINANCIAL INCLUSION IN EGYPT .....</b>	<b>27</b>
I.    INTRODUCTION.....	27
II.   POLICIES TO PROMOTE FINANCIAL INCLUSION AND REGULATORY FRAMEWORK .....	28
III.  SALIENT FEATURES OF FINANCIAL INCLUSION .....	30
1. <i>Availability of financial services</i> .....	30
2. <i>Access to financial services</i> .....	31
3. <i>Use of financial services</i> .....	32
4. <i>Barriers to financial inclusion</i> .....	33
IV.  MEASURES TO PROMOTE FINANCIAL INCLUSION .....	34
V.    CONCLUSION AND POLICY RECOMMENDATIONS .....	35
<b>CHAPTER 3: FINANCIAL INCLUSION IN JORDAN .....</b>	<b>37</b>
I.    INTRODUCTION.....	37
II.   NATIONAL POLICIES TO PROMOTE FINANCIAL INCLUSION .....	37
III.  REGULATORY FRAMEWORK .....	38
IV.  SALIENT FEATURES FOR FINANCIAL INCLUSION .....	41
1. <i>Availability of financial services</i> .....	41
2. <i>Access to financial services</i> .....	43
3. <i>Use of financial services</i> .....	46
4. <i>Barriers to financial inclusion</i> .....	50
V.    MEASURES TO PROMOTE FINANCIAL INCLUSION .....	52
1. <i>Government</i> .....	53
2. <i>Financial education</i> .....	53
VI.  CONCLUSIONS AND POLICY RECOMMENDATIONS.....	54
<b>CHAPTER 4: FINANCIAL INCLUSION IN LEBANON .....</b>	<b>55</b>
I.    INTRODUCTION.....	55
II.   NATIONAL POLICIES TO PROMOTE FINANCIAL INCLUSION .....	56
1. <i>Promoting financial inclusion for MSMEs</i> .....	56
2. <i>Promoting financial inclusion for individuals</i> .....	58
3. <i>The role of microfinance institutions</i> .....	58
III.  REGULATORY FRAMEWORK .....	59
1. <i>Main financial reforms related to financial inclusion</i> .....	59

2.	<i>Guarantees</i> .....	60
IV.	SALIENT FEATURES OF FINANCIAL INCLUSION .....	62
1.	<i>Availability of financial services</i> .....	62
2.	<i>Access to financial services</i> .....	65
3.	<i>Use of financial services</i> .....	65
4.	<i>Barriers to financial inclusion</i> .....	66
V.	MEASURES TO PROMOTE FINANCIAL INCLUSION .....	67
VI.	CONCLUSIONS AND POLICY RECOMMENDATIONS .....	67
<b>CHAPTER 5: FINANCIAL INCLUSION IN MOROCCO .....</b>		<b>70</b>
I.	INTRODUCTION .....	70
II.	NATIONAL POLICIES TO PROMOTE FINANCIAL INCLUSION .....	70
4.	<i>The National Financial Inclusion Strategy</i> .....	72
5.	<i>Policies supporting SMEs financing</i> .....	73
6.	<i>Policies supporting household financial inclusion</i> .....	76
III.	REGULATORY FRAMEWORK .....	76
IV.	SALIENT FEATURES OF FINANCIAL INCLUSION IN MOROCCO .....	79
1.	<i>Availability of financial institutions</i> .....	79
2.	<i>Access to financial services</i> .....	82
3.	<i>Use of financial services</i> .....	85
7.	<i>Barriers to financial inclusion</i> .....	88
V.	MEASURES AND POLICIES TO PROMOTE FINANCIAL INCLUSION .....	89
VI.	CONCLUSION .....	91
<b>CHAPTER 6: FINANCIAL INCLUSION IN TUNISIA .....</b>		<b>93</b>
I.	INTRODUCTION .....	93
II.	NATIONAL POLICIES TO PROMOTE FINANCIAL INCLUSION .....	94
III.	REGULATORY FRAMEWORK .....	95
IV.	SALIENT FEATURES OF FINANCIAL INCLUSION .....	97
1.	<i>Availability of financial services</i> .....	98
2.	<i>Access to financial services</i> .....	100
3.	<i>Use of financial services</i> .....	103
V.	BARRIERS TO FINANCIAL INCLUSION .....	108
VI.	MEASURES TO PROMOTE FINANCIAL INCLUSION .....	109
1.	<i>The role of Government</i> .....	109
2.	<i>The Role of the financial sector</i> .....	110
3.	<i>The Role of NGOs and Microfinance institutions</i> .....	111
4.	<i>Financial education</i> .....	112
VII.	CONCLUSION .....	113
	<i>Appendix: Methodology and survey guide</i> .....	114
<b>REFERENCES .....</b>		<b>116</b>
<b>ABOUT EMEA AND EMNES .....</b>		<b>129</b>

## EXECUTIVE SUMMARY

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 the 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: low availability and access to finance in rural areas; high 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 for FI in the region are related to supply and demand factors. On the demand side, barriers include financial illiteracy, insufficiency of funds, high collateral requirements and lack of trust. On the supply side, barriers include 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, as it has played a vital role in facilitating the 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 to transfer money and pay salaries, and 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.

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, and 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 proved 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 keeping 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 to lower their financing costs.

## CHAPTER 1: FINANCIAL INCLUSION IN THE MEDITERRANEAN: A COMPARATIVE ANALYSIS

### I. INTRODUCTION

Financial inclusion (FI) is considered an important enabler for eight of the Sustainable Development Goals (SDGs) 2030. It allows the improvement of living conditions for the most vulnerable and underprivileged populations, by different means. On the macroeconomic level, it helps reduce income inequality (Demir et al., 2020), and fosters long-term economic growth, capital accumulation and productivity (Popov, 2018). It also decreases rural poverty (Burgess and Pande, 2005) and plays a role in combatting money laundering and terrorist financing (Force, 2011). At the individual's level, it increases savings and improves poor household income (Dupas and Robinson, 2013, Steinert et al., 2018), and enhances female empowerment, health of children, nutrition and food security, and well-being (Chliova et al., 2015, Orton et al., 2016, Ashraf et al., 2010, Montgomery and Weiss, 2011, Stewart et al., 2010). Additionally, the relative importance of FI has been emphasised by the COVID-19 pandemic, particularly through capitalising on cost-saving digital technologies (Ayadi and Shaban, 2020).

In the South and East Mediterranean Countries (SEMCs)<sup>1</sup>, FI is still lagging behind other parts of the world, with low levels of access to finance. This chapter provides an overview on FI in the region, and a comparative analysis of five countries: Egypt, Jordan, Lebanon, Morocco, and Tunisia. The following section of the chapter shows the macro-economic and financial context in the target countries, and the subsequent section provides details about the relevance, measures and key features on FI. Then a summary of the findings of the survey is presented.

### II. MACRO-ECONOMIC AND FINANCIAL CONTEXT

SEMCs have suffered from political instability since the eruption of the Arab Spring in 2010. This instability created an unfavourable macroeconomic and financial context for investments and negatively impacted their economic growth potential<sup>2</sup>. The pre-COVID crisis figures (2019) show that, for Egypt and Morocco, GDP growth was gaining ground, whilst Lebanon and Tunisia had negative growth rates (Figure 1.1.). The costs of SEMC

---

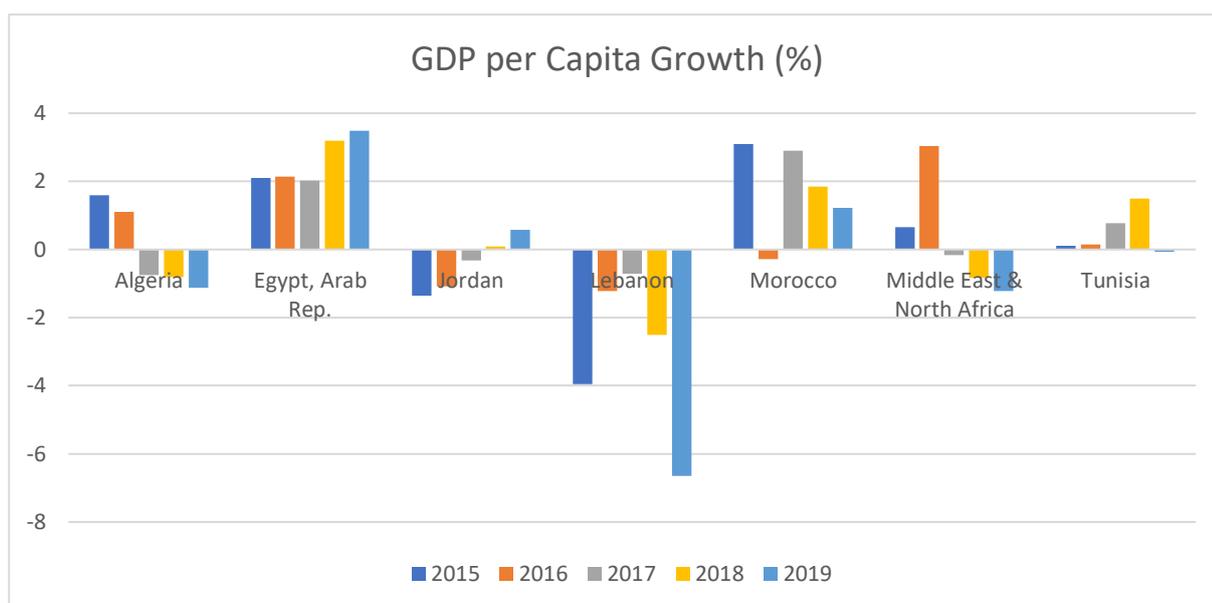
<sup>1</sup> Classification according to the World Bank (2019), with Lebanon and Jordan classified as upper middle income countries and Morocco, Tunisia and Egypt as lower and middle income countries

<sup>2</sup> Even though growth is positive in these countries, it is below potential, compared to their income group counterparts.

internal conflicts and political uncertainty and the spill-over effect from neighbouring countries have impacted their economic growth, since their economies depend on services. Low levels of growth are accompanied by high levels of unemployment (Figure 1.2.), high country financial risk (see Table 1.1) and an oversized public sector<sup>3</sup>.

The challenge for policymakers is to promote job-creating sustainable growth, whilst reducing the size of the public sector and engaging in meaningful institutional reforms. This sustainable growth is aligned with private sector development and reducing inefficiencies in the public sector. Micro, Small and Medium-sized Enterprises (MSMEs) are key players in the region’s private sector, they account for 98% of all firms (Ayadi et al. 2017). MSMEs remain small and are struggling to grow due to financial constraints and the predominance of informality. Additionally, survey results show that one of the main factors challenging the growth of MSMEs is access to finance.

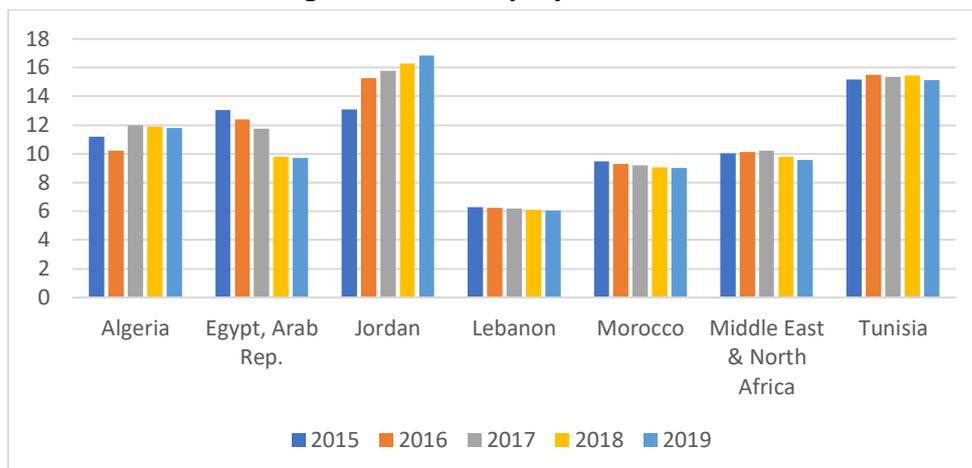
**Figure 1.1: GDP per capita growth (%)**



*Source: Own elaboration based on World Bank Database*

<sup>3</sup> The World Bank provides cross-country comparisons concerning the size of public sectors, based on the compilation of data on government wage bills and employment. The data shows that the SEMCs have the largest public sectors worldwide. Dataset and figures available at: <http://www.worldbank.org/en/topic/governance/brief/size-of-the-public-sector-government-wage-bill-and-employment>.

Figure 1.2: Unemployment rates



Source: Own elaboration based on World Bank database

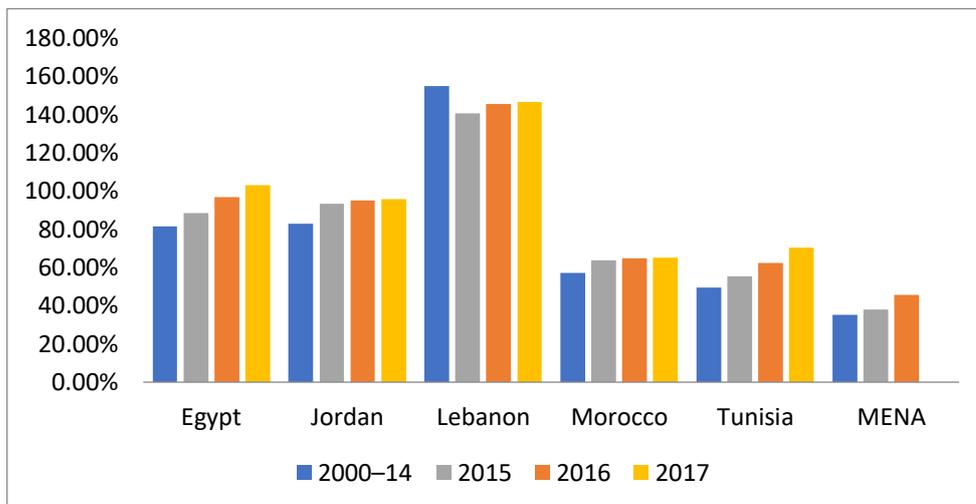
Table 1.1: Country sovereign rating 2020 (Fitch)

Country	Credit rating Fitch	Details
Egypt	B+	Highly speculative
Jordan	BB-	Highly speculative
Lebanon	RD	In Default with little prospect for recovery
Morocco	BB+	Non-investment grade
Tunisia	B-	Highly speculative

Source: EMNES elaboration based on Fitch rating 2020

The financial situation exhibits high levels of reported government debt as compared to Middle East North Africa (MENA) counterparts (Figure 1.3.). High levels of debt limit the fiscal space being used by governments to generate more growth. Therefore, fiscal reforms and debt restructuring schemes have been implemented in several countries to reduce the burden on governmental budgets.

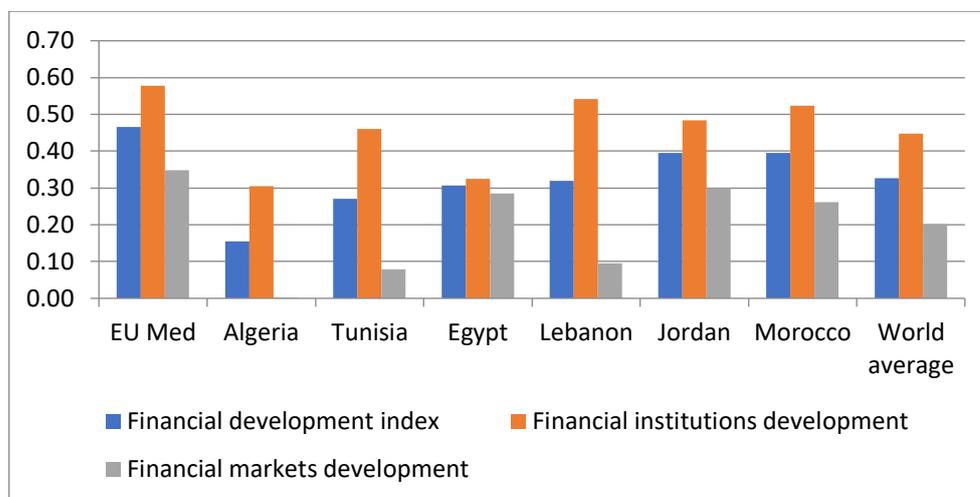
Figure 1.3: Government Debt to GDP in SEMCs



*Source: Own elaboration based on data from national authorities and IMF*

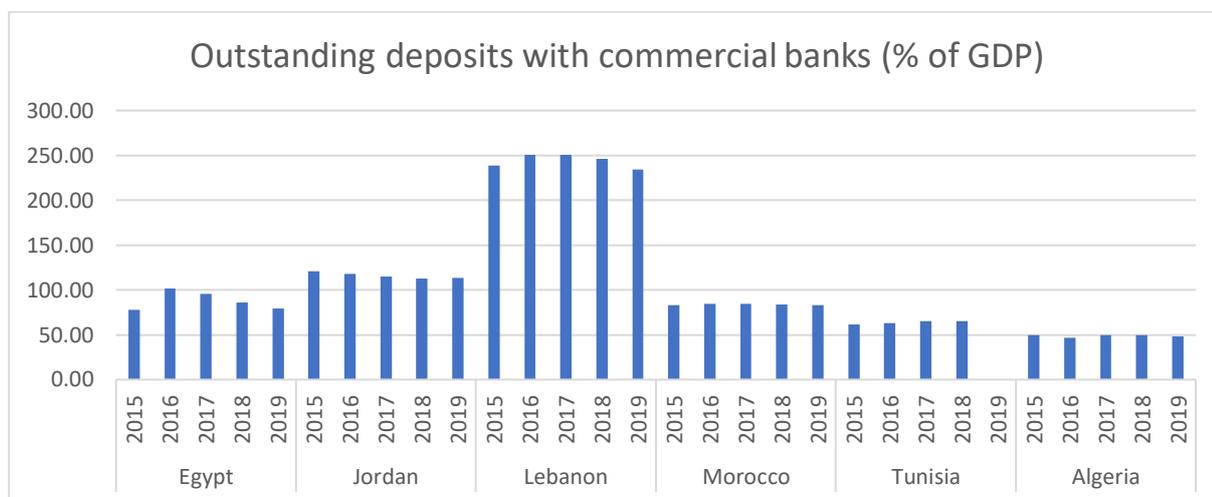
The low level of financial development in these countries, as compared to their European Union neighbours (see Figure 1.4) or income level category does not favour the private investment initiatives that are needed to promote growth and create jobs. The literature on financial institutions and market development shows that financial development can contribute to economic growth, if certain economic and regulatory preconditions are met (Ayadi et al. 2011). The SEMCs do not meet these preconditions, which include regulatory, legal and political certainty, capital openness, and macroeconomic stability (Ayadi 2013). Therefore, there is a persistently sub-optimal relationship between financial development and job-creating economic growth. Development of financial markets is very cautious and almost non-existent, with illiquid markets and financial intermediation chiefly based on banks, with limited access to finance (see Figure 1.5). There is, therefore, a need to improve the level and efficiency of financial contribution and the quality of financial institutions for a better contribution of finance to employment creation (Ayadi, Naceur, and Goaid 2019).

Figure 1.4: Financial development as of 2016



Source: EMNES elaboration based on Svirydenka (2016)

Figure 1.5: Outstanding deposits with commercial banks (% of GDP)



Source: FAS IMF data

### III. FINANCIAL INCLUSION: RELEVANCE, MEASURES AND KEY FEATURES

#### 1. Relevance of financial inclusion

FI is a broad and multi-dimensional concept that concerns the availability of, access to and use of financial services by individuals and MSMEs. It is considered to be a key factor in socio-economic development, reduction of inequalities, and inclusive and sustainable economic growth.<sup>4</sup>

In recent years, FI (and exclusion) has become a subject of growing interest and is one of the major socio-economic challenges on the agendas of international institutions, policymakers, central banks, financial institutions and governments.

FI has been recognised as a critical element in poverty reduction, social inclusion and economic growth policies. It enhances opportunities for the development of the financial system and contributes to improved savings, capital accumulation and investment, which are considered as the engine of economic growth. FI facilitates the communication between savers and investors, thus contributing to the overall productivity of employees (Claessens, 2006).

The opposite of FI is "financial exclusion," a state where financial services are not available to a particular group of individuals, especially those with low incomes (Umaru, 2014). The inability of groups within society to benefit from affordable financial services limits the capability of the financial system to support economic development and growth and contributes to inequality, lack of social justice and lack of inclusive economic growth.

FI aims to enhance the chances of the poor to have access to basic financial services, such as bank accounts that enable them to improve their income and wellbeing, as well as to get access to saving and investment opportunities (Nalini and Mariappan, 2012). The ability of the poor to access easy, affordable and secure financial services is a precondition for accelerating overall growth (Serrao et al., 2013) and defeating poverty. Poverty is mainly associated with financial exclusion. As a result, the poor have the option of dealing with informal financial providers, which are often expensive and neither efficient nor trustworthy. Obviously, if resources are channelled to those informal providers of financial services, they don't contribute to sustainable economic growth, and instead go into the informal economy.

---

<sup>4</sup>See, for example, King and Levine (1993); Beck, Demirguc-Kunt, and Levine (2007); Beck, Levine, and Loayza (2000); Demirguc-Kunt and Levine (2009); Klapper, Laeven, and Rajan (2006); and World Bank (2008).

For these reasons, the World Bank called for Universal Financial Access by 2020, and many countries have recently recognised the importance of FI. They have invested in creating the infrastructure and the conditions to ensure access to financial services for the largest possible number of people. FI is also included in 8 of the 17 United Nations Sustainable Development Goals (SDGs) 2030. Its benefits have been recognised by high-level bodies and organisations such as the G20 and the United Nations, and international initiatives such as the G20 Summit 2011 - Global Partnership for Financial Inclusion, and the G20 Summit 2012 - Basic set of financial inclusion indicators.

The MENA region is one of the world's weakest regions in terms of FI (Demirguc-Kunt et al., 2015). In addition, the SEMCs are characterised by a large share of young people and the young population typically suffers from major obstacles to accessing financial and banking services. Furthermore, youths, women, refugees and MSMEs throughout the region are marginalised in terms of the use of financial services.

## 2. Measures of financial inclusion

The global FI database (Findex) provides country-level information on the FI of all adults, by different categories. Since FI is a multi-dimensional concept, several suggestions for a composite index for FI have been proposed in the literature.

Ayadi et al. (2019) has developed a composite indicator, based on the three dimensions of FI – availability, access and usage – by applying a two-stage principal components analysis to identify the weights assigned to each dimension and construct the overall index. This analysis is based on the approaches of Sarma (2008) and Park and Mercado (2018). For each dimension, the list of indicators is detailed in the Table 1.2.

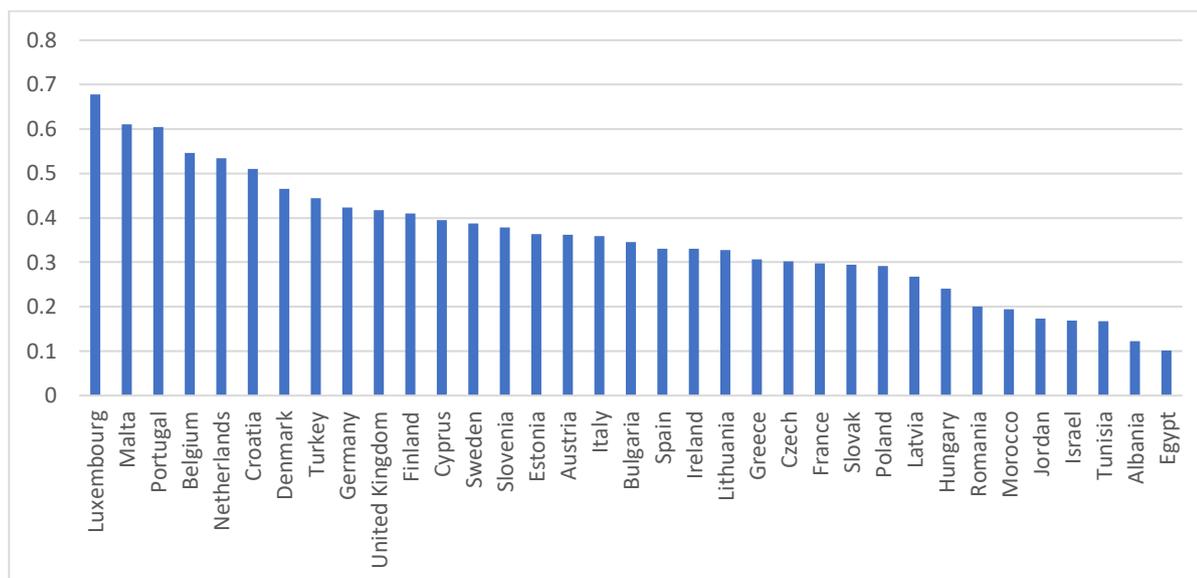
**Table 1.2: Indicators retained to construct the FI index for each dimension**

Dimension	Indicators
<b>Availability</b>	<ul style="list-style-type: none"> <li>Automated teller machines (ATMs) (per 100,000 adults)</li> <li>Commercial bank branches (per 100,000 adults)</li> <li>ATMs (per 1,000Km2)</li> <li>Commercial bank branches (per 1,000Km2)</li> </ul>
<b>Access</b>	<ul style="list-style-type: none"> <li>Number of deposit transaction accounts</li> <li>Number of debit cards in circulation</li> </ul>
<b>Usage</b>	<ul style="list-style-type: none"> <li>Domestic credit provided by financial sector (% of GDP)</li> <li>Outstanding deposits with commercial banks (% of GDP)</li> <li>Outstanding loans with commercial banks (% of GDP)</li> </ul>

*Source: Ayadi et al. 2019*

This composite index provides the following categorisation of FI for the Euro-Mediterranean region. Figure 1.6. provides the numbers for the index, for the year 2018. It shows that the level of FI is very low amongst SEMCs, compared to their European neighbours<sup>5</sup>.

**Figure 1.6 FI index in 2018**



*Source: Own elaboration based on Ayadi et al. 2020*

Whilst studying the determinants of this index, the findings show that financial freedom, bank concentration, Lerner Index, the use of internet and the Rule of Law play an important role in explaining the FI index variation between the Euro-Mediterranean countries. Favourable banking conditions and good governance may improve the FI of a country or lead to a higher FI level. The study results of this index also suggest that FI reduces income inequality.

<sup>5</sup> The data for Lebanon was not available

### 3. Features of financial inclusion

#### 3.1. Account ownership and constraints to financial inclusion

Having an account at a financial institution, or through a mobile money provider, is a precondition to the use of financial services by individuals. Whilst continued growth is noted in account ownership throughout the world, a large proportion of people remain unbanked for different reasons, especially in developing economies. In high-income economies, 94% of adults had an account in 2017, whilst in developing economies, only 63% did.

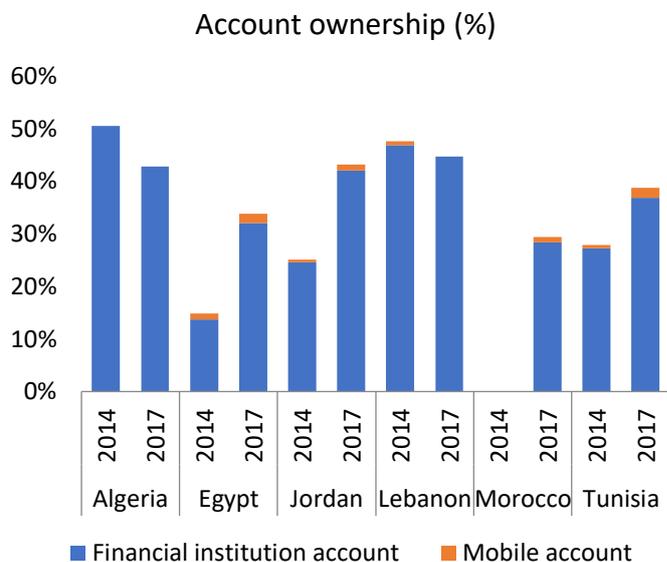
Figure 1.6 shows the evolution of account ownership for the SEMCs, namely Algeria, Egypt, Jordan, Lebanon<sup>6</sup>, Morocco and Tunisia, based on data from the Global Findex survey 2017. The table shows a very small proportion of mobile accounts. In terms of accounts in financial institutions, Algeria comes in first place, with a high proportion of adults having accounts (about 50%), followed by Lebanon. There was a significant gap between these rates of account ownership and those of Jordan, Tunisia and Egypt in 2014, though this gap had been reduced by 2017 as the proportion of adults holding accounts at financial institutions increased significantly. Morocco came last in 2017, with the lowest percentage of account ownership (28%). More recent figures from the Financial Access Survey (FAS) of the International Monetary Fund (IMF) have shown that the size of the mobile banking sector significantly increased between 2017 and 2019, by 59% in Egypt and by 244% in Jordan<sup>7</sup>.

---

<sup>6</sup> This study was done before the massive economic and financial crises that hit Lebanon.

<sup>7</sup> Calculus done based on the registered mobile money accounts provided by the FAS of the IMF. No data is available for the other countries on the evolution of mobile banking.

**Figure 1.7: Account Ownership at financial institutions and mobile accounts**

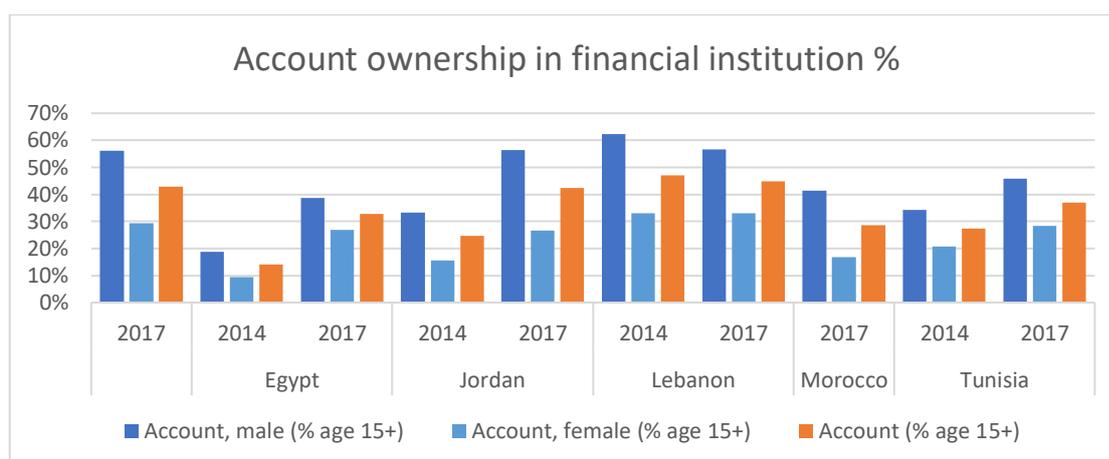


Source: Global Findex database (2017)

### 3.2. Gender and age gap in account ownership

Looking at the breakdown of account ownership by gender, it is noted that for the SEMCs the proportion of accounts held by men largely exceed those held by women. This gender gap is smaller in Egypt and Tunisia (Figure 1.8).

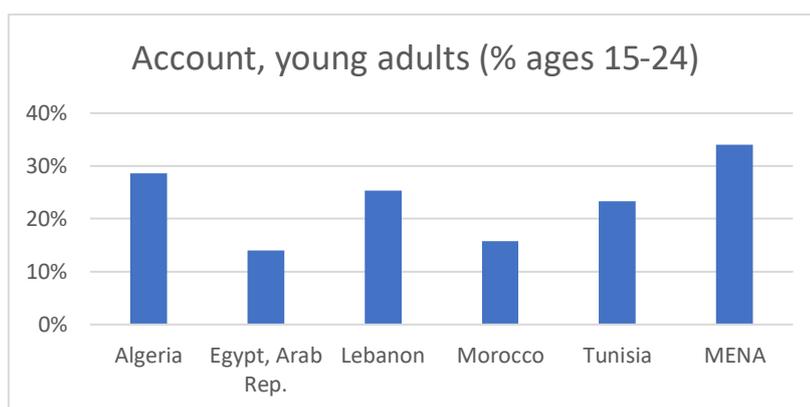
**Figure 1.8: Account Ownership by gender**



Source: Global Findex database (2017)

FI for youths is also rather low in the region (Figure 1.9). The average percentage of young people with a bank account in the MENA region is 34%, whilst youths in Algeria, Lebanon, Tunisia, Morocco and Egypt have a much lower access to accounts (29%, 25%, 23%, 16% and 14% respectively).

**Figure 1.9: Youth account ownership**

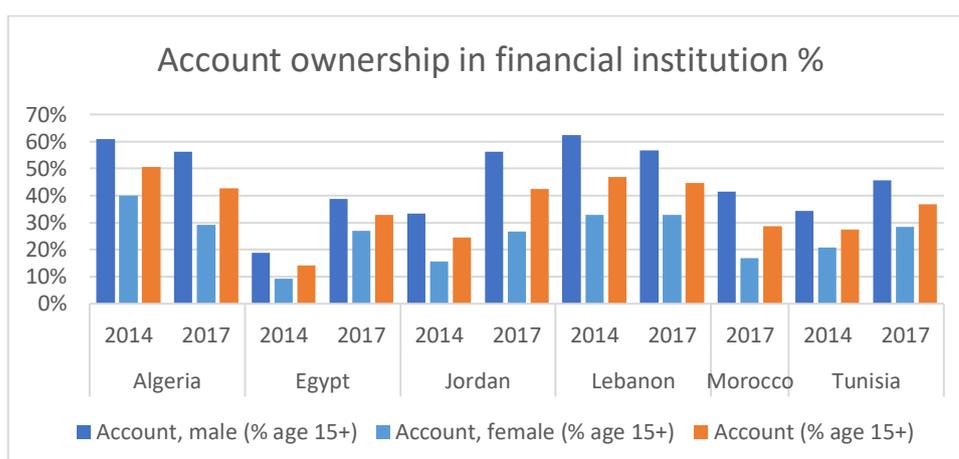


*Source: Global Findex database (2017)*

### 3.3. The urban-rural gap in account ownership

Account ownership tends to be lower in rural areas than in urban areas (Figure 1.9). For the SEMCs, the gap is low.

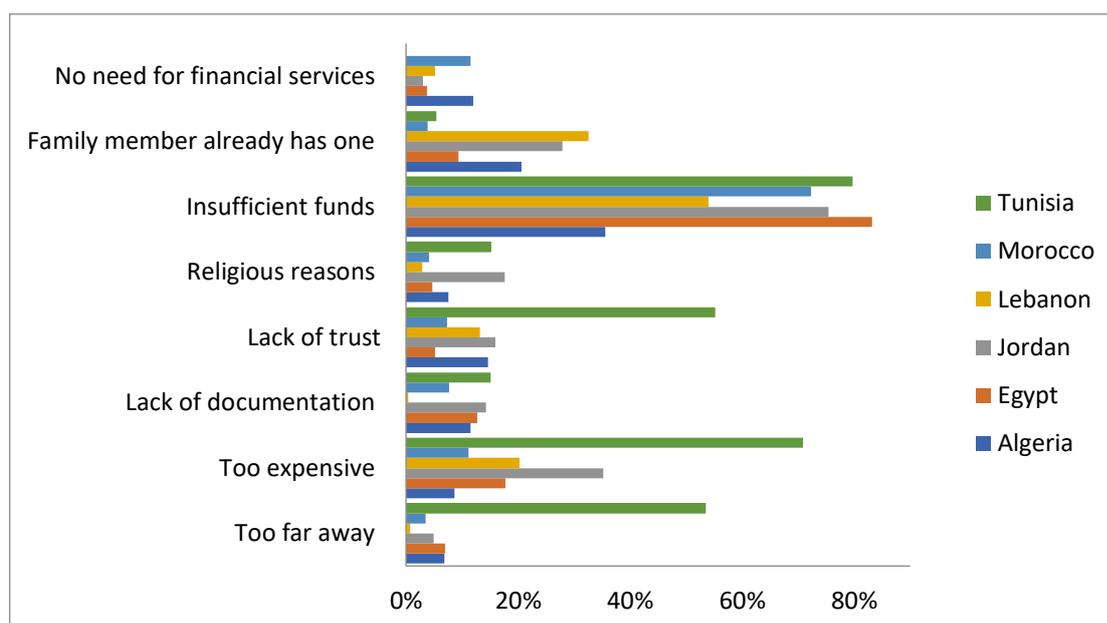
**Figure 1.9: Rural Account Ownership**



*Source: Global Findex database (2017)*

Figure 1.10 reports the main constraints faced by individuals against holding an account, based on data from the Global Findex survey 2017. It is noted that for the six SEMCs, the main reason reported by the interviewees for not holding an account is insufficient funds. The lack of money was signalled by a vast majority of respondents in all the six countries. The high cost of holding an account is mentioned to be a reason for not accessing finance in Jordan, followed by Lebanon and Egypt.

**Figure 1.10: Self-reported barriers to account ownership in financial institutions (%)**



Source: Global Findex database (2017)

#### IV. FINANCIAL INCLUSION DURING COVID-19

The COVID-19 crisis has had significant economic repercussions around the world. Southern Mediterranean countries, already dealing with high unemployment and debt, have been hit hard by the pandemic. Governments in the region implemented a number of measures to address the health and economic impacts of the pandemic and to reach out to MSMEs and vulnerable groups. FI has been a key pillar of resilience, as it has played a vital role in facilitating the reach to these groups during the crisis. In particular, digital financial services were utilised to ease the impact of movement restrictions, closure of bank branches and reducing the dependence on cash. Governments also utilised these services

to distribute social aid, particularly for those in the informal economy. This resulted in an increase in the uptake of digital tools, mainly digital wallets (Ayadi and Shaban, 2020).

Additionally, credit guarantee schemes have become a vital policy response to support MSME access to finance during this period. MSMEs have been the most impacted by curfews, lockdowns and containment measures during the pandemic. These measures resulted in shutdowns of activity, reduction in sales and liquidity, as well as drops in employment. Hence, governments utilised credit guarantee schemes to support the financing needs of firms (Ayadi and Shaban, 2021).

The following provides country experiences with regards to FI during COVID:

Jordan:

Jordan witnessed an exceptional increase in the uptake of digital wallets during the pandemic. The number of mobile money accounts increased from 360,000 in 2018 to 1.2 million by the end of 2020 (Central Bank of Jordan, CBJ, 2021). This has been mainly due to its adoption by governmental and non-governmental entities in order to transfer money and pay salaries, in addition to the digitisation of social protection payments. The CBJ implemented a number of measures to ensure continued access to financial services during the pandemic:

- Launching a Challenge Fund to enhance merchant acceptance and infrastructure of digital payments.
- Raising digital financial awareness through online channels, in addition to holding online sessions on digital wallets in coordination with GIZ.
- Issuing a circular in which it was emphasised that financial institutions should continue to provide basic financial services through Automated Teller Machines (ATMs) and Point of Sale (POS) without interruption.
- Injecting additional liquidity into banks by reducing the compulsory reserve ratio to ensure continuous provision of financing, in addition to reducing the financing costs of programmes targeting MSMEs and introducing a soft financing programme for these firms.

Additionally, the credit guarantee scheme in Jordan (Jordan Loan Guarantee Corporation) supported MSME access to finance during the crisis, by introducing a guarantee programme dedicated to these firms' short-term liquidity needs covering operational/working capital. The programme was supported by the CBJ with reduced interest rates, reduced fees and increased coverage. One condition of this programme is a commitment by the firm not to lay off any employees (Ayadi and Shaban, 2021).

Egypt:

FI, Financial Technology (Fintech) and MSME access to finance were prioritised in Egypt even before COVID. However, the pandemic accelerated these efforts and increased the demand for digital financial services. The number of customers who adopted mobile and internet banking increased significantly.

Egypt's financial institutions and Central Bank have taken measures related to the provision of financial services, in order to mitigate the negative impact of the pandemic (Central Bank of Egypt, CBE, 2020):

- Waiving fees and commissions on a number of financial services, including POS, cash withdrawals from ATMs, issuing prepaid cards and e-wallets (in addition to adjusting their maximum limits).
- Launching initiatives to increase the number of electronic points of acceptance and ATMs available in all governorates.
- Amending the simplified Know Your Customer (KYC) regulations to facilitate the inclusion of more individuals and companies in the financial sector.

Additionally, the credit guarantee scheme in the country (Credit Guarantee Company, CGC) introduced new measures, including increased coverage, reduced fees and accelerated approval procedures, in order to enhance MSMEs access to finance (Ayadi and Shaban, 2021).

Tunisia:<sup>8</sup>

Even though the spread of COVID-19 has led to a major economic downturn for Tunisia, this particular crisis has provided new opportunities in different fields in relation to digital solutions.

As part of national efforts to limit the effects of the COVID-19 crisis, the Central Bank of Tunisia has taken several measures aimed at adapting access to and the use of banking services to the crisis context. These measures have been implemented for the short term in response to the lockdown and for the long term to encourage remote operations and payments, thus reducing customer movements and increasing efficiency. The measures taken included:

- The elimination of fees on withdrawals made from ATMs.
- The suspension of any commission applied to electronic payments for any transaction with an amount less or equal to 100 TND.

---

<sup>8</sup> Author of the subsection on Tunisia is Dorra Hmaied.

- Bank cards are issued free of charge to banked customers requesting it. This option is also available to any unbanked person who requests a free prepaid bank card.
- A broad range of e-banking services provided to customers, enabling them to process their transactions without having to contact or go to the relevant offices.
- The payment of social aids during the lockdown through ATMs via a digital wallet.

Such measures have contributed to the increasing use of digital payments, which are not well developed in Tunisia, thus enhancing FI.

This crisis is also an opportunity to speed up the implementation of the National FI Strategy 2018-2022, to meet the significant demand for financial services from both individuals (2.5 to 3.5 million) and formal micro and small enterprises (between 245,000 microenterprises and 425,000 very small enterprises, representing 37% and 65% respectively of the enterprises listed by the National Business Register).

The launch of the digital portfolio at the beginning of May 2020 is an important step forward in relation to the strategic axis of promoting mobile financial services. The first payment institution was launched in April 2021. A draft law on crowdfunding platforms is waiting to be amended by parliament, in order to provide new financing leverage for the FI of microenterprises.

## V. FINDINGS OF THE SURVEY

To better understand the state of FI in the region, the Euro-Mediterranean Network for Economic Studies (EMNES) researchers conducted surveys using semi-directed face-to-face interviews ( Appendix), literature research and secondary data. The main aim is to investigate the salient features of FI, the barriers to FI, and the regulatory framework and policies used to promote FI in each country. The countries covered are Egypt, Jordan, Lebanon, Morocco and Tunisia.

The surveyed SEMCs share several **salient features of FI**. There is a low availability of and access to finance in rural areas, and there is a strong use of informal financial services. The main providers of finance are commercial banks, with high costs of lending and strong dependence on government debt. MSMEs have limited access to finance provided by banks and start-ups have a low level access to finance. To enhance FI in the region, post offices and mobile banking have emerged as important actors.

The main identified **barriers to FI** in the region are related to supply and demand factors. On the demand side, financial illiteracy is an important barrier, in addition to the insufficiency of funds, high collateral requirements, and lack of trust, which discourage individuals, especially women and young people, from seeking access to financial institutions. On the supply side, financial services are very costly, due to high government debt. Also, financial institutions have limited branch networks and suffer from a lack of data on individuals and MSMEs.

The survey shows that **several policies promoting FI** are shared amongst the SEMCs. National strategies to promote FI are generally led by central banks. Payment services and digital financial services are developed and extended. To improve MSME lending, initiatives for microfinance development and regulation are encouraged, guarantee schemes are being developed and, in some countries, targets are set for banks to grant loans to MSMEs.

The **regulatory framework** on FI in the surveyed countries is promoted by central banks. New regulations are being formulated and implemented regarding e-banking and mobile payments. Other regulations are being introduced to better organise microfinance institutions (MFIs) and to enhance access to finance (increase the number of branches, consumer protection, etc.).

**To better promote FI**, several measures are suggested. To improve the demand side, there is a need to encourage financial literacy initiatives and to include financial education courses in schools (at both secondary and tertiary levels). On the supply side, the banking sector needs to be institutionally diversified. To improve the quality of information, credit registries need to be developed and empowered. In addition, guarantee schemes should be established, since they have proved their importance in MSME financing in several countries. Start-up financing and funds should also be better promoted. For MFIs, there is a need for better coordination between institutions, to overcome over-indebtedness amongst their clients. The role of post offices and mobile banking should be enhanced.

There is also a need to better focus on young people in FI policies, such as by promoting a youth-friendly inclusive regulatory environment, digital awareness strategies for young people (Digital Financial Literacy), low-cost of access to financial services for young people, developing financial products that meet the needs and preferences of youths, as well as non-financial business development services and credit guarantee programmes tailored to youth financing, which can all help to enhance productivity and job creation.

The **EU can play a role** in the development of FI by keeping the existing support in place and providing long-term action plans for MSME financing. The EU is supporting FI via several literacy initiatives and funds, especially in the European Investment Plan (EIP). It is also able to support countries in their debt restructuring in order to lower their costs of financing. A long-term action plan for MSME financing can be established using several mechanisms, such as: development of a common guarantee initiative, covering a percentage of losses of defaulted loans, and supporting the lack of collateral for MSMEs.

Table 1.3 summarises the findings per country.

The following chapters present the results of the surveys for Egypt, Jordan, Lebanon, Morocco and Tunisia. The surveys are conducted by EMNES researchers using semi-directed face-to-face interviews (See Appendix), literature research and secondary data. Each country report is structured as follows: an introductory section explains the key elements for financial development in the country. The key policies for FI are identified, followed by the regulatory framework. Finally, the key features for FI are pinpointed, and policy actions are recommended for each country.

**Table 1.3 Summary of main findings for the surveyed countries**

Policies to promote FI	Regulatory framework	Salient features for FI	Barriers to access to finance	Recommendations	Role of the EU
<b>Egypt</b>					
Establishment of a FI unit Establishment of an independent central administration protecting consumers of financial services Initiatives for enabling digital payments, mobile payments and extending financial services Direction of banks to increase SME funding (20% of banks' loan portfolio) Establishment of a	Responsible authority is the CBE New mobile payment services regulation approved. Regulation for e-banking consumer and transaction protection Reduction of the capital requirements for opening bank branches	Low availability of ATM and bank branches. Limited access of rural and poor depositors to banking services. High transaction costs Small depositors hold their savings in post offices. Minimum required amounts of deposits limiting access of the poor to finance. Low level of funding to the private sector	Lack of trust in financial services. Bureaucracy and slow decision-making over loan contracts Lack of financial literacy Inequality between genders and between regions. Low use of transaction account. Incompatibility between the	Develop regulations and tools addressing social barriers for women and poor income groups. Provide proper regulation for the development of e-banking Establish a financial infrastructure to encourage private sector innovation Develop guarantee schemes, credit bureaus and credit registries Invest in financial literacy Development of	Providing support at different levels: technical support, reform policies and other well-established tools.

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

national strategy for financial literacy Access to formal financial services without the need of bank accounts Enabling transfer of funds, quickly and efficiently.		from banks. Low access to finance for MSMEs and start-ups	legislation and laws. Deficiencies in data that impede evidence-based policymaking. Limited branch network.	MFIs and products to include Islamic products	
<b>Jordan</b>					
Establishment of a FI steering committee Launch of national FI strategy Launch of a national microfinance strategy Membership in the Alliance for FI	Responsible authority is the CBJ The sector is regulated by the Banking Law of the year 2000 Laws are promulgated and supported to provide licensing and development of MFIs.	The main providers of financial services are commercial banks, MFIs and a few specialist credit providers. There are nine MFIs acting in Jordan and, since 2007, officially represented by the Tanmeyah Association. MFIs cannot offer deposits or saving accounts. The s Company offers a Jordan Postal Saving Fund. The use of mobile money accounts are gaining importance.	Insufficient funds are the main obstacle to FI, followed by the cost of financial services SMEs consider collaterals as the main constraint to accessing finance	Providing infrastructure to promote FI (targeted via the development of electronic payment systems). Launch of the Regulatory Fintech Sandbox to test newly developed FinTechs Development of proof of identity for refugees, to increase their access to financial services Financial literacy and awareness campaigns are launched Offering financial programmes to improving access to SME funding.	Support of FI with a contribution of 35M Euros from the EU. Cooperation with the GIZ to prepare the comprehensive FI Diagnostic Studies. Supporting access to funds for women's microenterprises with the support of the European Investment Bank (EIB) (5M USD and then 2M) and the European Bank for Reconstruction and Development (EBRD) (2M USD)
<b>Lebanon</b>					
Creation of the FI unit at the Central Bank Creation of a guarantee scheme for MSMEs via	Responsible authority is the Central Bank of Lebanon (BDL) The political paralysis and	Government debt is financed by the banks The cost of financing is very high	High cost of financing Economic instability The anti-money	Initiatives were launched for access to finance for refugees Financial education initiatives through	EU initiative for FI, in partnership with key financial institutions

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

<p>Kafalat Launch of a national strategy for FI by the national bank, including financial literacy initiatives Creation of the Lebanese Microfinance Association for coordination and greater transparency</p>	<p>very slow level of decision- making prevents the creation of a long-term strategy for FI, but the BDL launches initiatives promoting FI. The 331 Circular in 2013 gives credit facilities for banks investing in start-ups, accelerators or credit venturing initiatives. Regulation of MFIs</p>	<p>Banks are the main source of financing The use of digital finance remains very limited In the region, Lebanon ranks relatively high in FI There is a lack of diversity in the Lebanese banking system, with reliance on private banks</p>	<p>laundering and countering financing of terrorism regulatory compliance requirement limits the access to finance, since there is a need for sufficient information regarding the funding source</p>	<p>public campaigns Guarantee schemes remaining through Kafalat The 331 Circular promotes innovation financing</p>	<p>(EIB, EBRD, Credit Institute for Reconstruction (KfW), French Development Agency (AFD)) to expand financing to MSMEs Need for help to restructure debt to lower the cost of financing</p>
<b>Morocco</b>					
<p>Launch of a National FI Strategy by the Government and the Central Bank to promote FI. Adoption of Maya Declaration in 2013. Various guarantee fund programmes in place since 1990.</p>	<p>The responsible authority is the Bank Al Maghrib (Central Bank of Morocco, BAM). Banking law to enhance FI and consumer protection. Banking law to encourage micro-credit. Directives issued to banks to offer free basic financial services (opening an account and basic operations). Laws to reform and regulate MFIs</p>	<p>Commercial banks are developing both in terms of branches and ATM access points. Microfinance sector is one of the most developed in the region. In spite of the 2008 over-indebtedness crisis, the sector has recovered and continues to grow. Postal bank, Al-Barid Bank launched in 2009, with broad accessibility but offering limited services. Although there is a high potential for mobile banking in the country,</p>	<p>High illiteracy rate that leads to low financial literacy in the country. Cultural factors and mistrust. The most important self-reported barrier is lack of funds. Shortcomings on the supply side are mainly due to high costs and lack of skilled and competitive staff.</p>	<p>The launch of the postal bank, Al Barid bank, to enhance access to basic financial services. Establishment of the Moroccan Foundation for Financial Education An evaluation of the financial sector carried out by Bank Al-Maghrib and the IMF. The “Innov Invest” fund launched by the government in 2016 to support start-ups.</p>	<p>"The Women in Business programme", launched by the EBRD along with the Moroccan Bank for Foreign Trade (BMCE) and Morocco Bank of Commerce and Industry (BMCI) and the European Union under its EU Initiative for FI. It supports women through financing, training and assistance to promote women’s entrepreneurship and</p>

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

		Mobicash has not fulfilled its promises since its creation in 2013 (due to high costs).			participation in business.
<b>Tunisia</b>					
Setting up a strategy to develop microfinance allowing the improvement of the regulatory environment, strengthening the expertise of MFIs and facilitating the emergence of inclusive financial products, particularly for the benefit of young entrepreneurs. A comprehensive strategy for “Responsible FI” has been adopted as a pillar of the economic development plan, for the period 2018-2022.	A regulatory framework was set up in 2011 enabling the creation of: The authority of supervision of microfinance A central risk unit for MFIs The FI observatory A second guarantee fund	Commercial banks are developing infrastructure to allow access to and use of financial services. The Post Office is an important player as regards to FI. MFIs and specialist banks for microcredits and SMEs are established The use of financial services is still limited (37% hold a bank account and mobile money is undeveloped) SMEs face many constraints to accessing finance The use of digital finance remains very limited Strong reliance on informal financial services.	Insufficient funds are the main obstacle to having an account at a financial institution SMEs consider collateral as the main constraint to accessing finance.	At the regulatory level, many draft laws are on the table, concerning e.g. regional banks and crowdfunding. A new regulation for the creation of institutions for mobile payments was introduced in Dec 2018. A new insurance service via mobile payments for rural women was adopted. The Tunisian Post continues to sign strategic partnership agreements for the development of innovative digital financial services with insurance, MFIs and mobile providers.	The strategy of 2011-2015 was supported by the MicroMed programme launched by the EIB and the Government of Luxembourg An EU donation via the EBRD (2017) to allow MSMEs access to credits, as part of the FI programme of the EU in the South and East Mediterranean A donation in 2018 to set up a programme supporting FI and the social and solidarity economy.

## CHAPTER 2: FINANCIAL INCLUSION IN EGYPT

*Alia El Mahdi, Taghreed Hassouba*<sup>9</sup>

### I. INTRODUCTION<sup>10</sup>

In the case of Egypt, the CBE is leading the country's FI policy process. It joined the Alliance for Financial Inclusion (AFI)<sup>11</sup> in mid-2013, including the network's Working Groups on Data and on FI strategies. the world's leading organisation on FI policy and regulation, which was founded in 2007 FI is important in Egypt, since it has been broadly recognised as a critical tool in reducing poverty and achieving inclusive economic growth, where greater access to financial services enables marginalised groups to step out of poverty and reduce the inequality in society (Alex Bank report on FI, 2017). All the major stakeholders agree on the definition of FI across the country.

Being active in the country's task force for FI, the CBE established the national steering committee on financial education. It is led by the Egyptian Banking Institute (EBI) – CBE's training arm – to develop the National Strategy for Financial Literacy and to support Egyptian FI, as well as stability. The CBE has participated in many initiatives to boost FI in Egypt.

With the legislation of the 2003 Banking Law, several steps were undertaken to strengthen the role of the CBE in FI and to ensure the provision of better financial services for the public at large. The "Banking Law" no. 88 of 2003 indicated that the CBE has the authority to regulate the payments system and banking operations in Egypt. Accordingly, banks should work with all concerned parties to enable all citizens to save safely and achieve their financial aspirations. It is also the responsibility of the financial sector to help SMEs to get the necessary finance to enable them to expand, invest and grow.

The rest of this chapter provides the results of both a qualitative survey and documentary research on the policies promoting FI in Egypt and their success, the challenges to FI, and the main policy actions needed.

---

<sup>9</sup> Alia Elmahdi -Professor of Economics –Economics Department-FEPS-Cairo University

Taghreed Hassouba: Assistant Professor of Economics and Finance –Economics Department –FEPS- Cairo University.

<sup>10</sup> Special Thanks go to Markos Magdy, TA at the Faculty of Economic and Political Sc., Cairo University for his help in the data collection and literature review, and to Israa Abdel Aziz, TA at the Faculty of Economic and Political Sc., Cairo University, for help in the interviews with stakeholders.

<sup>11</sup> AFI is the world's leading organisation on FI policy and regulation, which was founded in 2007.

## II. POLICIES TO PROMOTE FINANCIAL INCLUSION AND REGULATORY FRAMEWORK

In July 2017, the World Bank (WB) launched the FI Global Initiative to accelerate FI in developing countries. Egypt was chosen as a model country, along with Mexico and China, in this three-year initiative. The WB mentioned that Egypt has the ability to bring more individuals into the formal financial sector (more than 44 million adults) because it has in place the required laws, regulations and Information and Communications Technology (ICT) infrastructure. However, Egypt does not have the required funding to cover the necessary reforms. Based on the Egyptian authorities' belief in the importance of inclusion of all segments of society into the formal financial system, the country has taken several initiatives to support the development and achievement of FI. There are many initiatives underway in Egypt to enhance FI process, such as CBE initiatives to finance MSMEs.

Some of the most important examples are: the AMAN Initiative targeting the poor, women, start-ups, and young people. The CBE's initiative for financing SMEs helps to increase the number of enterprises in the formal sector by facilitating the borrowing process and micro credit themes for MSMEs. Commercial banks have also engaged in financial literacy projects, such as Banque Misr and National Bank of Egypt (NBE). Also, the Financial Regulatory Authority (FRA)'s efforts in supporting microfinance projects have led to an increase in microfinance funds.

### *CBE Initiatives*

Mobile payment services: The CBE approved a new version of the “Mobile Payment Services Regulations” to cover the creation of a digital economy. The new regulations allowed bank customers to transfer or receive funds and remittances via their mobile accounts. Egypt has all the hallmarks of a market ready to leapfrog: a population of 93 million, of which 21.7 million are between 18 and 29 years old; significant growth opportunities in mobile banking, with mobile phone penetration of 110% in August 2017. As a result, Egypt witnessed the launching of new financial service providers, such as Fawry, Masary, and PayMob. This is in addition to the many e-wallet services that have been launched, including: Phone Cash, Orange Money, Flous, and PayFort (Khalil, 2018).

Opening new branches: The CBE has issued regulations that reduce the capital required to open new small branches, in order to increase the number of bank branches

and, therefore, to expand the provision of retail banking and banking services to SMEs (CBE report, 2017).

Online banking: The CBE issued the rules that govern the provision of banking services conducted through the Internet - "e-Banking" - which contributed to addressing the risks associated with online banking transactions and ways to reduce them (CBE report, 2017).

Funding for marginalised people: The CBE launched different initiatives to provide funding for the unserved segments in the financial system, such as the Mortgage Finance Initiative for low and middle-income segments at low rates of return (CBE report, 2017).

Enabling digital payment: The Egyptian government has signed a Memorandum of Understanding (MoU) with Visa, the global payments technology company, to enable digital payment of government subsidies to 22 million Egyptian families. Similarly, the Ministry of Communications and Information Technology and MasterCard signed a MoU, aimed at extending financial services to 54 million Egyptians

Establishing a FI unit: The CBE recently established the "FI Unit" aiming to support and enhance FI in Egypt. Additionally, the CBE announced a plan to establish an independent central administration to protect users of financial services (CBE report, 2017).

Elaborate a national strategy for financial literacy: The CBE has tasked the EBI with the preparation of the National Strategy for Financial Literacy, with the participation of the concerned parties (Ministry of Education, Ministry of Higher Education and Universities and Ministry of Scientific Research) (Alshabrawe, 2016).

Encourage the financing of MSMEs: In January 2016, the CBE launched an initiative directing banks to increase the finance provided to SMEs with the goal of having SMEs account for not less than 20% of banks' total loan portfolios within the next four years, with competitive interest rates. Additionally, each bank should establish specialist units to provide financial services to these enterprises. As a result, the funds allocated for finance (for SMEs) increased to a total of LE 45.7 billion in June 2017, compared to LE 24.5 billion in 2016. This resulted in the financing of around 17,000 projects, worth 19 billion pounds (CBE report, 2017).

In 2017, the "National Council for Payments" was established by the Decree No. 89 for 2017, chaired by the President. This council aims at limiting the use of cash, as well as promoting the use of electronic payments.

According to the decree, the mandates of this council can be defined by the following aspects: integrating the highest number of individuals and entities in the banking system, encouraging the informal sector to join the banking system, decreasing the cost of

money transfers, increasing tax proceeds, guaranteeing that the electronic payment system is secured and achieving competitiveness amongst the providers of the electronic service.

### III. SALIENT FEATURES OF FINANCIAL INCLUSION

Financial institutions and stakeholders underline the importance of data collection to improve FI strategies. Sources of data for FI in Egypt include the Findex database and the FAS.

#### 1. Availability of financial services

Table 2.1 provides selected important statistics of FI in Egypt. The latest numbers show that there were a total of 4,093 branches attributed to the 38 banks working in Egypt, whilst the number of ATMs reached 11,002.

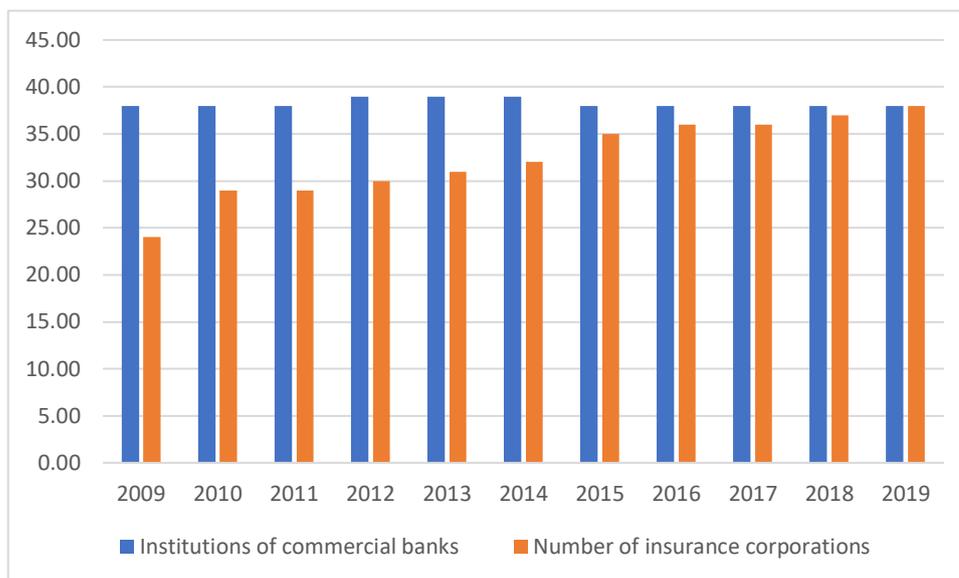
Relative to Egypt's total population, banks have few outlets for basic banking services. Egypt has fewer bank branches and ATMs per capita than countries with similar per-capita income. Relative to the developing world, Egypt's branch density is low and its ATM coverage is less than one-seventh the figure of a typical developing country. In general, banks tend to concentrate on the urban population. The number of banks operating in Egypt reached 38 and the total number of branches about 4298 by the end of June 2019.

**Table 2.1 Selected Statistics Related to FI in Egypt**

Indicator	Percentage
Account penetration as a % of Total population (2011)	10%
Account penetration as a % of Total population (2014)	14%
Account penetration as a % of Total population (2017)	32.8%
Mobile accounts as a % of Total population in (2017)	1.8%
Total Number of Banks in Egypt (end of June 2019)	38
Total Number of Branches (end of June 2019)	4,298
Number of village banks	1,017
Number of Automatic Teller Machines (ATMs) (2019)	13,331
Number of Debit Cards (2019)	17,323,753
Number of Credit Cards (2019)	3,375,117

*Source: FIData, Global Findex, FAS, and CBE's Monthly Statistical Bulletin Feb. 2018*

**Figure 2.1: Number of Institutions**



Source: FAS Database 2021

## 2. Access to financial services

State-owned banks have the most balanced branch network. However, their presence is still greater in urban than in rural areas. State-owned specialist banks are the only banks for which rural branch density is higher than urban coverage. Private and joint venture banks have much less rural coverage, whilst foreign banks have little physical presence in either urban or rural areas (WB, 2015).

**Figure 2.2: Account ownership (%)**



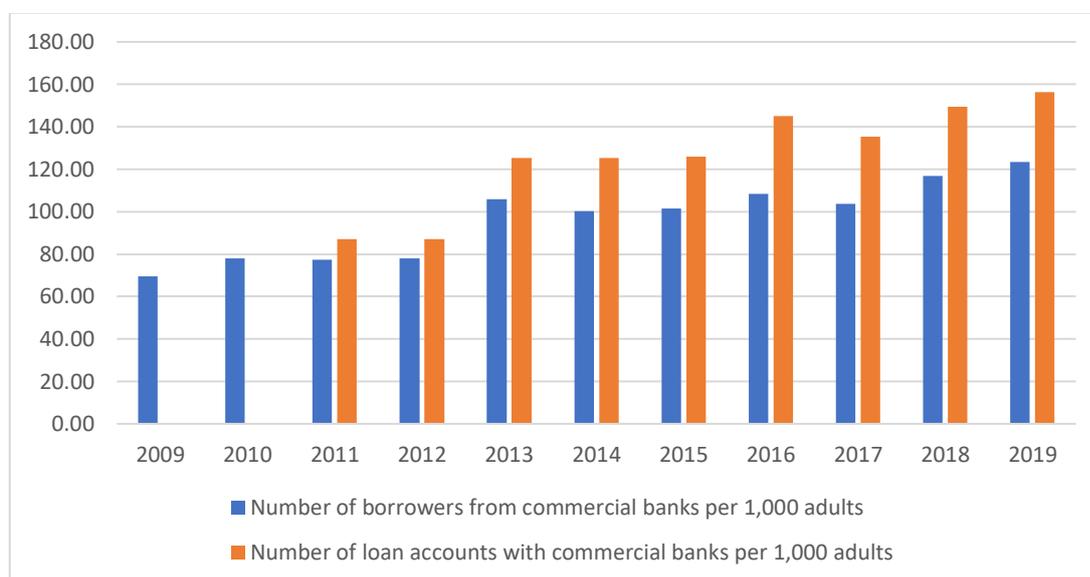
Source: Global Findex Database 2011-2017

### 3. Use of financial services

In Egypt, incentives for small firms and households to use deposits and other financial services are weak. The minimum required deposits are too high to enable the poorer segments of the population to access the banking system. Although state-owned banks have a comparative advantage in attracting small depositors with their huge branch network in governorates and villages, they have instead focused on large depositors (WB, 2015).

Moreover, the financial sector plays a limited role in financing new investments. On average, by 2020, only 6.7% of new investments and 4.8% of working capital in Egypt is financed through the banking sector, compared to more than 13.5% and 13.7% in the MENA region, and 13.7% and 28.1% throughout the rest of the world respectively. Besides, banks often prefer to extend credit to large corporate clients and well-connected individuals that are considered less risky, whilst start-up companies remain financially constrained. As a result, formal financing, plays a limited role in financing enterprises, especially SMEs. Only 13% have access to finance, as opposed to 36% for large firms (WB, 2015).

**Figure 2.3 Usage Indicators for FI: Borrowers and Loans Accounts**



*Source: FAS Database 2021*

#### 4. Barriers to financial inclusion

Despite the implementation of a wide range of policies aimed at advancing FI over the last few years, major challenges remain on the supply and demand side. On the supply side, the challenges are related to the low efficiency and geographical implementation of financial institutions. Banks require too much paperwork and response times are slow. The financial services industry has created substantial barriers for individuals to access products such as loans.

Thus, a limited branch network is one of the key barriers to greater FI. Egypt has a low number of bank branches per capita, compared to other nations in the MENA region, with most of the branches located in the urban areas of Alexandria and Cairo.

Additionally, data deficiencies impede evidence-based policymaking. Data is available from various stakeholders but they are incomplete and often incompatible, not allowing their aggregation into the measures that are needed to monitor FI (Collard, 2014).

On the demand side, challenges remain in terms of trust in financial institutions, the low level of use of financial services, and the high levels of informality and financial illiteracy.

There is a general sense of mistrust in bank motives. People of low incomes have a deep mistrust of the formal financial sector, which is rooted in fear of exploitation. They are also concerned about fraud in cashless transactions. The fear of fraud involving ATMs and mobile/internet banking was cited as the number one reason for preferring to transact in cash (Dev, 2006).

There is also a low level of account transactions. It has been noted that most adults in Egypt that reported having a bank account still resort to remitting money by cash or over the counter (Subbarao, 2013).

At the cultural level, the barriers are related to the lack of financial literacy and gender and rural inequality. Lack of financial literacy amongst people prevented them from utilising the right products and services for their particular needs (Nasr, 2017). According to the latest data, most unbanked individuals in Egypt are women, especially among the rural poor (Ikhdal, 2017).

## IV. MEASURES TO PROMOTE FINANCIAL INCLUSION

### *Institutional measures for improving Financial Inclusion*

The CBE, the banking sector and the EBI have taken action on several FI initiatives. They adopted various programmes to widen the scope of FI and cashless transactions, for example: launching new financial services providers in Egypt, (such as Fawry, Masary, PayMob), e-wallet services, Phone Cash (Fawry and NBE), Orange Money (with BNP Paribas), Vodafone Cash (with Housing and Development Bank) and Flous (Etisalat and NBE). These facilities managed to achieve success in reaching new unbanked segments of society by:

- Providing access to new types of formal financial services, such as payroll, bill paying, depositing or withdrawing cash from ATMs, transferring money to another e-wallet, accessing various government services without the need to have a bank account.
- Enabling easy and quick transfer of funds, which accelerates sales in SME businesses, improves the efficiency of the marketplace and removes barriers to growth.
- Providing micro-finance loans to SMEs that lack access to finance from financial institutions and, through this, enabling repayment by instalments (Alex Bank, 2017).

All these arrangements should be expanded to encompass a wider scope of citizens and enterprises. The available data reveals a steady improvement over the years. However, the achievements are still modest, slow and need to be strengthened to make a significant difference.

### *Measures to improve financial literacy and financing culture*

Increasing the level of financial literacy is a must for better FI. The general mistrust in the sector and the lack of knowledge of the available mechanisms are a barrier for household access to finance, even in the presence of positive conditions for the uptake of transaction accounts, such as wide acceptance of non-cash payment instruments and low cost on account transaction services relative to typical income levels. For that purpose, the CBE has tasked the EBI with the preparation of the National Strategy for Financial Literacy, with the participation of the concerned parties (Ministry of Education, Ministry of Higher Education and Universities, and Ministry of Scientific Research), but this will be limited to

the educational sector. Hence, additional financial literacy strategies are required to include individuals outside the educational sector.

Therefore, awareness campaigns are urgently needed to change these social beliefs and attitudes, especially among rural and underprivileged communities.

Rural areas and women should be targeted more with respect to financial literacy initiatives. Female economic dependency is still a norm, though a declining one. Women are less likely than men to have an account in their own name. Thus, for many women, access to financial products is still limited. This can be improved through offering incentives for multiple family members to open accounts, encouraging more alliances with Non-Governmental Organizations (NGOs) and development organisations to empower women (Nadine & Navarro, 2017).

Also, the development of Islamic banks can be a solution to overcoming the religious beliefs that curb the development of FI.

## V. CONCLUSION AND POLICY RECOMMENDATIONS

Egypt should design an appropriate FI strategy. The main challenge is how to implement it with the required speed and outreach capacity, especially in underprivileged communities.

FI should continue to be enhanced in Egypt, regardless of the improvements made in recent years. Action should be taken to improve geographical access to finance and financial literacy. These actions should be delivered in coordination with the different key players: government, the CBE, banks and international organisations.

The government is duty bound to lead the way and enhance the development and growth of electronic payments. It should support the role of technology and innovation in promoting FI initiatives, given that technical progress should be accompanied by a regulatory environment that secures technology users in financial services. Also, regulators must proactively seek to understand emerging innovations, potential risks and how to regulate them. It should also legislate or devise tools to address social barriers to FI for women and low income groups. In addition, it should develop the necessary financial infrastructure that encourages private sector innovation, as well as the creation of collateral registries and credit bureaus. Specific broadband infrastructure projects in rural areas are required, with full stakeholder participation.

The CBE needs to shift the paradigm from financial education as the transfer of knowledge to one of financial capability, by promoting sound financial choices and

behaviour. Also, it should establish banks whose main objective is to provide financial services to low-income people who find it difficult to obtain the services provided by other banks. The development of MFIs is needed. The CBE should also support growth and innovation in microfinance products, including Islamic microfinance services. Additionally, the number of Islamic banks and their branches should be improved, to cover all individuals who refuse to deal with commercial banks that do not follow Islamic Sharia.

Commercial banks should improve their use of technology, to enhance their efficiency and to empower customers with more account management tools. They must also play a key role in public awareness campaigns, as well as conducting dialogue on client protection policies that increase customer comfort with new services, without creating undue burdens on banks and customers, enhancing online work and reducing paperwork requirements in order to make their services quicker.

International organisations have provided continuous support to Egypt's financial institutions over the years and they are offering technical expertise in the area of FI. They need to continue their support, to help Egypt make the reforms needed to improve FI and to act according to their commitment to implement the G20 Principles for Innovative FI under a shared vision of universal access (Ravallion, 2004).

The EU is a key player, with the EBRD and the EIB providing support. They need to continue with their practices, whilst focusing on more "sharing of best practices" for FI and sharing international platforms on capacity building.

## Chapter 3: Financial inclusion in Jordan

Nooh Alshyab, Serena Sandri, Dima Daradkeh

### I. INTRODUCTION

The Government of Jordan defines FI as “a state wherein individuals and businesses have convenient access to and use affordable financial products and services that meet their needs and help to improve their lives – payments, savings, credit, transactions and insurance – delivered in a responsible and sustainable way” (GIZ/CBJ, 2017).

Jordan has invested considerable efforts in promoting FI and has registered some progress. According to the latest survey by the CBJ and GIZ (GIZ/ CBJ, 2017), the share of adults holding a bank account has increased from 24.6% in 2014 to 33.1% in 2017 to 50% in 2020. The gender gap decreased from 53% in 2017 to 29% in 2020. Still, the authorities are aware of the need for further investment into promoting FI, with specific attention for the most marginalised groups of society.

Concerning infrastructure, Jordan has a well-developed and solid banking sector. In addition, Jordan also has well-developed markets for microfinance and for alternative sources of finance, specifically Islamic finance.

This chapter presents an overview on the standing of FI in Jordan. In particular, the national policies aimed at promoting FI will be discussed, together with the regulatory framework. Further, some stylised facts on usage, access and availability of financial services in the country will be presented, as well as an overview of alternative sources of finance. The present analysis is a result of both desk research and of interviews, consultations and meetings with relevant FI stakeholders in Jordan.

### II. NATIONAL POLICIES TO PROMOTE FINANCIAL INCLUSION

After the financial crisis and the recognition of the importance of FI for sustainable development and growth, Jordan has started realising the economic importance of universal access to official financial services. Thus, Jordan can be considered as one of the first countries in the region which has engaged in meetings and consultations with international parties to enhance the domain of FI. Jordan, represented by the Central Bank, is a member of the AFI.

These efforts have emphasised the need for developing, adopting and implementing a comprehensive national strategy for FI. It targets the protection of customers and financial literacy (both amongst school pupils and the community) and aims at improving the access of SMEs to financing sources and financial services. It also seeks to develop reliable and efficient electronic payment systems and empower women, young people and other marginalised groups to access financing and the formal financial system.

As one of the outcomes of the regional High-level Policy Forum on “FI and Employment,” which took place in November 2015 in Jordan, the National FI Steering Committee (FISC) was established and the CBJ was appointed to lead the process of formulating and implementing the National FI Strategy for Jordan. Following this, in September 2016, on the occasion of AFI’s Global Policy Forum for FI, the CBJ firmly committed to the Maya Declaration, setting the two national goals of increasing the level of FI of the adult population from 24.6% of 2015 to 36.6% by 2020 and to reduce the gender gap from 53% to 35%. The CBJ further specified nine specific targets to pave the way for the achievements of these two goals. Jordan overachieved on these targets, according to the latest FI report by the CBJ.

Immediately after this commitment, the CBJ launched six working groups for continued multi-stakeholder consultations, involving members of public, private and civil society, to work on the priority policy areas of: Digital Financial Services, Microfinance, SME Finance, Financial Capabilities, Financial Consumer Protection, and Data and Research.

In November 2016, within the framework of the regional policy forum on “Advancing Women’s FI in the Arab World”, the CBJ released the FI Vision for the Hashemite Kingdom of Jordan. A comprehensive diagnostic study of FI was conducted during the first half of 2017, covering both supply and demand sides, to provide an accurate and updated picture of access to, usage of and quality of financial services, and regulatory, physical and commercial barriers thereto. Finally, as a result of all these efforts, in December 2017, the National FI Strategy for 2018-2020 (NFIS) was launched. The strategy targets financial awareness, the protection of financial service recipients, SME support, micro-finance services and online payments. Female FI is also targeted.

### **III. REGULATORY FRAMEWORK**

Laws, regulations and instructions are key elements in fostering financial sector development and, specifically, FI. Jordan has succeeded in creating an environment conducive to the work of the banking sector. It has developed appropriate legislation and adopted economic and financial policies that have allowed the creation of a solid, well-

developed and globally integrated banking sector. There are, in total, 25 banks operating in Jordan, 16 of which are domestic banks and 9 are subsidiaries of foreign banks.

With the economic reforms that Jordan has started to implement since the beginning of 1990 under the umbrella of IMF, the country has been working to modernise its banking legislation to bring it in line with international competition and standards. The Banking Law that was promulgated in 2000 represented a clear improvement in the development of banking in the country. The Banking Law was followed by several important laws, such as the Deposit Insurance Corporation Law of 2000, the Frozen Deposits Management Law of 2003, the Anti Money Laundering and Counter Terrorist Financing Law of 2007, the Financial Leasing Law of 2008 and the Credit Information Law in 2010. Amongst the latest developments, there are the Electronic Transaction Law and the Money Exchange Business Law, both promulgated in 2015.

Furthermore, to serve the implementation of the laws and to support sound financial sector development, the authorities have released a comprehensive body of regulations and instructions. Amongst the main domains addressed, there are both traditional banking and financial instruments and the latest financial technologies and digital financial services. Consumer protection, fraud and money laundering, data and research, leasing, and microfinance are further encompassed.<sup>12</sup>

The CBJ is the only authority in charge of regulating and supervising the financial and banking system. Thus, all the efforts towards FI are also under the supervision of the CBJ, which established a department for “Payment Systems, Domestic Banking Operations, and FI Department.” It is worth mentioning that the CBJ is fully independent and, in particular, with regard to monitoring and evaluating the effect of policies and measures undertaken, is working in close cooperation with international institutions.

Specifically for FI, the Regulatory Fintech Sandbox was introduced in 2017. This is “a safe and controlled experimental environment that allows businesses and entrepreneurs to test newly developed FinTechs” (CBJ, Regulatory Fintech Sandbox, 2017).

The regulation of the microfinance sector is also well developed in Jordan. The first National Microfinance Strategy was prepared in 2005 and updated and improved in 2011. Since 2015, the Jordanian Government has assigned the supervision of the microfinance industry, which was under the authority of the Ministry of Industry, Trade and Supply, to the CBJ. The legal framework and the regulation of the microfinance sector was also approved in 2015, with the Microfinance Bylaw No. 5. The bylaw requests MFIs to comply with high standards of professional practice and of corporate governance and aims at client

---

<sup>12</sup> For more, see the home page of the Central Bank of Jordan under “regulation”.

protection. The nine MFIs active in Jordan are members of Tanmeyah, an association that officially represents the MFIs in Jordan that was founded in 2007 by its members, with the aim of developing sustainable development of microfinance in the country. Tanmeyah has evolved to become, over time, an important stakeholder in the financial sector in Jordan.

### *The payment system in Jordan*

The payment system is one of the critical domains for boosting FI. Nevertheless, despite the well-functioning banking system, cash in Jordan remains the dominant means of payment (Boakye-Adjei et al., 2017). In 2020, the share of the adult population with one or more payment cards grew by 5% (from 35% in 2018 to 40% in 2020).

The domestic payment market in Jordan consists both of bank and non-bank financial institutions. At present, there are 25 banks operating in Jordan and amongst the non-bank operators, there are 140 exchange houses, the Jordan Post Company (JPC), Jordan Postal Saving Fund and seven different licensed mobile payment services providers (MPSPs).

The CBJ, which is responsible for the supervision and control of the payment and settlement system, is investing in many efforts to increase incentives to make use of the payment system, to ensure its safety and efficiency. In this regard, since 2013, the Central Bank has been working on a centralised payment system, called Jordan Mobile Payments (JoMoPay), connecting all banks, telecommunication companies, transfer companies and financial and payment intermediaries to the end user via a mobile application. The system became operative by the second half of 2016.

A very important feature of JoMoPay is that it does not require users to have an account at a financial institution. Since 2017, it has been further possible for refugees to open a mobile payment account - even in the absence of valid identity documents - based on the refugee document issued by the United Nations. This is a very important step towards the inclusion of marginalised groups in society into the financial system. JoMoPay is fully owned and operated by the CBJ. The seven licensed mobile payments providers, UWallet, Aya, Dinarak, Zain Cash, National Wallet, Orange Money and Gadha are obliged to connect to it.

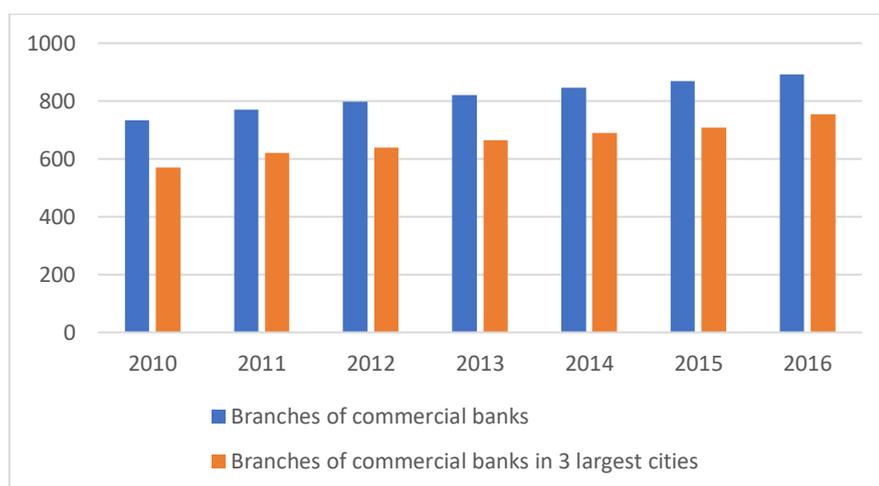
## IV. SALIENT FEATURES FOR FINANCIAL INCLUSION

### 1. Availability of financial services

Availability of financial services is related to the infrastructure for delivering financial services and, in particular, with its diffusion. Since the main providers of financial services are banks, MFIs and, to a lesser extent, some specialist credit providers, the present section reviews their diffusion across the country.

In 2019, there were 942 branches of commercial banks in Jordan (FAS Survey, 2021). As shown, since 2010, the number of branches has progressively increased. Most of the branches (almost 85% in 2016) are concentrated in the three main cities.

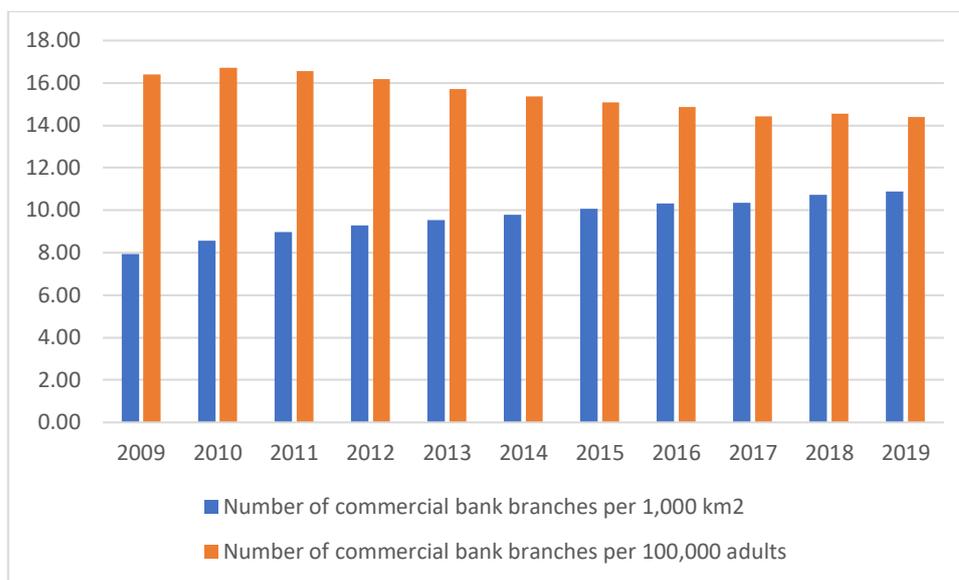
**Fig. 3.1: Number of commercial bank branches in Jordan**



*Source: FAS 2017*

Figure 3.1 presents the evolution of the number of commercial bank branches per 1,000 km<sup>2</sup> and per 100,000 adults. These indicators provide an idea of the density and distribution of branches in a country. As figure 3.2 shows, even though the absolute number of bank branches has increased over time, the number of branches per 100,000 adults has been slightly decreasing and was close to 15 in 2019.

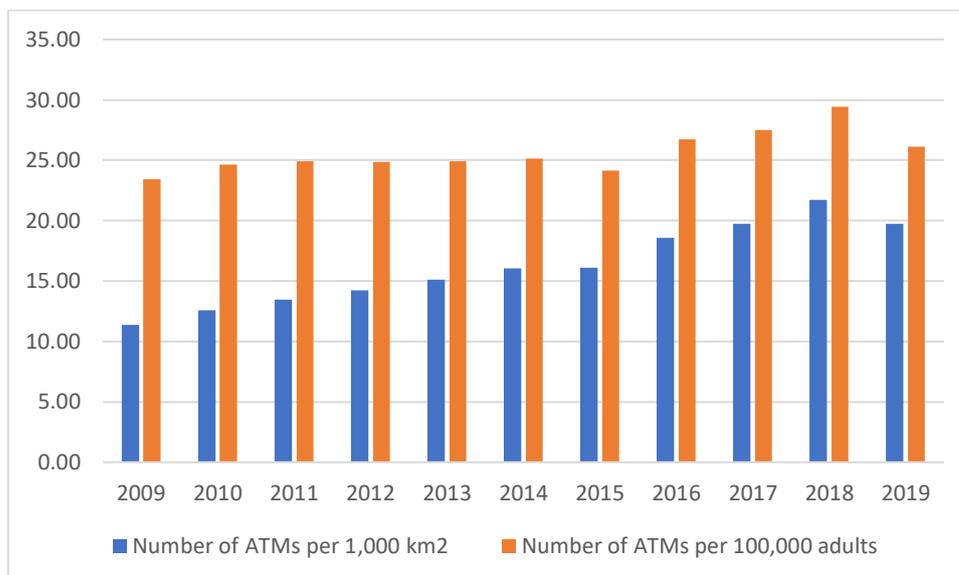
**Fig. 3.2: Banking density in Jordan for 2009-2019**



Source: FAS 2021

The number of ATMs has been steadily increasing up to 2018, both considered as per 1,000 km2 and per 100,000 adult individuals (Figure 3.3).

**Fig. 3.3: Density of ATMs in Jordan 2009-2019**



Source: FAS 2021

Further important providers of financial services in Jordan are MFIs. There are currently 197 MFI branches present in Jordan (Tanmeyah, 2019). This number is rapidly expanding, up from 173 branches in 2016. In contrast to commercial banks, MFIs are mostly present outside the capital city, Amman. It can be estimated that about 69% of MFI outreach was outside of Amman (Tanmeyah, 2019). As a note, MFIs in Jordan cannot offer deposits or savings accounts.

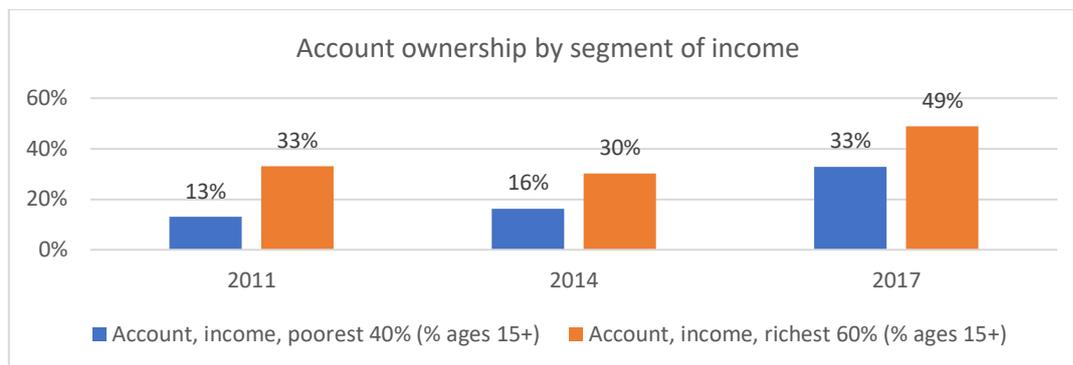
JPC has 310 branches and has a good coverage, particularly in rural areas. The JPC provides the opportunity to settle certain government payments and offers digital payment services, but the authorities are trying to broaden the type of financial services provided. The JPC allows the Jordan Postal Savings Fund (JPSF) to use its branches to run its operations. In 2017, it was estimated that the JPSF had 50,000 active savings accounts.

Besides the JPSF, there are some further credit-granting institutions that are operating in Jordan, typically serving low-income segments of the population. The most important of these specialist credit providers are the Development and Employment Fund (DEF), the Military Credit Fund (MCF) and the Agricultural Credit Corporation (ACC). These institutions, which were all founded by the government, tend to offer much lower interest rates than MFIs, but are subject to funding limitations and are in many cases slow in granting credit.

## 2. Access to financial services

As shown in figure 3.4, there is a large gap between the share of adults holding a bank account by segment of income: in 2017, 49% of the richest 60% of the adult population held an account at a financial institution, whereas only 33% of the poorest 40% had an account. Despite of a clear increase in the share of adults having a bank account, the gap between the income segments has not significantly decreased since 2011: it was 20% in 2011, 14% in 2014 and 16% in 2017. This gap even exceeds the 13% gap which is estimated worldwide (Findex, 2017).

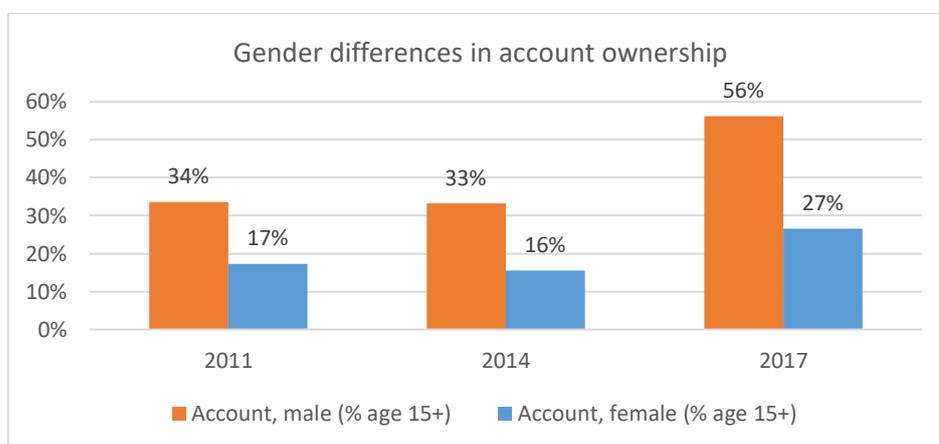
**Fig. 3.4: Account ownership by segment of income**



*Source: Findex 2017*

Differences between male and female account ownership are also remarkable (Fig 3.5), despite the fact that both the share of male and female adults holding a bank account has increased since 2011, the disparity between genders has also widened. The gap was 17% in both 2011 and 2014, and has increased to 29%. It can be roughly said that, in Jordan, male account ownership is about double female account ownership.

**Fig. 3.5: Gender differences in account ownership**

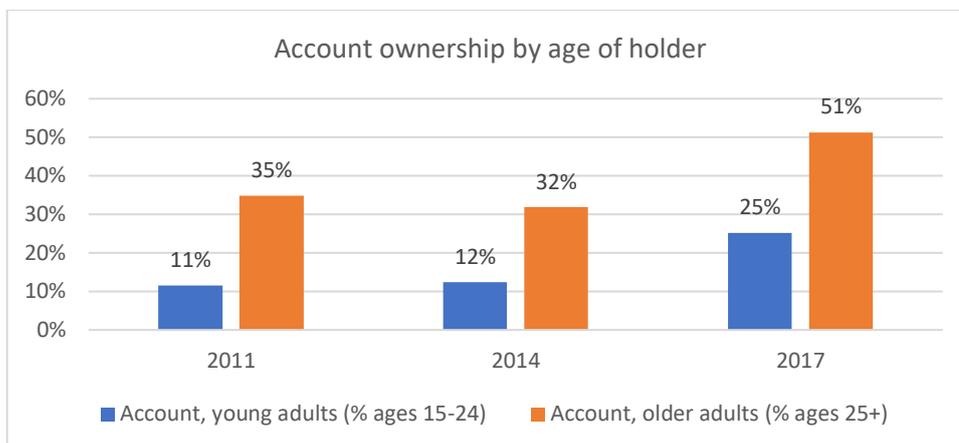


*Source: Findex 2017*

However, in Jordan, it is not only women who seem to be marginalised in their use of financial services, but young people as well. As revealed, the share of adults aged 25 and

above owning an account at a financial institution is more than double the share of account ownership amongst adults aged 15 to 24 years (fig 3.6).

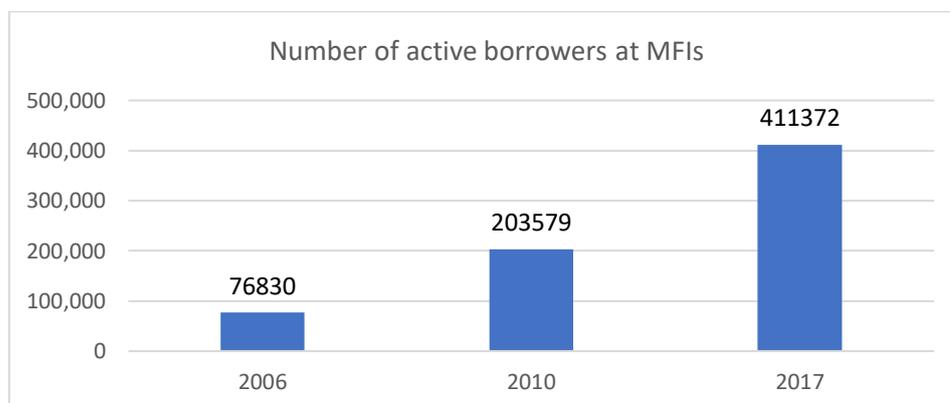
**Fig. 3.6: Account ownership by age group**



Source: Findex 2017

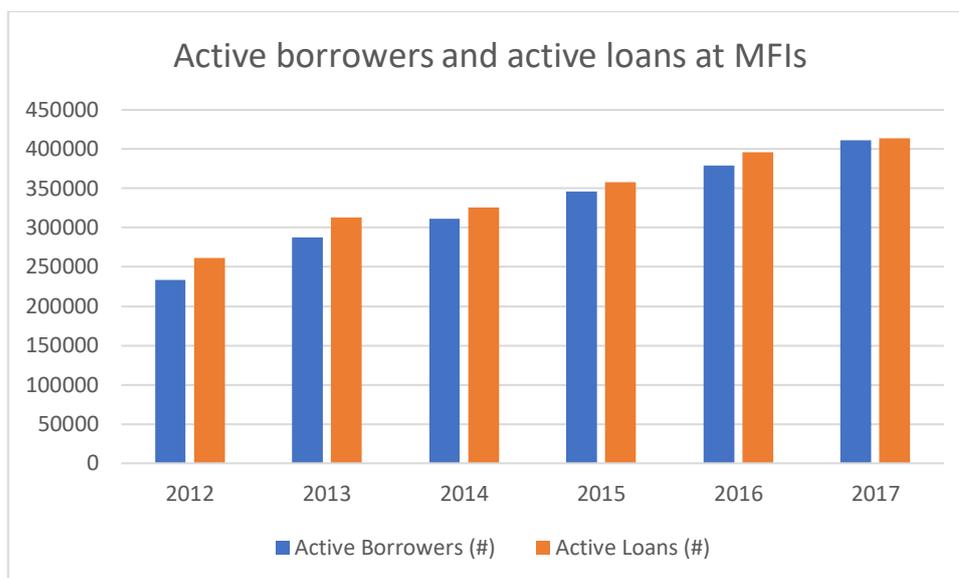
Concerning the clients of MFIs, the comprehensive survey run by GIZ in cooperation with the CBJ estimates that 4.2% of adults borrowed from MFIs in 2017. According to Tanmeyah, the number of active loans at MFIs has increased by 8% between 2016 and 2017 to reach 411,372 (Fig. 3.7 and Fig. 3.8). By the end of 2018, Tanmeyah members showed 465,717 active clients, of which 73% are women and 43% are young people.

**Fig. 3.7: Number of active borrowers at MFIs**



Source: MoPIC MFI Self-reported data 2010 and Tenmeyah, 2017

Fig. 3.8: Active borrowers and active loans at MFIs

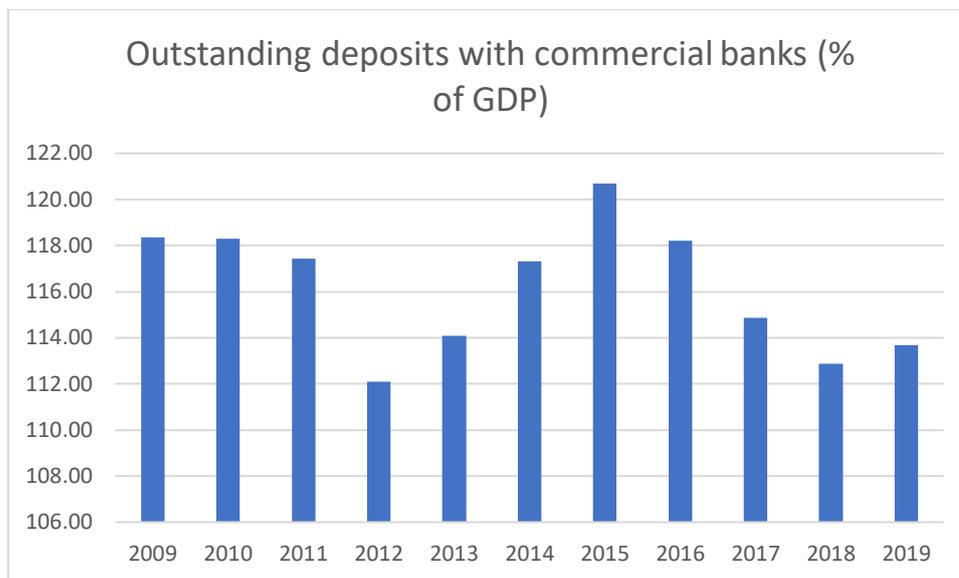


Source: Tanmeyah, 2017

### 3. Use of financial services

Jordan is characterised by a very high share of deposits compared to GDP (Fig. 3.9). On average, between 2009 and 2019, deposits represented 116% of GDP. In 2017, in terms of deposit holders, 81.1 % of total deposits at licensed banks were attributable to households.

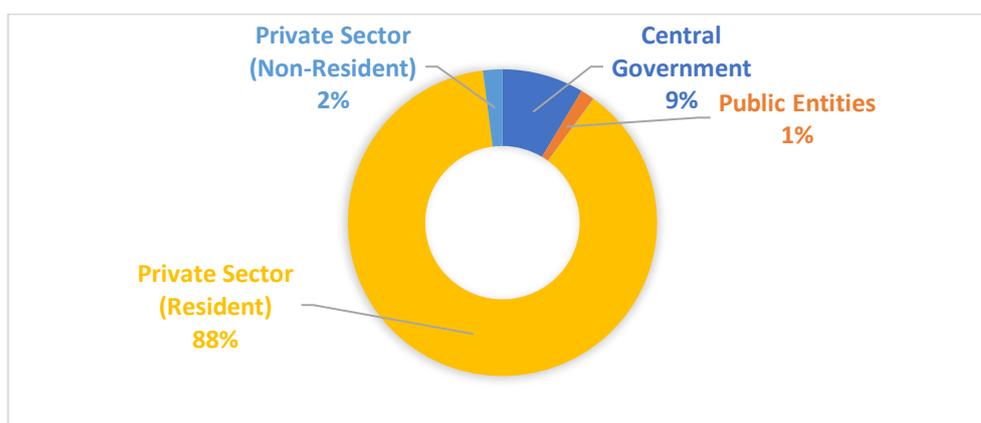
**Fig. 3.9: Deposits as share of GDP between 2009 and 2019**



Source: FAS, 2021

In 2017, credit facilities reached a total of 24,736.8M JD (34,879.0M US\$), increasing from a total of 22,905.8M JD (32,297.1M US\$) in 2016 (fig 3.10).

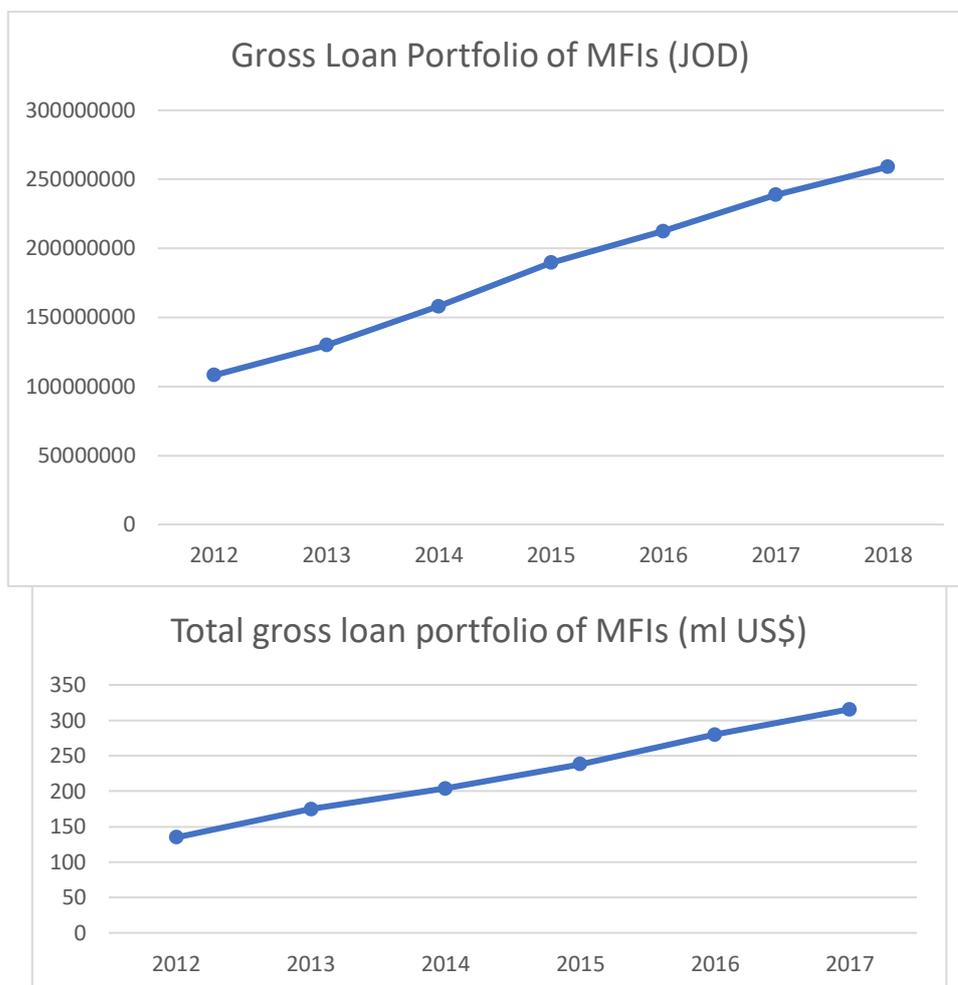
**Fig. 3.10: Credit facilities by borrower in 2017**



Source: CBJ, 2017

The portfolio of loans provided by MFIs has also increased over time, to reach almost 259M JD (365M US\$) in 2018 (Figure 3.11).

**Fig. 3.11: Total gross loan portfolio of MFIs**



*Source: Tamneyah, 2018*

As mobile penetration and use is steadily increasing and almost ubiquitous, mobile money accounts are the latest trend to promote FI. As the Financial Access Report for 2018 reveals, the number of mobile money accounts is typically more than twice the number of regular bank accounts per 1,000 adults in low-income economies (FAS Report 2018). As a result of the latest regulatory developments in this regard, with the introduction of JoMoPay and the simplification of proof of identity for refugees in 2017, mobile payment accounts have also considerably increased in Jordan (Table 3.1). In 2020, the number of

mobile money (e-wallets) accounts had significantly increased and exceeded 1.2 million (CBJ, 2021).

**Table 3.1: Use of mobile money accounts**

	Mobile money accounts: active	Mobile money accounts: active per 1,000 adults	Mobile money accounts: registered	Mobile money accounts: registered per 1,000 adults
2014	300	0.05	34,457	6.14
2015	290	0.05	57,100	9.74
2016	8,237	1.35	68,180	11.23
2017	56,300	8.99	188,200	30.08
2018	NA	NA	361,532	55.23
2019	NA	NA	504,375	75.15

*Source: FAS, 2021, and CBJ, 2018*

Table 3.2 presents the results of the World Bank Enterprises Survey for 2019 concerning the use of financial services by firms. It shows that the share of companies with a bank loan or a bank credit is still lower than the percentage of firms needing a loan.

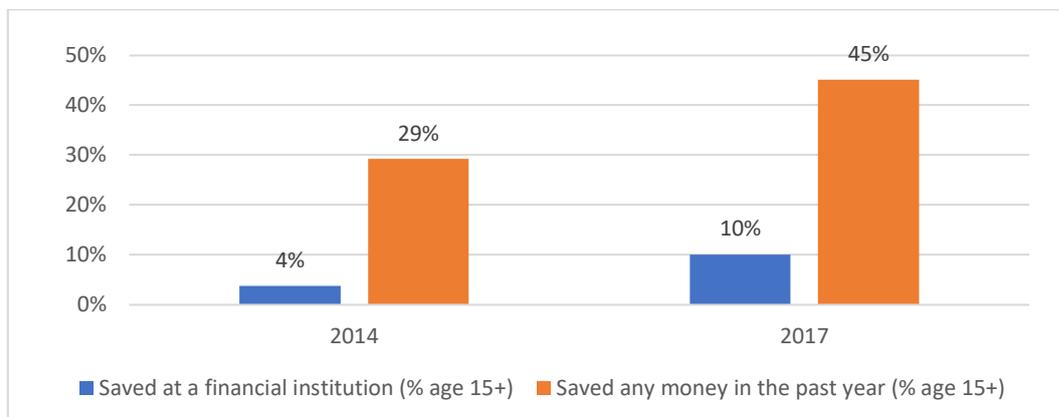
**Table 3.2: Firm use of financial services by firm size**

Use	Small (5-19)	Medium (20-99)	Large (100+)
Firms with a checking or savings account (%)	69.3	93.8	93.1
Firms with a bank loan/line of credit (%)	13.3	16.0	28.2
Firms not needing a loan (%)	68.7	59.2	44.2
Firms using banks to finance investments (%)	30.7	46.2	NA
Firms using banks to finance working capital (%)	12.1	29.3	60.1

*Source: World Bank Enterprise Survey, 2019*

The use of formal financial services can be estimated by comparing the share of the adult population who declared that they have saved money at a financial institution with the share of adults who simply admitted to having some savings. As shown in Fig 3.12, the gap between informal saving and saving at a financial institution has actually increased from 2014 to 2017.

Fig. 3.12: Savings at financial institutions



Source: Findex, 2017

### Informal finance

According to the comprehensive study by GIZ/CBJ (2017), informal and semi-formal finance providers are still very important players in Jordan. Informal sources of financial services are e.g. family, friends and private money lenders, whilst semi-formal finance providers are “registered businesses (usually as an LLC) that specialise in lending to individuals and MSMEs” (GIZ/CBJ, 2017).

Informal finance thus assumes a plurality of forms and it is difficult to estimate its real size and scope of action. However, the CBJ/GIZ survey reveals that 13.3% of adults borrowed from some informal sources, whilst 9.9% borrowed from a formal financial institution and 4.2% from a microfinance institution.

Furthermore, the survey shows that informal borrowing is particularly common amongst MFI clients and even exceeded formal borrowing amongst microenterprises (GIZ/CBJ, 2017).

## 4. Barriers to financial inclusion

In order to better tailor instruments and policies to foster FI, it is very important to look at the factors hampering financial access. In particular, the Findex survey reveals that

the main reason in Jordan for not having a bank account is the insufficiency of funds. This has been mentioned by 75% of the non-account holders taking part in the survey.<sup>13</sup>

The second reason, far behind the first, is the cost of financial services (mentioned by 35% of non-account holders), the fact that someone in the family already has an account (28%) and religious reasons (18%). 16% of the respondents without a banking account lacked trust in the financial system and 14% lacked the necessary documentation to open an account.

**Table 3.3: Reasons for not having a bank account**

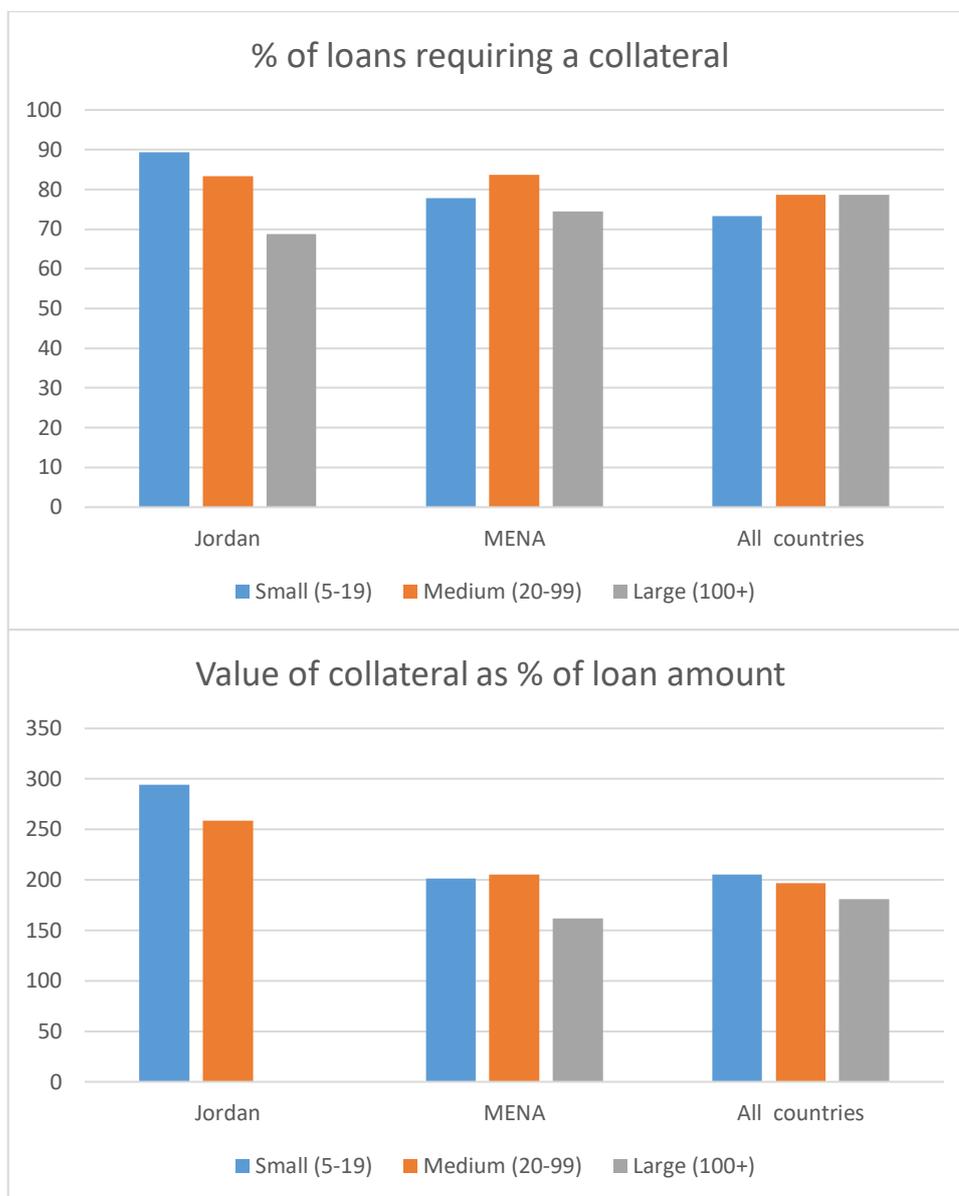
Reasons for not having a bank account (% out of respondents without having a financial institution account, age 15+)	
insufficient funds	75%
financial services are too expensive	35%
someone in the family has an account	28%
religious reasons	18%
lack of trust in financial institutions	16%
lack of necessary documentation	14%
financial institutions are too far away	5%
no need for financial services ONLY	3%

*Source: Findex, 2017*

Some of the constraints faced by SMEs in accessing finance are captured by the World Bank Enterprises Survey, as represented in Fig 3.13. Benchmarking the case of Jordan with the average of the MENA region and with the global average, it appears that the share of SME loans requiring collateral in Jordan is higher, but that the value of the collateral requested to obtain a loan is lower by international comparison.

<sup>13</sup> Multiple answers were possible.

**Fig. 3.13: Credit constraints of firms**



*Source: World Bank Enterprises Survey, 2019*

## V. MEASURES TO PROMOTE FINANCIAL INCLUSION

The authorities in Jordan are targeting the promotion of FI through several integrated measures and via the coordinated action of many actors. In particular, the CBJ is

playing a pivotal role in initiating and suggesting different initiatives and the government is giving rise to many of them, by enabling the necessary regulatory measures.

## 1. Government

In general, the different measures put in place by the authorities in Jordan are targeting the following domains:

- Creating and developing an infrastructure for electronic payment systems, such as eFAWATEERcom and JoMoPay
- Exploring and creating a favourable environment for innovative FinTech instruments. In this regard, as discussed, the Regulatory Fintech Sandbox was launched in 2017 by the CBJ to test newly developed FinTechs in a controlled environment
- Addressing disadvantaged groups in society and expanding their possibilities to access fair financial services. In 2017, an important step in this direction was made, with the simplification of the proof of identity for refugees
- Improving access to funding and credit for SMEs. At present, the action of the CBJ in providing financial programmes to support SMEs is supported by the action of international donors (see below) as well as the credit guarantee scheme.
- Investing in financial education and spreading awareness about the importance of financial services, as explained in point 2 below.

## 2. Financial education

The authorities are aware of the importance of the need to invest in financial education, as prerequisites for FI. The umbrella under which several related initiatives are taking place is the National Financial and Social Education Programme (NFSEP), which was launched by the CBJ in 2015. The programme also includes the project ‘Spreading Financial Awareness and Literacy’ and encompasses financial teaching at schools and at higher education institutions, financial teaching for women and rural communities, and financial education through the media and social media.

To pursue these targets, the CBJ is partnering with different institutions, such as the Ministry of Education, to introduce a dedicated module on financial education and with the Ministry of Higher Education and Scientific Research to reform curricula to encompass financial education.

Further to this, the CBJ is cooperating with different NGOs, such as INJAZ, in targeting grade seven students of public, UNRWA, military schools and special education centres to teach them the basics of financial education, including “saving, budgeting, financial planning, basics of banking” (INJAZ home page).<sup>14</sup> In addition, to reach out to rural communities, particularly women in remote areas, the Jordan River Foundation and other bodies are carrying out dedicated projects (Attia and Engelhardt, 2016).

## VI. CONCLUSIONS AND POLICY RECOMMENDATIONS

Jordan has recognised the importance of FI and broadening the access to financial services for sustainable and equitable economic development. Thus, it is investing considerable efforts in promoting FI and is registering some progress. Still, there are some groups in society, notably the poor, women in rural areas and refugees, that are often excluded from the use of financial services. In addition, MSMEs, representing the vast majority of the enterprises in Jordan (Ayadi et al., 2017), still encounter significant barriers in accessing credit. Overall, the banking sector is well developed, but commercial banks are notably risk averse and they don't see real incentives for providing credit at favourable rates to MSMEs.

The authorities are putting in place a fully-fledged, integrated strategy to address FI, which is showing some progress. The development of e-payment systems is also gaining momentum and inducing previously excluded groups of the society to make use of financial services. In addition, some of these actions are also done with international support, advice and coordination.

The panorama of international support provided to Jordan for FI is vast and it is difficult to provide a complete picture. As an example, since 2014, the EU has been supporting FI in Jordan with a contribution of 35M Euro. By the end of 2018, the EIB signed an agreement with Microfund for Women for USD 5M to support access to finance for (female) microenterprises. This follows an initial loan for USD 2M, provided in 2014. In 2017, EBRD also provided a loan of up to 2M USD to support female micro-entrepreneurship.

The authorities are further aiming to spread financial education and literacy, both amongst school pupils, higher education students and disadvantaged people in rural areas.

---

<sup>14</sup> <http://injaz.org.jo/DetailsPage/DetailsPrograms.aspx?NewID=88>

## Chapter 4: Financial inclusion in Lebanon

*Sandra Challita*<sup>15</sup>

### I. INTRODUCTION

Lebanon is currently facing one of the most severe crises in its history (Ayadi and Challita 2020; Al Saeed and El Khalil 2021). This crisis is economic, financial, social and health-related. The monetary and financial turmoil are driving the crisis conditions through exchange rates, money scarcity and inflation. Electronic dollars are very limited, the dollar banknote is scarce and the local currency has severely devalued against the USD (-900% in June 2021 compared to October 2019). The trust in banks and financial institution has disappeared, especially with the current policy of capital control as the economy has become heavily cash based. All previous advances in FI are jeopardised in the current situation and with the shrinking financial sector.

The survey on FI for this study was held before the emergence of the multiple crises in the country. Prior to October 2019, Lebanon used to rank among the highest in FI, compared to Middle Eastern and Arab countries, with 45% of the population above 15 years old having a bank account in 2017, according to the Findex. Compared to countries with similar levels of GDP per capita (pre-crisis), this percentage is significantly high. Additionally, SMEs comprising a major number of employers in the country had limited access to financing. The main obstacle to FI in Lebanon was not due to the geographical access to finance, but rather its affordability. The high government debt (150% of GDP) and high levels of uncertainty, due to political instability, made long-term investments and loans very costly (high interest rates and high collateral). Also, the Lebanese financial sector is highly dependent on the remittances of the diaspora, accounting for 12.5% of GDP<sup>16</sup>. The main concern of the Lebanese Central Bank (BDL, “Banque du Liban”) was to keep financial stability via a stable exchange rate to US dollars and day-to-day crisis management. Nevertheless, over the years, the BDL has launched many initiatives to increase the access to finance.

A national strategy for FI for individuals and households was initiated but has not been a priority since the current crisis. This strategy aimed to: (1) foster sustainable economic development, growth and financial stability and (2) ensure socio-economic and financial well-being for individuals and businesses (Banque du Liban, 2004). The strategy

---

<sup>15</sup> Assistant professor, Esdes Lyon Catholic University, EMEA

<sup>16</sup> World Bank remittances data

focused on defining FI for individuals and households. Other initiatives for access to finance for MSMEs were launched and established for loans, via guarantee schemes and sectoral initiatives for innovative projects. MFIs were contributors to FI, but the lack of regulation and prudential rules for such institutions are limiting their development.

The findings of this report on FI in Lebanon are the sum of a qualitative survey conducted within EMNES in Lebanon prior to October 2019, with key actors for FI, and the collection of information from different reports and international databases.

## II. NATIONAL POLICIES TO PROMOTE FINANCIAL INCLUSION

The Lebanese financial system is dominated by banks. 66 banks account for 97% of financial system assets, whilst non-banks play a minor role. Regardless of the fact that Lebanon's FI level is higher than its MENA peers, the country faces difficulties in increasing the level of FI; its score for FI decreased in the survey in 2017 to 45% of individuals having a bank account versus 47% in 2014. This is due to a declining economic context and the increasing costs of access to finance. We collated the main difficulties and policies for FI relating to financing of MSMEs, for MFI organisations and for individual access to finance.

### 1. Promoting financial inclusion for MSMEs

The main difficulty in the Lebanese market is that MSMEs operate in an inefficient and uncertain market. The Lebanese market has a poor climate for long-term investment due to the accumulation of crises and a weak economy. The main barrier to SME development in Lebanon is the political instability and access to basic services, such as electricity and high levels of corruption (IMF and WB 2016).

Aside from the economic framework and the dependence on banks, the cost of financing in Lebanon is high. To finance their investments, MSMEs are required to provide large collateral with high interest rate levels and, within a few banks, MSME units are non-existent, making access to loans difficult for MSMEs.

**Table 4.1: Finance landscape for Lebanese firms**

Indicator	Lebanon	MENA	World
Percent of firms with a checking or savings account	92.8	79.1	86.8
Percent of firms with a bank loan/line of credit	57.3	28.6	33.3
Value of collateral needed for a loan (% of the loan)	207.7	183	205.9
Percent of firms not needing a loan	45	51.8	46.4
Percent of firms whose recent loan application was	7.7	10.2	10.8
Percent of firms using banks to finance investments	53.1	25.9	26.2
Proportion of investments financed by banks (%)	32.9	15.6	14.8
Percent of firms using banks to finance working	40.2	24.3	30
Proportion of working capital financed by banks (%)	17.3	9.9	11.6
Percent of firms identifying access to finance as a	41.5	31.9	26.5

*Source: World enterprise survey (2013)*

These results are in accordance with the World Enterprise survey (Table 4.1) showing that 53% of firms use banks to finance investments, a number that is much higher than the MENA and World sample. The access to finance due to the high cost of financing for firms in an uncertain context shows that access to finance is a major constraint for 41% compared to 32% for the MENA. The results of the survey also show that the main finance source for investments in Lebanon is the banking sector, more than double the proportion of the MENA and World sample. Therefore, the BDL is key player in promoting access to finance, whilst maintaining financial stability.

Another difficulty in access to finance is the strong reliance on the commercial banking sector for loans. Alternatives, such as cooperative financial institutions, are very marginal and need strong regulation to ensure good governance. The financial market is weak and does not play an important role in financing MSMEs.

To face these difficulties, the BDL promotes counter-distortion tools to make the inefficiencies disappear. The measures conducted are sporadic rather than a global strategy resulting in action. The mainstream view is to interfere in the case of market inefficiencies and then to withdraw when they disappear.

A key initiative for access to finance is the creation of the guarantee scheme for MSMEs, Kafalat. Kafalat guarantees loans from MSMEs responding to several criteria (detailed in the guarantees section). This initiative allows the lowering of financing costs for certain sectors.

Another initiative to encourage MSME access to finance is the 331 Circular, providing credit facilities for banks investing in start-ups, accelerators or credit venturing initiatives. It was launched in 2013 by the BDL and was followed by “BDL accelerate” events.

## 2. Promoting financial inclusion for individuals

Account ownership is still uneven for women, young people and the poor, regardless of progress, and Lebanon is still lagging behind its middle-high income level peers. Another barrier to FI is the anti-money laundering and countering the financing of terrorism regulatory compliance requirement, making access to finance for individuals more constrained. Another barrier is related to the banking structure in Lebanon: banks are mainly commercial, with no diversity in this sector, excluding certain sectors of the population. A national strategy has been launched for FI, to promote access to finance by the BDL, including through financial literacy initiatives.

## 3. The role of microfinance institutions

MFIs provide financial access mainly in rural areas, but they are poorly regulated and only a very low level of coordination has been established between them. National policies to develop MFIs remain in regulation, increasing the level of transparency and coordination.

The regulated MFIs are in competition with non-regulated NGOs acting as MFIs. The BDL is actively regulating this sector, to ensure that it doesn't weaken the stability of the financial system.

Other limitations for MFIs are the lack of consistent data on their income and the credit engagement of other household members. The lack of transparency amongst certain MFIs, especially some of the large ones, weakens the sector. The policy response should be more monitoring and regulation.

To take another issue, the lack of information sharing about small loans is handicapping the sector. Information on small loans is scarce in Lebanon. The BDL Credit Registry records loans that are provided by licensed banks or non-bank financial institutions of above 7 million LBP or 4,650 USD. This amount is higher than the average microcredit loan size of approximately 1,300 USD. Individuals or households at the lower end of the market could be subject to multiple- or over-indebtedness and remain unnoticed. This

creates limitations regarding the monitoring of microfinance credit because of the lack of data on small credits by the Credit Registry records.

According to a recent study, 29% of borrowers from MFIs are cross borrowers (Sanad, 2017). 93% of borrowers repay their debts. The probability of repayment within 60 days decreases when the number of loans or amounts increases<sup>17</sup>. This shows the need for the presence of a Credit Registry record or a common database for MFIs to access client information, in order to increase the portfolio quality of MFIs.

The creation of the Lebanese Microfinance Association in 2015 is a first step in coordinating the actions of MFIs and encouraging dialogue with the regulator and between institutions.

### III. REGULATORY FRAMEWORK

#### 1. Main financial reforms related to financial inclusion

##### *Organising microfinance institutions*

The BDL defines a microloan as a loan lower than 30 million LBP (equivalent to 20,000 USD), lent to an individual or small enterprise consisting of four people or less. It aims to help them create and develop their own projects in the fields of production (industry, agriculture, handicraft), services, tourism or trade, or to help them improve their living or housing conditions. It has to be repaid within a maximum period of six years.

The circular No 7136 issued in October 1998 (Banque du Liban, 1998) amended in August 2018 (Banque du Liban, 2018b)) sets out the creation of financial institutions specialising in microloans. The circular No 93 in July 2004 (Banque du Liban, 2004) amended in August 2018 (Banque du Liban, 2018a)) sets out microloans and microcredit institutions' relations with banks. Since banks lend microloans in collaboration with microfinance NGOs and associations, the latter should be regulated by BDL. The BDL also provides training for MFIs.

##### *Access to finance for startups*

The 331 Circular (issued in August 2013 (Banque du Liban, 2013)) is an initiative from the BDL to grant interest-free facilities for banks for a maximum period of seven years, for the participation of banks, with their full responsibility, in the capital of Companies structured as follows:

---

<sup>17</sup>These figures are for only 8 MFIs, excluding the largest one, Qard el Hassan.

1. Start-up companies
2. Incubators and Accelerators whose objectives are restricted to supporting the development, success and growth of start-up companies in Lebanon, by offering such companies administrative support, networking, mentoring, training and know-how, in addition to a range of support resources and services (offices, logistics...) and/or by participating in such companies.
3. Companies whose objectives are restricted to investing venture capital in start-up companies in Lebanon, where they foresee in them and through them a possibility of growth and profit-making, especially upon the transfer of their participation in such companies.

This Circular has created a movement for developing incubators and accelerators and access to finance for start-ups.

## 2. Guarantees

After the end of the Lebanese war in 1990, 84% of credits were centred in the Beirut and Mount Lebanon area. The short-term lending favoured commerce and services. The necessary guarantees for lending were exclusively liquid assets and land records. Start-ups were weak, with low investment in the regions and few long-term investments (due to the lack of certainty caused by war). Creating Kafalat as a guarantee scheme aimed to provide high guarantees (up to 75% in certain sectors), improving access to affordable finance. Kafalat aims to fill the gaps in the financing sector in Lebanon by creating market counter-distortion mechanisms.

Kafalat provides assistance and guarantees to SMEs in specific sectors to access loans. The assistance is based on business plans, feasibility studies and viability of the business activity. It then processes guarantee applications for loans provided by Lebanese banks, under the Kafalat programme.

The SMEs and start-ups covered by Kafalat are exclusively in the following sectors: industry, agriculture, tourism, traditional crafts or high technology. They should also have a maximum of 40 registered employees and provide them with a guarantee for credits of 7 years.

Loans guaranteed by Kafalat benefit from an interest rate subsidy. This subsidy is to reflect the high interest rates due to high public debt. It is financed by the Lebanese Treasury and administered by the BDL.

**Table 4.2: Kafalat loan portfolio by 31<sup>st</sup> of December 2017 by region**

Region	Amount LBP	Number	Portfolio
Bekaa	202 909 883		17.86%
South of Lebanon	118 647 456		10.44%
North of Lebanon	140 126 941		12.34%
Nabatieh	68 512		6.03%
Beirut	83 303		7.33%
Mount Lebanon	522 443 214		45.99%
<b>Total Amount of Loans at</b>	<b>1 135 944 122</b>		

*Source: Kafalat loans statistics<sup>18</sup>*

According to the latest numbers in 2017, Kafalat’s portfolio is at 46% for the peripheral areas in the North, South, Bekaa and Nabatieh. These numbers show their reach in all the territories and their contribution to FI for SMEs in rural and urban areas. Their area of intervention is in the various sections above, but they have also created specialist tools for several sectors:

- Kafalat innovation providing 90% guarantees with the 331 BDL Circular
- Management of the co-equity fund to fund finance by the World Bank

**Table 4.3: Kafalat loan portfolio by 31<sup>st</sup> of December 2017 by sector**

Sector	Amount	Number	Portfolio
Craft Industries	31 942 425	210	2.81%
Advanced Technologies	33 229 875	124	2.93%
Agriculture	382 703 470	2522	33.69%
Tourism	223 779 076	932	19.70%
Industry	464 289 273	2205	40.87%
<b>Total Amount of Loans</b>	<b>1 135 944</b>	<b>5 993</b>	

*Source: Kafalat loans statistics*

As shown in table 4.3, the main component of Kafalat’s loan portfolio is industry, agriculture and tourism. The share of Advanced Technologies is still very low.

<sup>18</sup> [http://kafalat.com.lb/loans-statistics?field\\_category\\_tid\\_1=182](http://kafalat.com.lb/loans-statistics?field_category_tid_1=182)

#### IV. SALIENT FEATURES OF FINANCIAL INCLUSION

According to the BDL in December 2017, the numbers of bank clients with consolidated accounts per bank are:

- Lower than 5M Lebanese pounds 1.843.000
- Between 5M and 50M 716.000
- Between 50M and 75M 102.000
- Above 75M 378.000

These numbers do not make a distinction between Lebanese and foreign clients. From an adult population ranging between 3.7M and 4.3M, these numbers show that access to finance in the Lebanese framework is not an issue. This statement is also confirmed by the latest figures of the Findex database.

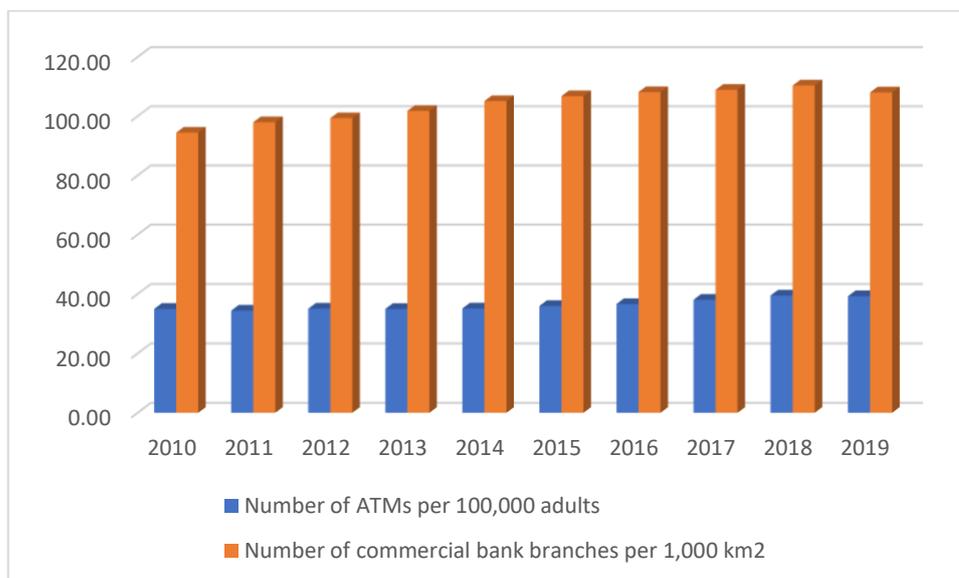
##### 1. Availability of financial services

The financial services sector in Lebanon is dominated by banks, as the main actor in the financial landscape, and the main depositor and lender for Lebanese government, firms, households and individuals.

##### *Commercial banks*

Commercial banks in Lebanon have witnessed a few mergers and restructuring during recent years. This implies a decrease in the number of branches per 100 000 adults. However, the trend in the number of ATMs is high and increasing, relative to its neighbours. After the financial crisis at the end of 2019, bank branches are closing and the distribution of cash by ATMs is rationed.

**Figure 4.1: Evolution of the number of commercial banks and ATMs in Lebanon**



*Source: World Bank database*

### Postal network

The post does not play a role in FI, because of its underdevelopment. However, sales points have adopted the Online Money Transfer (OMT) tool for transferring money across Lebanon and abroad. OMT is an accredited agent of Western Union in Lebanon. It is a leader in financial services with a large network in Lebanon reaching 1000 locations across the Lebanese territory in 2017. They play an important role in money transfer for financially excluded groups and refugees, and enabling foreign workers in Lebanon to transfer money.

### Microfinance institutions

MFIs represent a small share of the financing market in Lebanon, are mainly composed of NGOs, and are poorly regulated. In 2015, the Lebanese microfinance association was created to support MFIs, in order to improve the provision of financial services to excluded groups in the formal financial system and to activate the relationship between MFIs and relevant authorities<sup>19</sup>. They aim to enhance communication and coordination between the members of the association, representing 50% of sector 5 (See

<sup>19</sup> <http://lmfalebanon.org/about-lmfa/>

Table 4.4). On the top of their agenda, as found in our survey, the central project is to create a credit information system to collaborate amongst the different entities. They also work on improving the conditions of the sector, especially concerning financial literacy.

**Table 4.4: Main MFIs in Lebanon in 2014**

Institution	Legal form	Gross outstanding loan portfolio (US million\$)	Number of active borrowers	Member of the LMFA
Al Qard Al	NGO	100	130 000	No
Al	NGO	41	48 000	Yes
Vitas	NBFI	24	17 000	Yes
Emkan	NBFI	25	13 000	Yes
Ibdaa	NBFI	6	7 000	Yes
CFC	NBFI	7	4 211	No
ADR	NGO	3	2 200	Yes
Makhzou	NGO	1	1 100	Yes
AEP	NGO	3	835	Yes
EDF	NGO	3	749	Yes
PAWL	NGO	5	600	No
UNRWA	UN	3	600	No
CLD	Cooperat	5	361	Yes
<b>Total</b>		<b>226</b>	<b>225 656</b>	

*Source: statistics from institutions elaborated by Sanad 2017*

### *Microfinance initiatives for refugees*

Historically and recently, Lebanon has received large numbers of refugees, and the financial sector has adapted to provide financial services for these populations (UNHCR, 2016). The main refugee populations are Palestinians (since the Israel-Palestinian crisis), Iraqis (arriving after the American Military operations in 2003) and Syrians (having a long history as migrant workers in Lebanon, but since the civil war in Syria, around 1.5 million are present in Lebanese territory). Their presence has triggered resentment and fear, especially for lower-income Lebanese workers and entrepreneurs who find themselves in competition with these populations.

MFIs, serving lower income populations, have adapted their services to include refugee populations in their portfolio. As an example, the MFI Al Majmoua has 15% of

borrowers who are non-Lebanese, including migrant workers and refugees with low levels of default risk (30 day portfolio at risk rate was below 1% in 2015)<sup>20</sup>.

## 2. Access to financial services

The banking sector dominates the financial services sector, with 97% of financial system assets held by banks. As reported in the latest figures of the FAS by the IMF in 2017, Lebanon's banks account for the highest level of deposits, at 297% of the GDP. This high share of deposits accounts for high interest rates on deposits, encouraging the Lebanese diaspora to send money to Lebanon. 92% of borrowers are borrowing from banks (FAS, 2017).

Access for urban and rural areas became more and more homogenous with the distribution of the different bank agencies in the territory and the relative geographical closeness between rural and urban areas (44% of aged 15+ adults hold bank accounts in rural areas versus 45% at national level). The main reasons for not holding a bank account in Lebanon are the insufficiency of funds and the use of a bank account for several members of the family (cf. section on barriers to financial inclusion).

The bank branches are widespread in the territory (with 108 branches per 1000 km<sup>2</sup> in 2017<sup>21</sup>) and MFIs are strongly represented in rural areas to provide loans for the lower income populations.

## 3. Use of financial services

Individuals in Lebanon use financial services in Lebanon mainly for saving (in 2017, 21% of the population declared that they saved money at a financial institution) and borrowing (in 2017, 17% borrowed from a financial institution). Lebanon, known for its large diaspora, shows high level usage of financial services to receive and send remittances (33%).

The use of mobile accounts is non-existent. Banks are creating mobile platforms to provide access to account information, though the use of these accounts is still marginal. The younger generations and immigrants holding bank accounts in Lebanon are the main users of mobile banking services, but they cannot perform any transfers to other accounts.

---

<sup>20</sup> <https://cfi-blog.org/2016/10/07/financial-inclusion-of-refugees-al-majmoua-in-lebanon/#more-22088> n

<sup>21</sup>Financial access survey IMF

The mobile services are exclusively for consulting an account, rather than performing banking operations.

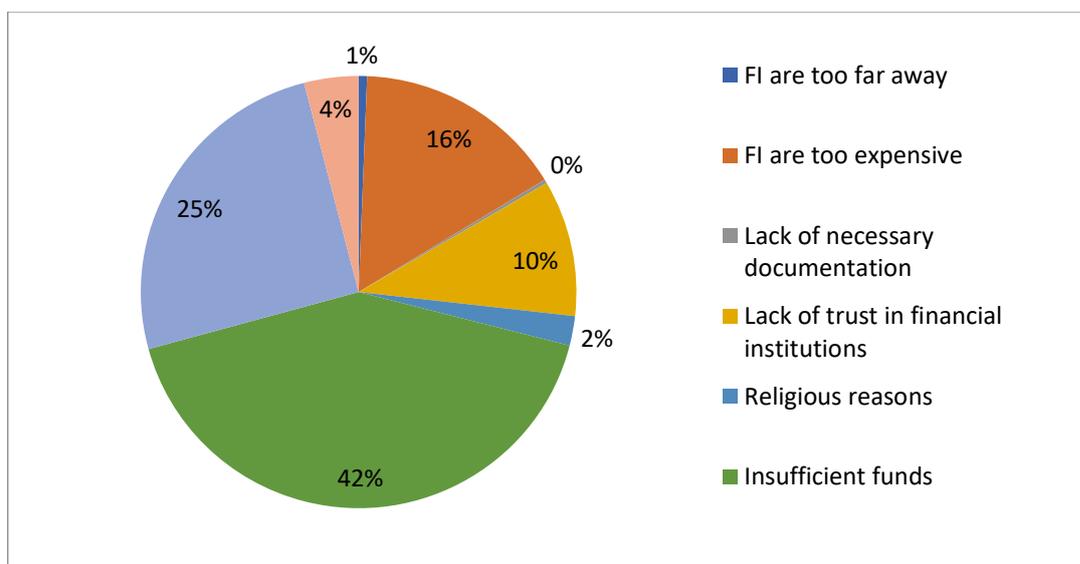
Enterprises use banks as the main financial service provider, as shown in the World Enterprise survey, to finance their investments (53% for 32% of their investments) and their working capital (40% for 17% of working capital).

#### 4. Barriers to financial inclusion

According to the latest Findex figures (2017), 55% of the Lebanese population does not have a bank account. The main reasons for not holding a bank account are: (1) insufficient funds, (2) someone in the family has an account, (3) financial services are too expensive and (4) lack of trust in financial institutions. The geographical access to financial institutions is not an issue in Lebanon, due to the high number of bank branches and the relatively small distances between rural and urban areas. Our survey results are in accordance with the results with the barriers found by the Findex survey.

Another barrier is the anti-money laundering and countering the financing of terrorism regulatory compliance requirement, making the access to finance for individuals more constrained, since each account can be suspicious and needs close regulation, increasing the cost of access to finance.

**Figure 4.2: Reasons for not having a bank account**



*Source: Own elaboration using Findex 2017 survey*

## V. MEASURES TO PROMOTE FINANCIAL INCLUSION

Promoting financial literacy is on the agenda of the BDL's FI unit (Charafedine, Daher, and Barakat 2017). This unit started working on a FI strategy at national level. This two-fold strategy for sustainable economic development and financial well-being defines FI as access to finance for individuals.

The main objectives of the strategy are: (1) To improve the access to finance and investment and facilitate financial transaction via a dynamic and protective regulatory environment, modernised financial and banking infrastructures, and new technological tools and digital channels; (2) To enhance the financial capabilities of individuals and businesses via refining financial investment awareness and literacy of market forces and empowering them to have healthy and responsible economic financial investment behaviours; (3) Focusing on financial consumer protection and its implication for safeguarding the socio-economic interests of citizens and satisfying the needs of consumers and investors.

As they report, the action steps intended to accelerate FI are: (a) To establish an interactive digital FI platform for communication and exchange of best practices and data between stakeholders; (b) To adapt the development of educational materials and designing and implementing training and capacity-building sessions for specific audiences; (c) To introduce the new evidence-based policies and reforms in financial regulation and modernise the financial infrastructure and financial markets, in order to improve customer protection procedures and promote new financial services, including digital services for different segments.

Other actors are also investing in FI initiatives, such as banks, NGOs and international organisations. As an example, some financial literacy initiatives have been launched, but their role is still marginal and operates within very precise workshops. Examples of such initiatives are: INJAZ initiative for financial literacy (supported by Audi bank), and the financial literacy institute.

## VI. CONCLUSIONS AND POLICY RECOMMENDATIONS

In Lebanon, the level of financial development is relatively high compared to the MENA region. After the end of the Lebanese civil war, the financial services sector boomed and grew with the dominance of commercial banks. Commercial banks have a high share of their lending portfolios invested in government debt, whilst relying on the deposits of the Lebanese diaspora to remit funds to Lebanon. This phenomenon has a crowding-out effect on MSME lending. Banks have clear preference for government debt given it has a secure,

high interest rate. This provides high returns to banks and depositors, compared to lending to MSMEs, given the political and economic uncertainty. Some initiatives have emerged to support MSME lending, such as the Kafalat Guarantee Fund, which subsidises some specific projects.

The financial sector needs improvement in terms of access to financial services. The biggest constraint for access is the bad economic situation in Lebanon, due to the political instability in the country and the widespread corruption. It leads to high levels of uncertainty on investments, resulting in high financing costs. Several initiatives and policy steps have been implemented in Lebanon by the Lebanese Central Bank (BDL) but a lot more is needed to improve the access to finance, especially by filling the gaps implied by the market inefficiencies.

The constraints to FI are related to the lack of a sufficient level of information, or the lack of its availability (or reliability). Other constraints are related to financial education and simple access to information. Despite widespread bank branches, financial decision making is still concentrated in the urban offices.

From our survey and studying the market, several policy recommendations emerge on the supply and demand sides.

On the supply side, the first recommendation is regarding the need for banking and financial sector diversity. This diversity is first at the product level: there is a need to oblige banks to have a significant percentage of their portfolios set aside for MSME lending. This way, they can use the deposits to boost the real economy rather than investing them in profitable public debt. This compels us to recommend the development of alternative financial institutions. The Lebanese market needs more diversity in bank and financial institution business models and an increase in the role of digital financial services. The commercial banking sector is dominant, with a low presence of alternative bank structures (fintech actors, cooperative banks, savings banks, etc). Diversity in the banking business model would lead to better lending conditions for clients and contribute to financial system efficiency and resilience (Ayadi et al. 2010). Also, mobile payment services need to be improved, especially with the current crisis transforming the country into a cash economy. This diversity needs to be introduced in parallel with regulations to supervise the new business models on the market.

The second recommendation is to enhance MFI credit information systems and their transparency. There is a need to create a national level platform for information sharing, making access to credit cheaper, whilst lowering the levels of non-performing loans on the market. The MFIs are present in the sector, but their role is still marginal and they are mainly composed of NGOs. The initiatives of the BDL to improve their

transparency are considerable and supporting the work initiated by the Lebanese Association of Microcredit Institutions is recommended, which is working towards sharing information and improving the conditions of the sector. Also, mobile banking services are being developed in the country, but there is room for enhancement and integration of the fintech industry in the supply of financial services.

The third recommendation is to support and develop the guarantee schemes implemented by Kafalat. They contribute to better FI of MSMEs, but they have been cut in half recently. Kafalat should coordinate with regional actors by sharing experiences and mutualising their efforts by creating a regional guarantee fund. They should also coordinate with regulators to design more products, in line with the BDL strategy.

On the demand side, more transparency and accountability surrounding the financial situation of MSMEs is recommended. Good bookkeeping and minimising the use of the informal economy ensures access to the necessary financial information at reduced costs.

Secondly, to improve financial literacy, the education system should incorporate a financial education subject in the school curriculum, especially in public schools. Isolated financial literacy initiatives are valuable but are not sufficient for widespread and homogenous financial literacy in the territory.

The current banking and currency crisis requires short term actions from the government, BDL and local banks. After the default declared by the government, the banking system is unable to deliver foreign deposits, its size is shrinking and clients have lost trust in banks. In the short run, several initiatives are emerging to support MSMEs survival. Kafalat's role can be reinforced in collaboration with the international community (local banks are no longer providing loans). Other initiatives are emerging, such as "Shreek" for lending and saving, using the cooperative model. Also, the diaspora amongst the international community are supporting the funding of local manufacturers, such as the Cedar oxygen initiative.

The role of the EU is important in different dimensions. At the political level, the stability of the region and Lebanon are fundamental to the economic reconstruction of the country. At the financial level, it can support grants and guarantee programmes to help the survival of the local economy. The EU can also provide Lebanese regulators and financial sectors with the assistance to restructure and mutualise their efforts, in order to regain the trust of the population. Such assistance should also reinforce the accountability and transparency of bank revenues and investments, whilst providing better lending conditions for MSMEs and individuals.

## Chapter 5: Financial inclusion in Morocco

*Najat El Mekkaoui<sup>22</sup>, Yeganeh Forouheshfar<sup>23</sup>, Sara Loukili<sup>24</sup>*

### I. INTRODUCTION

In Morocco, despite major reforms implemented since 2002 to enhance economic development and the opening of the financial sector, financial exclusion remains critically high. According to the Moroccan Central Bank (Bank Al Maghrib), the ratio between number of bank accounts to total population<sup>25</sup> has increased from 56% in 2017 to 78% in June 2020<sup>26</sup>. The latest available data from the 2017 Findex survey reveals only 28% of the population aged 15 and above has an account in a financial institution (WB & IMF, 2017). Moreover, similar to many other countries around the world, financial exclusion concerns mainly lower income households, women, the less educated and those living in rural areas.

During previous decades, many measures were initiated to enhance FI, notably those favouring microfinance. As result, Morocco has currently one of the highest rates of microcredit access in the MENA region. Although the sector underwent a crisis in 2008 with the bankruptcy of Zakoura Foundation, one of the country's largest and oldest microfinancial institutions, a series of reforms favoured the sector's quick recovery.

We provide an overview of the main characteristics of FI in Morocco, discuss difficulties affecting access to financial services and present the economic policies implemented to promote FI. The data used comes mainly from the Financial Access Survey (FAS, 2020)<sup>27</sup>, the World Bank Financial Structure and Development dataset (July 2018), and the Bank Al-Maghrib (the Central Bank).

### II. NATIONAL POLICIES TO PROMOTE FINANCIAL INCLUSION

Various measures have been undertaken by Morocco's Central Bank (Bank Al-Maghrib - BAM) and the Ministry of Economy and Finance to boost FI, mainly through

---

<sup>22</sup> Université Paris-Dauphine, PSL Research University, IRD, LEDa, UMR 225, DIAL, Université Internationale de Rabat and EMNES

<sup>23</sup> The Euro-Mediterranean Economists Association (EMEA) and Université Paris-Dauphine, PSL Research University, IRD, LEDa, UMR 225, DIAL

<sup>24</sup> Université Paris-Dauphine PSL, LEDa DIAL IRD and EMNES: sara.loukili@dauphine.psl.eu

<sup>25</sup> It should be noted that this ratio does not represent the percentage of population with a bank account, as some individuals may have more than one account.

<sup>26</sup> BAM, Tableau de bord du système bancaire. Juin 2020 (<https://www.bkam.ma/Supervision-bancaire/Indicateurs-et-publications/Tableau-de-bord-du-systeme-bancaire/Tableau-de-bord-du-systeme-bancaire-juin-2020>).

<sup>27</sup> Financial Access Survey IMF 2020: <http://data.imf.org/FAS>

increasing the number of users of financial services. Significant progress has been made in this direction, in terms of access to banking services (deposits, loans, etc.) and the development of services adapted to the needs of different socio-economic groups facing difficulty in accessing financial services. The survey conducted by Bank Al-Maghrib in 2013 (Benthami, 2019) highlighted gaps between:

- Urban and rural Morocco, with the highest volume of bank accounts and of bank loans concentrated around the Casablanca, Settat and Rabat-Salé-Kénitra regions.
- Men and women, with a penetration gap on banking products of 59%. In fact, only 36% of bank loans are contracted by women and only 33% of total existing bank accounts are owned by women.
- Different age groups of the population, specifically high exclusion for the 15-24 age group, which is mainly explained by the high youth unemployment rates.
- Income groups, as only 19% of adults from the 40% poorest households hold a bank account, as opposed to 35% of adults from the 60% richest households.
- Firms of different sizes, as only 37% of total loans to enterprises are contracted by MSMEs as opposed to 50% contracted by big enterprises (BE). Again, geographically, 65% of loans to MSMEs are concentrated around the large regions of Casablanca and Settat, followed by 14% in the Rabat-Salé-Kénitra region.

These gaps and challenges aside, the main advances accomplished include:

- The transition of Barid Al-Maghrib (Moroccan Post) into commercial banking.
- The establishment of guarantee funds for both low-income households and SMEs.
- The creation of private credit offices.
- The development of policies for consumer protection.
- Initiatives to enhance financial literacy.

These gains were made possible thanks to three major national-level policies, which include (i) the National FI Strategy (SNIF), (ii) Policies supporting SME financing, (iii) Policies supporting access to housing for low-income households, which will now be presented.

#### 4. The National Financial Inclusion Strategy

Although Morocco has made significant progress in FI, particularly in terms of accessibility to formal financial services, consumer protection, financial education and corporate finance, several segments of the population remain excluded from the financial system. Thus, the National FI Strategy (SNIF)<sup>28</sup> was established in 2016, by the Ministry of Economy and Finance (MEF) and BAM, benefitting from the experience and support of national and international institutions, with the objective of defining orientations and action plans that are appropriate to the Moroccan context for FI. It also aims to coordinate actions and define the priorities, roles and responsibilities of all stakeholders. Some of its focus areas are SME financing, microfinance, consumer protection, housing finance, insurance and mobile banking.

Three major objectives are defined within this strategy:

- **Achieve and then exceed the target penetration level of financial services**, through (1) universal access to bank accounts and then to other financial products; (2) maximum conversion of informal to formal savings; (3) an extension of financing solutions to reach smaller businesses and more lower income households; and (4) extend access to insurance solutions for individuals and businesses.
- **Reduce inclusion gaps**, through (1) affordable and easy-to-use solutions; (2) granularity of services with more proximity and (3) accessible financial education tools for all segments of the population.
- **Make FI a leverage for economic and social inclusion**, by making it the centre of other social and economic inclusion policies, such as affordable housing and self-employment (Auto-entrepreneur).

One of the ambitions of the national strategy is to reduce the disparities in access to and use of financial services. In this sense, measures have been implemented to adopt an investment charter, which should simplify administrative procedures for enterprise creation and improve the judicial framework, to ensure the efficiency of regional investment programmes.

Within the framework of this strategy, governance entities were created to deploy the strategy under the leadership of BAM and the MEF:

- **A National Council**: in charge of the overall monitoring of the strategy, with the possibility to reframe the priorities and strategic orientations. It is made up of

---

<sup>28</sup> Bank Al-Maghrib, Stratégie Nationale d'Inclusion Financière, Note de synthèse, Septembre 2018 (<https://www.afi-global.org/wp-content/uploads/2020/12/SNIF-maroc-.pdf>).

representatives of Ministries, regulators and private actors active in the NFIS, and is chaired by the Minister of Economy and Finance.

- **A Strategic Committee:** in charge of steering the progress of projects, key arbitration decisions necessary over time, and the mobilisation of the stakeholders involved. It is made up of representatives of the MEF and the sponsors of projects for FI, and is chaired by the Governor of BAM.
- **A Steering and Coordination Committee:** in charge of the operationalisation of the strategy, operational management, and monitoring the progress of projects. This committee is made up of representatives of BAM and the MEF.
- **Working groups:** these are the teams in charge of executing the projects for FI. Each working group is led by a sponsor and brings together the stakeholders involved in the implementation of the resulting action plans.
- **The steering and coordination groups:** a group from BAM is responsible for coordination, monitoring of achievements and indicators, and the preparation of bodies. The group develops tools to monitor the progress of projects and the indicators of FI.

Moreover, to align goals for the financial sector with sustainable development, the strategy includes a dimension of financial and economic inclusion for the most excluded segments of the population, mainly women. Hence, it considers women to be one of the priority targets through commitments to financial education, the offer of adapted financial services, and the establishment of indicators by gender. Moreover, as part of more recent developments, in June 2021, a cooperation protocol was signed between BAM and the United Nations Development Programme (UNDP) to enhance digital FI, through promoting the usage of digital financial services and by targeting women in disadvantaged areas.<sup>29</sup> Furthermore, the [PACS programme](#) (Programme d'Appui à la Compétitivité des Services, 2016-2022/ 105 M€), which is a technical assistance programme funded by the EU, has a FI pillar, addressing the poor access to financial services, especially in rural areas.<sup>30</sup>

## 5. Policies supporting SMEs financing

To boost the financing of SMEs, start-ups and innovative companies, several measures have been undertaken such as the “*Innov Invest*” fund, which was launched by the government in 2016 to support start-ups with a current budget of over 500 million

---

<sup>29</sup> <https://www.ma.undp.org/content/morocco/fr/home/presscenter/pressreleases/2021/bank-al-maghib-et-le-pnud-signent-un-protocole-de-partenariat.html>.

<sup>30</sup> <https://competitivite-pacc.ma/wp-content/uploads/2021/01/Infographies-PACC-SNIF-01-2021.pdf>.

dirhams. There has also been implementation of procedures and charters to promote and strengthen the intervention of business angels to finance start-ups, plus the development of crowdfunding to support the financing of innovative companies. The latter mechanism consists of linking, via the Internet, young project leaders with a wide public. The law n° 15-18 on Crowdfunding was adopted in February 2021 by the Chamber of Representatives in parliament. Furthermore, the “*Intilaka*” funding programme was launched in February 2020 by the Moroccan government to support and finance start-ups and SMEs that have existed for less than 24 months.

### *Programmes for women’s financial and economic inclusion*

Among the projects targeting the financial and economic inclusion of women, the Women in Business programme was launched in 2018 by EBRD, along with the BMCE and BMCI Bank. This programme, supported by funding from the [European Union](#) under its EU Initiative for FI, aims to support women through financing, training and assistance. It provides a unique approach to promoting women’s entrepreneurship and participation in business, combining a wide range of activities to enable SMEs led by women to access the finance and know-how they need to grow. Moreover, credit lines through partner financial institutions for dedicated on-lending to women-led SMEs are combined with business advice to help women-led enterprises become more competitive. They also offer training, mentoring and networking opportunities that enable businesswomen to build networks and share experiences with their peers.

### *Guarantee funds in support of SME and start-up financing*

One of the key measures adopted to support SMEs are the guarantee funds that were developed by the state for both general and sectorial purposes. Among these guarantee funds are:

- The Central Guarantee Fund (CCG)<sup>31</sup> and Financing Guarantees for investments granted by the (CCG) warranty
- The Guarantee Fund for the Upgrade “FOGAM”
- FINEA Guarantee Fund
- Dar ad Damane Guarantee Fund

---

<sup>31</sup> Ministère délégué auprès du Ministre des Affaires Étrangères et de la Coopération Internationale Chargé des Marocains Résidant à l’Étranger et des Affaires de la Migration, « Les principaux moyens de financement pour les MRE », in : <http://www.marocainsdumonde.gov.ma/sites/default/files/Fichiers/Pages/MRE-LES%20PRINCIPAUX%20%20MOYENS%20DE%20FINANCEMENT.pdf>, January , 2019.

- Tamwil al Fellah

There are broadly two types of services offered by the guarantee funds mentioned above (table 5.1):

- The guarantees of investment, operating, financial restructuring and risk capital loans
- Co-financing with banks of investment and innovation programmes

In Table 5.1 presents the main guarantee funds and programmes offered to SMEs by these institutions:

**Table 5.1: Guarantee Fund programmes in Morocco**

Organisation	Name of Guarantee Fund's programme	What it offers
Dar Ad Damane	Al-Tahfiz-Leasing (1990)	Guarantees for loans for any young enterprise with under 1 year of activity operating in sectors other than fishery, agriculture and liberal professions.
CCG <sup>32</sup>	Damane Capital Risque (2016)	Support for equity and quasi-equity projects carried out by venture capital companies in eligible companies.
	Damane CREA (2014)	Guarantee of medium and long-term investment credits and leases.
	Damane Express (2012)	Guaranteed investment, operating and leasing bank loans for companies in creation or in development.
	ILAYKI (2013)	Preferential guarantee of short, medium and long-term bank loans and leases, less than or equal to 1 MDH (with a majority of women-owned companies).
	Mouwakaba (2014)	Guarantee of the loans of honour granted by the associations to the carriers of projects.
	Tourism Guarantee Fund	Guarantee of medium- and long-term bank loans for the development of accommodation and/or tourist animation products.
	Damane Exploitation (2012)	Guarantee of operating credits to finance the operating needs of potentially viable businesses.
	Damane Développement (2014)	Guarantee of medium and long-term bank loans and leases of an amount greater than 1 million dirhams for the realisation of extension and modernisation projects initiated by companies created more than 3 years ago.
	Damane Transmission (2014)	Guarantee of medium and long-term bank loans granted by banks for the financing of business resumption.
	Guarantees for public contracts for exports (2013)	Guarantee of bid bonds (or provisional), of return of advance, of end goods, and of retention of guarantee on behalf of exporting companies bidding for or holding works contracts, supplies or services abroad.
	Damane Export (2013)	Guarantee of bank loans intended to finance operating credits higher than 1MDH of the exporting companies.
Maroc Export	Export Growth Contracts Programme	Financial and technical support to companies with potential for export. The objective is to help recipient exporting companies to prospect new

<sup>32</sup>See CCG website for more information: <https://www.ccg.ma/fr/garantie>.

	(ECC) (2014)	markets.
TEF	Individual/collective loan for agricultural activities (2010)	Prudential stability fund for agricultural activity.
Dar Ad Damane	FORCE Leasing (1990)	Guarantees for loans for any young enterprise with under 1 year of activity operation in sectors other than fishery, agriculture and liberal professions.
FINEA	FINEA Cautions (2004)	Guarantees to cover the pecuniary guarantees required by the principals to bid on a public contract.

Source: Various, Ministry of finance, GIZ

## 6. Policies supporting household financial inclusion

Two types of actions have been identified for FI of households, which include (i) promoting access to financial services and education of households, and (ii) supporting access to housing for low-income households. The first type of actions is geared towards promoting access to deposit accounts. BAM issued two Directives<sup>33</sup> in 2010, mandating banks to offer a number of services for free, for instance opening an account to perform basic operations, such as receiving salaries, ATM withdrawals, transfers to other accounts within the same bank, etc. Banks were also required to waive minimum transaction or balance requirements and closing fees, as well as limit account maintenance fees for such accounts. Another measure to promote FI was establishing the Moroccan Foundation for Financial Education (FMEF, *La Fondation Marocaine pour l'Education Financière*), launched in 2013 on the initiative of BAM to define and implement a national financial education strategy that unites the efforts of public and private actors and capitalises on international experiences. The second type of action targets the easing of access to housing finance for low-income households. Actions include providing guarantees and micro loans for housing, on the demand side, as well as tax breaks and subsidies to developers for making affordable housing available, on the supply side.

### III. REGULATORY FRAMEWORK

Many reforms in the legal, regulatory and supervisory framework have taken place with the goal of promoting FI. The three main pillars are (i) a general legal and regulatory framework to extend the range of financial services, (ii) regulations for non-bank financial institutions and (iii) regulations for consumer protection. In 2014, BAM enacted a new

<sup>33</sup> According to Directive n°1/G/10 and Directive n°4/G/10 (bank account opening).

banking law (Law N. 103-12) aimed at enhancing FI. This law includes a legal mandate for consumer protection and introduces licensing and supervision of new institutions (Table 5.2): (i) participative banks; (ii) non-bank providers of payment and transaction account services (IMF, 2016). This law removed barriers to allow non-bank institutions to apply for a payment institution license and issue e-money. They can now apply for a license to offer financial services.

Reforms in the microcredit sector have taken place since the 2007-2008 crisis (Law No. 41-12 of 28 December 2012). These reforms moved in the direction of raising transparency and collaboration amongst the actors in the sector. The MEF has primary responsibility over microfinance, but the 2006 Banking Law delegated supervisory responsibilities to BAM. The MEF and the BAM have issued new rules on loan classification and provision, and in 2009 BAM issued a new directive on governance, risk management and internal controls for MFIs.

The legal and institutional framework for secured transactions, including procedures for collateral enforcement, also needs to be strengthened. Credit information in the region on clients/active borrowers is improving in quality and availability, with the establishment of credit registries and credit bureaus. Any gaps in information sharing can be costly, as the 2008 crisis showed, where micro-credit institutions (MCIs) managed to increase their loan portfolios 11-fold between 2004 and 2007. In the absence of a proper information database, MCIs competed amongst each other for the same clients, in the same market (39% of clients had multiple borrowings) and without appropriate risk management capacities to prevent client over-indebtedness. The reforms in the sector included more rigorous regulation and supervision through BAM and a more transparent credit information sharing system to overcome multiple lending issues, leading to better risk management.

**Table 5.2: Regulatory framework of micro-finance in Morocco**

<b>Law n° 15-18 of March 2018</b>	Defining and fixing composition and modalities of operation of crowdfunding
<b>Law No. 103-12 of December 24, 2014 on Credit Institutions and Related Organisations (Banking Law)</b>	Promulgated by the Dahir No. 1-14-193 of December 24 <sup>th</sup> , 2014, reviewing the operation of the deposit guarantee scheme by banks in Morocco and including provisions for the creation, by BAM and the member credit institutions, of a public limited company entrusted with the management of the collective deposit guarantee fund (FCGD) and the participating banks' deposit guarantee fund. The purpose of the Law's new provisions is to enhance the governance of the deposit guarantee scheme, previously managed by BAM, and to align with the fundamental principles for effective guarantee schemes, as enacted by the Basel committee and the International Association of Deposit Insurers (IADI)
<b>Law No. 41-12 of 28 December 2012 amending and supplementing Law No. 18-97 on Micro-credit</b>	Defines microfinance institutions as associations governed by the Dahir N°1-58-376 (15 November 1958) Defines microcredit as credit with the purpose of enabling "economically weak" persons to: create or develop their own production or service activity with a view to ensuring their economic integration acquire, build or improve their housing have electrical installations or supply their homes with drinking water Fixes the threshold of loans to MAD 50.000; but the implementing decree limits it to MAD 30.000 Defines two management structures: a consultative council for microcredit (CCM) a body for consultation, internal coordination and external representation (The National Federation of Microcredit Associations, FNAM)
<b>Circulars of Bank Al-Maghrib November 2006</b>	Circular of the Governor of Bank Al-Maghrib N°22/G/2006 of November 30 <sup>th</sup> , 2006, relating to the terms of financing, management and intervention of the collective fund deposit guarantee Circular of the Governor of Bank Al-Maghrib N°3/W/14 of June 10 <sup>th</sup> , 2014, amending and supplementing the previous circular relating to management and financing modalities and intervention of the Collective Deposit Guarantee Fund
<b>Décret 20 March 2000</b>	Instructs the Minister of Finance to fix the models of the accounting statements of microcredit associations
<b>Décret du 4 May 2000</b>	Fixes the composition and modalities of operation of the microcredit consultative council (CCM)

*Source: Own elaboration using various sources*

## IV. SALIENT FEATURES OF FINANCIAL INCLUSION IN MOROCCO

Actions adopted by BAM and MEF, and the Financial Sector Assessment Programme (FSAP) conducted by the IMF and World Bank, resulted in a significant progress in the banking rate, which reached 70% in 2016, having not exceeded 25% in 2005 (Bank Al-Maghrib <sup>34</sup>).

### 1. Availability of financial institutions

The major structural reforms implemented since 2002 have led to a stable, cost-effective and resilient banking sector (IMF, 2008).

#### *Commercial Banks*

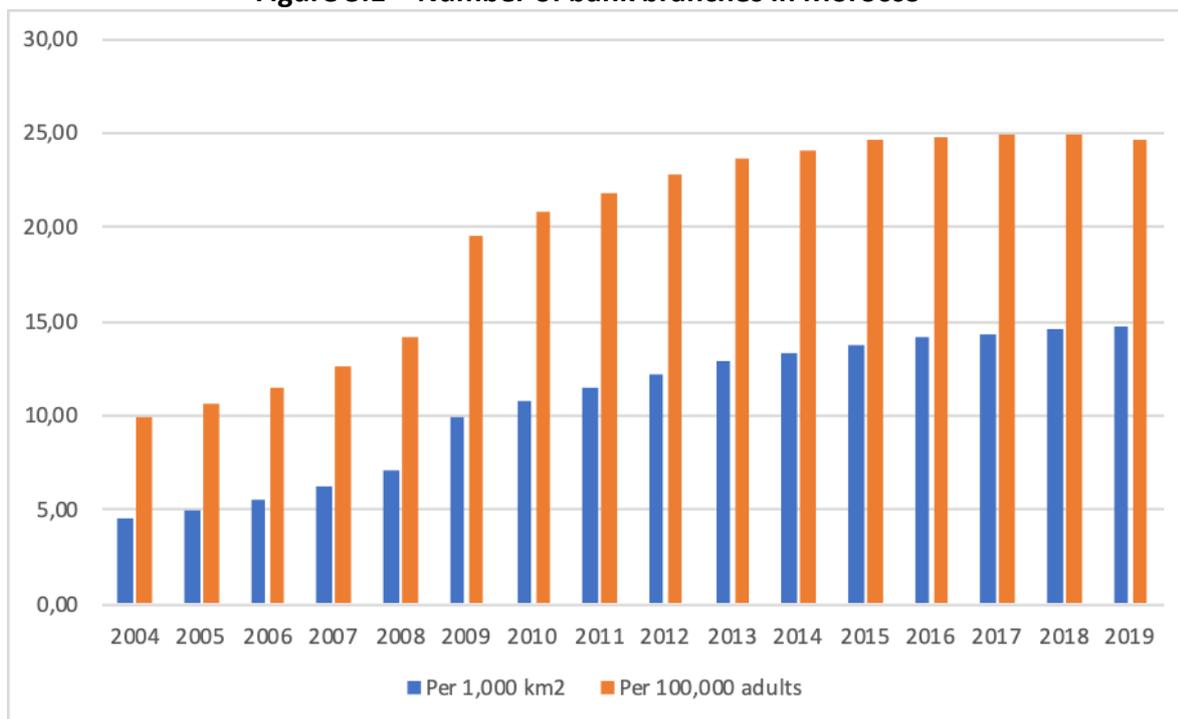
The financial sector in Morocco is bank based (i.e., banks are the main providers of financial services). They offer various financial services, from savings and lending products to money transfers, payment services and mortgage finance. Some banks have launched ‘Low Income Banking’ (LIB) strategies to enhance inclusion and target lower-income households, competing with MFIs and money transfer companies.

There has been significant progress in the availability of financial services provided by commercial banks, in terms of the number of both bank branches and ATMs during recent years, with both figures having increased substantially in the past decade (Figures 5.1 and 5.2).

---

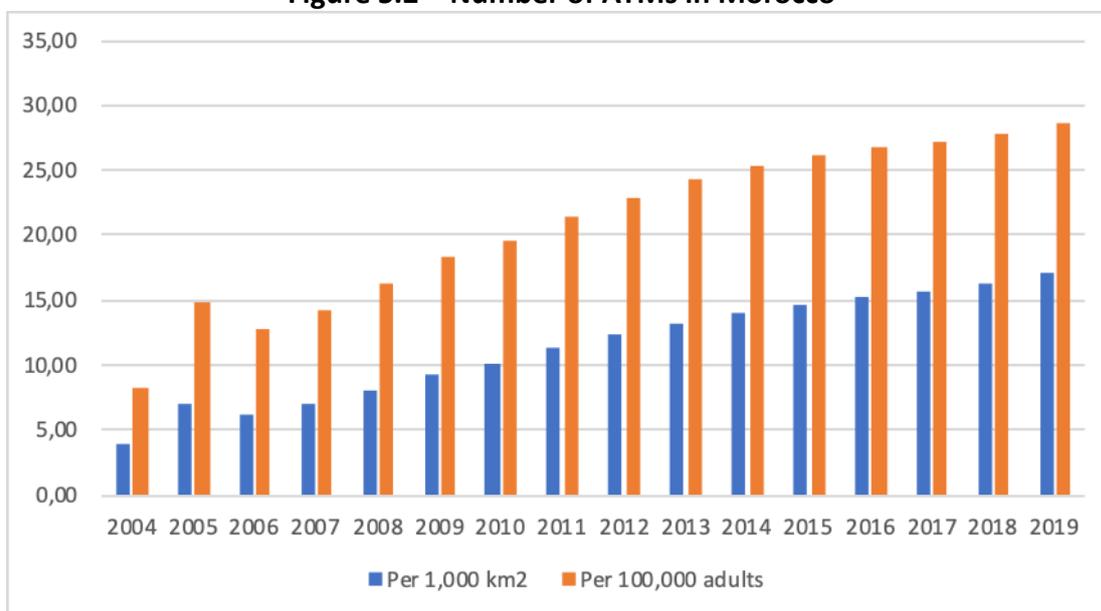
<sup>34</sup>Bank Al-Maghrib, Directory of banking supervision, “Témoignage BAM – Maya Declaration”

Figure 5.1 – Number of bank branches in Morocco



Source: FAS database IMF, 2020.

Figure 5.2 – Number of ATMs in Morocco



Source : FAS database IMF (2020)

### *Microfinance institutions*

The microfinance sector Morocco is one of the most advanced amongst MENA countries. Moroccan MFIs ranked amongst the best performing institutions in the region (5 of the Moroccan MFIs were present in Forbes classification of the World's Top 50 MFIs in 2007).

Despite the early success and impressive growth of the microfinance sector and the increase in loan sizes by 132% between 2002 and 2008, the sector went through a debt crisis in 2008-2009. The crisis triggered the bankruptcy of the second largest Microcredit Association at the time, Foundation Zakoura. The government facilitated its absorption by Foundation Banque Populaire (Attawfiq), helping to prevent a potentially greater disaster.

Currently the sector includes 13 Microcredit Associations<sup>35</sup>, although it is still highly concentrated with Al Amana, FONDEP (Albaraka) and Attawfiq owning 90% of the market share. Nevertheless, Morocco has one of the highest rates of microcredit access in the region. According to the World Bank (2016), the sector reaches about 5% of the adult population, targeting low-income clients with 16% of those in the poorest two income quintiles reporting having used a microfinance product, compared to 11% amongst the rest of the population. Moreover, the sector succeeds in targeting those with no access to formal banks, and it is highlighted in the technical note that only 1% of adults with an outstanding loan from an MFI also report having credit from a bank, with only 8% of these adults having a savings or deposit account with a bank.

### *Postal network*

The Moroccan postal bank, Al-Barid Bank (ABB) transitioned to a commercial bank in 2009, with the goal of providing access to banking services, such as savings accounts, money transfer and insurance, to poor households - specifically to those located in rural areas - where financial exclusion is more severe. ABB accumulated over 6 million deposit and savings accounts by end of 2014, which represents 31% of all bank accounts (WB, 2016). ABB can grant housing loans, thanks to its partnership with a mortgage lender, and is currently forbidden by BAM from providing other types of loans, since like any other public commercial bank, ABB is under the supervision of BAM.

---

<sup>35</sup>Al Amana, FONDEP (Albaraka), Attawfiq and ARDI have a national coverage, while AMSSF, INMAA et Al Karama have regional coverage and Fondation du Nord, ATIL, Ismailia, Tawada, AMOS are local associations. Bab Rizk Jameel (BRJ), started its activity in 2010 mainly in rural areas

## Mobile Banking

Mobile and branchless banking is an efficient tool to reduce the cost of financial services and to provide access to finance in low-density areas where financial exclusion is high. The introduction of mobile banking has effectively enhanced FI in many countries, especially in Sub-Saharan Africa. Kenya is a successful example (Donovan, 2012), since the country has a significant share of rural population<sup>36</sup> and a low level of banked people, combined with a widespread mobile penetration<sup>37</sup>; Morocco, like many other countries in the MENA region, has great potential for mobile banking. Besides this, the country's relatively favourable regulatory framework reinforces innovation and private sector activity. In addition, one major element that can motivate the rapid adoption of mobile money is remittances. In El Salvador, for instance, a high level of remittances contributed to jumpstarting the use of mobile money. The situation could be similar in Morocco, as there is a large number of expatriates, who in 2017 sent home remittances equal to 6.27% of GDP (source: World Development Indicator dataset by World Bank).

The solution was launched back in 2018, upon realising the potential held by mobile banking and highlighted by the study carried out by a special committee that brought together efforts and expertise of key actors, namely BAM, the The National Telecommunications Regulatory Agency ANRT, the main banking institutions, telecom operators, the MEF and the Ministry of Industry. Furthermore, to promote the use of electronic payments, the acceptance of mobile payments by merchants and its adoption by the population, within the framework of the Finance Law 2020, the Government adopted tax incentives relating to a reduction of 25% of the annual turnover, achieved via mobile payments for merchants under the simplified net income and flat-rate regime<sup>38</sup>.

## 2. Access to financial services

Major socio-economic factors affecting access to financial services are gender, working status, educational attainment and the place of residence (rural versus urban). One of the major barriers to FI is the high illiteracy rate, especially amongst women in rural areas.

---

<sup>36</sup>According to World Development Indicators (WDI), more than 39% of the population lived in rural areas in 2016.

<sup>37</sup>According to WDI, the number of mobile cellular subscriptions per 100 people in 2016 was 117.6. Hence, penetration rate for mobile phones in the country is much higher than for bank accounts (117.6% versus 28%).

<sup>38</sup> For more information, see « rapport annuel : stratégie nationale d'inclusion financière », Bank Al-Maghrib and Ministry of Economy, Finance and Administrative Reform, N°1 2019 <https://www.finances.gov.ma/Publication/dtfe/2020/rapportannuel-SNIF2019.pdf>

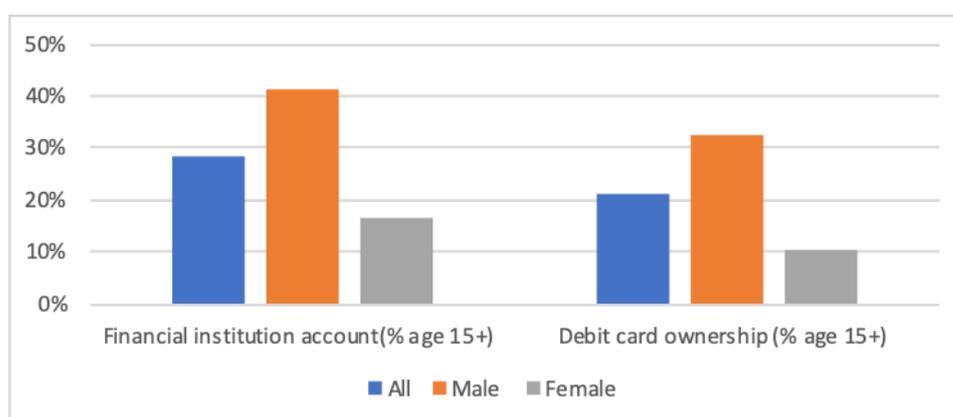
**Table 5.3- Illiteracy rate according to gender and place of residence (in %)**

	Gender	1960	2004	2014	2018 <sup>39</sup>
Urban	Women	88	40	30.5	n/a
	Men	58	19	13.7	n/a
Rural	Women	99	75	60.4	n/a
	Men	85	46	35.2	n/a
Total	Women	96	55	41.9	35.4
	Men	78	31	22.1	16.7

*Source: Haut Commissariat au Plan (HCP), World Bank (WDI)*

As shown in Figure 5.3, men are twice as likely as women to own an account in a financial institution, at 41% and 17% respectively. According to Figure 5.4, financial exclusion is more severe for people with lower levels of education, those living in rural areas, and those who are unemployed. Only 18% of unemployed people have an account in a financial institution, versus 43% of the employed population. Merely 23% of those with primary education, and 20% of people living in rural areas have an account at a financial institution.

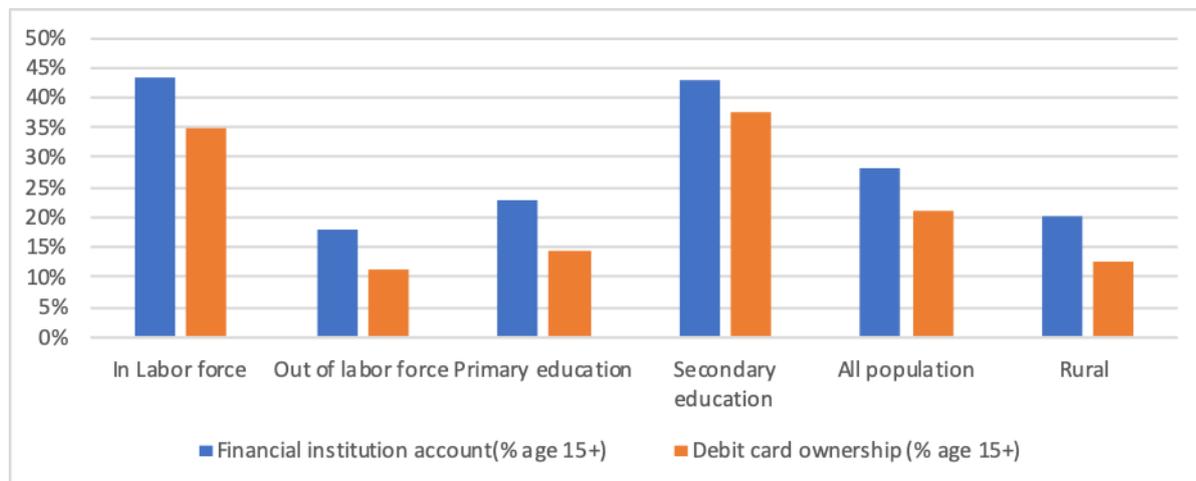
**Figure 5.3: Access to financial services by gender**



*Source: Findex survey 2017*

<sup>39</sup> Adult literacy rate, population 15+ years, latest (2018) UNESCO Institute for Statistics (uis.unesco.org). Data as of September 2020

**Figure 5.4: Socio-economic characteristics and access to financial services.**



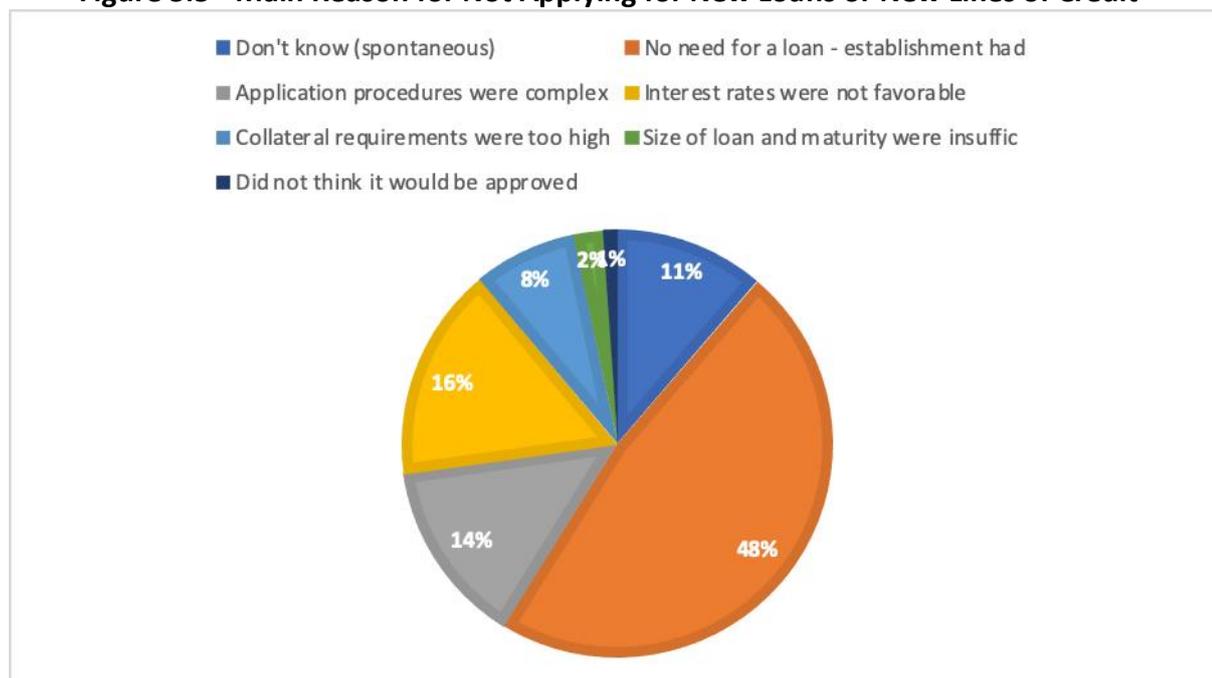
*Source: Findex survey 2017*

Regarding the FI of firms, according to the 2019-2020 World Bank Enterprise Survey<sup>40</sup>, 62% of establishments have either a checking or savings account.

The access to credit is very limited, with 69% of establishments not having a bank loan or line of credit. The main factors hindering access to credit are unfavourable interest rates, complex application procedures, and high collateral requirements (World Bank Enterprise Survey 2019-2020).

<sup>40</sup> Survey conducted in Morocco between May 2019 and January 2020 (the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the World Bank Group (WBG))

Figure 5.5 - Main Reason for Not Applying for New Loans or New Lines of Credit



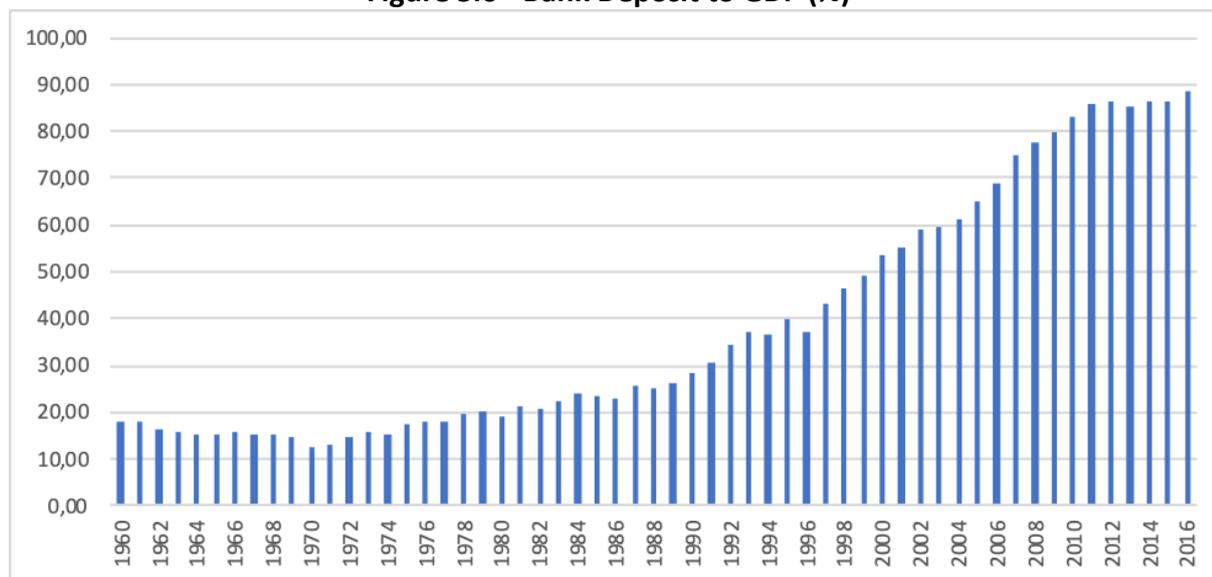
Source: Authors using World Bank Enterprise Survey 2019-2020

### 3. Use of financial services

#### Banking sector

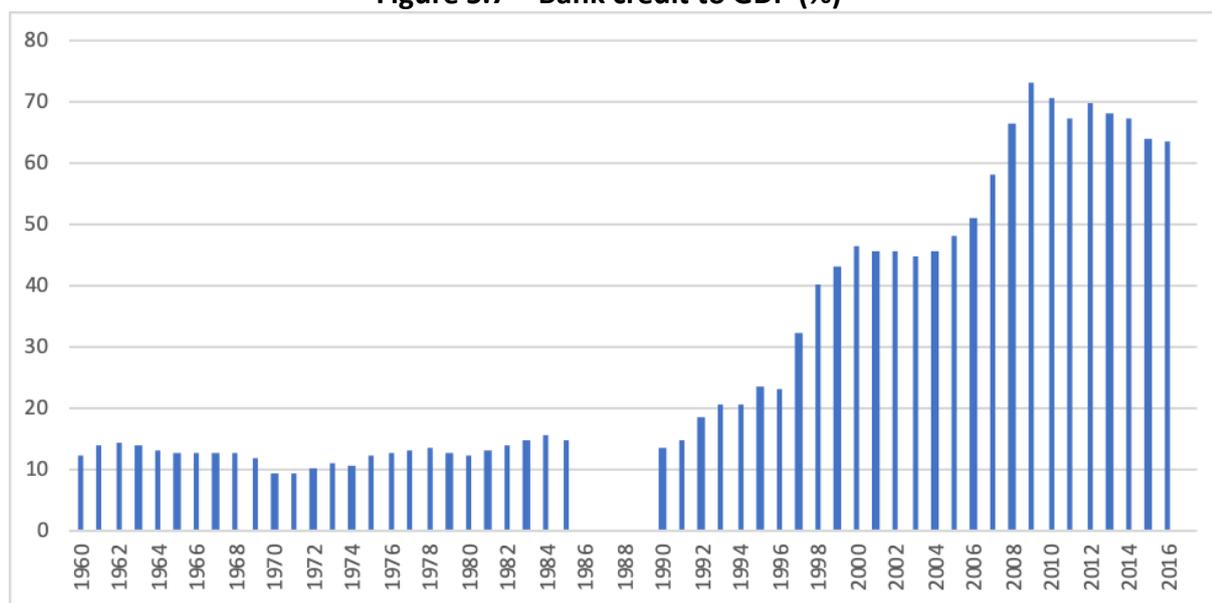
Bank deposits have taken off significantly since the reforms implemented in the 1990s. Bank deposits as a share of GDP reached 88.63% in 2016, compared with less than 20% in the 1980s. Bank credits have almost followed the same path of bank deposits, increasing steadily after the reforms in the 1990s. However, credits have declined since the 2008 crisis, resulting in limiting multiple borrowing. (cf. Figure 5.6 and 5.7).

Figure 5.6 - Bank Deposit to GDP (%)



Source: Financial Structure and development dataset (2018)

Figure 5.7 – Bank credit to GDP (%)

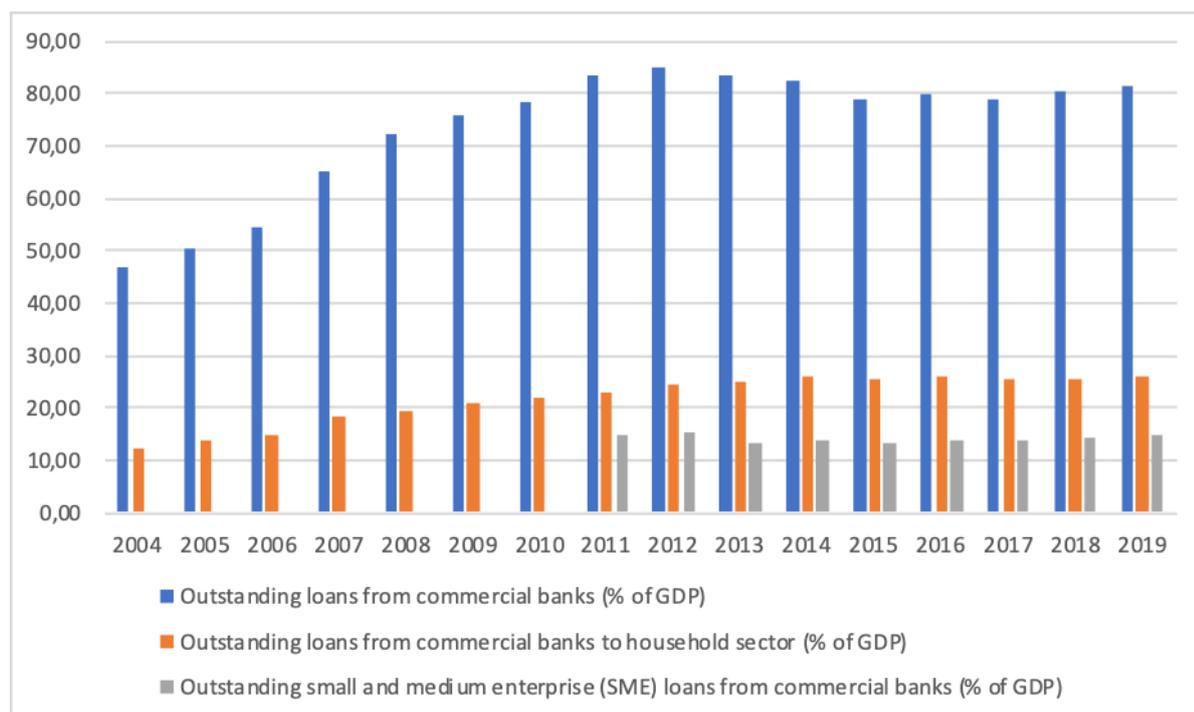


Source: Financial Structure and development dataset (2018)<sup>41</sup>

<sup>41</sup> Bank credit to GDP is calculated by multiplying « Bank deposit to GDP » and « bank credit to bank deposit ».

Even though the non-bank financial institutions are growing, the major sources for SME financing are banks. Figure 5.8 shows outstanding loans with commercial banks as a share of GDP, reaching 81.5% in 2019. 31.6% of these loans are destined for households, whilst merely 18.3% of them are dedicated to SMEs.

**Figure 5.8 - Outstanding loans with commercial banks**



*Source: FAS database IMF (2020)*

In the context of weak financial access, it is crucial to take into account informal credit allocation and savings. In 2013, a study by BAM and the World Bank highlighted the importance of informal savings and credits. In this survey, it emerged that 14% of Moroccans used credit self-help groups and community savings, whilst about 33% reported saving at home. One of the interesting findings is that nearly half the population did not use any method to save, with some 10% of adults mixing between formal and informal saving and credit methods, whilst about 33% used informal methods only<sup>42</sup>. Informal borrowing patterns were also important, with 18% of Moroccans using formal credit products

<sup>42</sup> Bank Al-Maghrib & World Bank, December 2014, « Enhancing Financial Capability and Inclusion in Morocco », figure 6 – WB Financial Capability Survey, Morocco 2013, p.32.

(mortgage, microfinance credits...etc), 8% borrowing through informal methods (friends, family...) and less than 1% mixing the two. Moreover, about 72% of Moroccans reported not using any form of borrowing<sup>43</sup>. The saving patterns unveiled strongly point to informality and mistrust.

## 7. Barriers to financial inclusion

According to the key elements analysed previously, two different categories of barriers to FI could be highlighted, on the demand side and on the supply side. On the demand side, the major barriers that hinder FI are:

1. *Cultural factors*: these barriers arise with respect to gender, economic and cultural background. Women are disadvantaged by credit requirements, as the property is mostly registered under men's names.
2. *Financial literacy*: not all bankable people have sufficient knowledge or skills to identify and evaluate the financial products available to them. This issue is very pronounced in Morocco, where illiteracy rates are significantly high, especially amongst women and in rural areas. Financial education is essential to making a good assessment of risk and attracting new clients.
3. *Mistrust towards financial institutions*: this issue especially concerns MFIs. The over-indebtedness crisis in 2008 made clients even more cautious.
4. *Lack of funds*: the principal self-reported barriers to FI are insufficient funds, individuals without a fixed revenue being penalised, and high collateral requirements in the country, which exacerbates this situation (Findex survey, 2017).

On the supply side, barriers include:

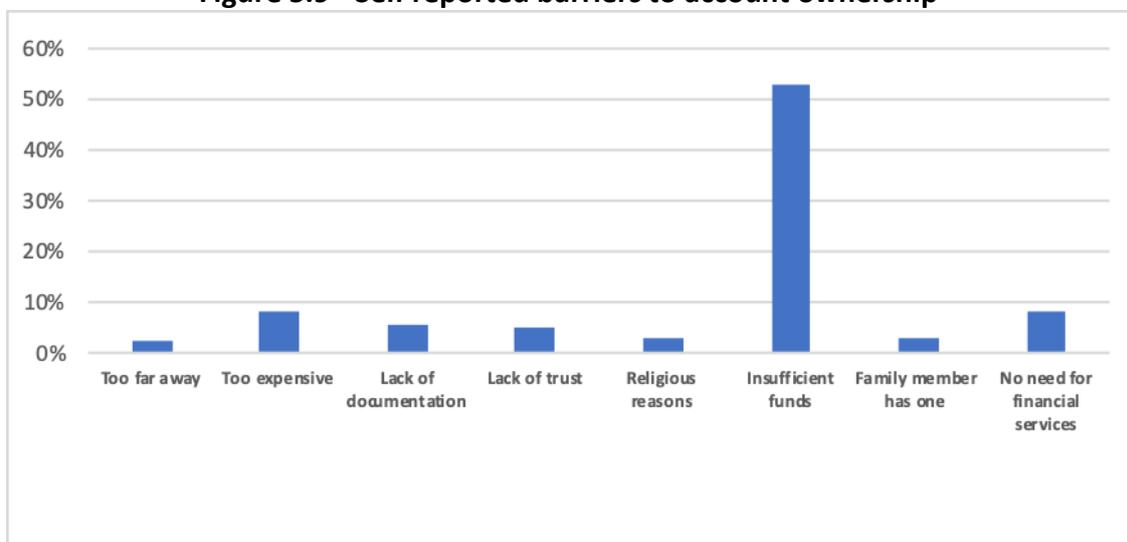
- *Infrastructure*: although the number of bank branches and MCIs have increased consistently in past decades, they are still insufficient to provide access to the growing population. Increased access is mostly provided to urban areas, whilst 36% of the population living in rural areas are not included (HCP for 2021).
- *High Costs*: High costs are associated with opening and maintaining an account. For mobile or branchless banking, a high transaction cost is a huge obstacle to the universal usage of such services.
- *Human capital*: lack of skilled and competitive staff is another major obstacle to providing efficient financial services. This problem is due to the low quality of the

---

<sup>43</sup>Bank Al-Maghrib & World Bank, December 2014, « Enhancing Financial Capability and Inclusion in Morocco », figure 6 – WB Financial Capability Survey, Morocco 2013, p.33.

educational system, and needs to be tackled in order to make the national banks competitive internationally and to open up the national market to foreign banks.

**Figure 5.9 - Self reported barriers to account ownership**



Source: Findex survey 2017

## V. MEASURES AND POLICIES TO PROMOTE FINANCIAL INCLUSION

Measures adopted by various actors since 2007 underline Morocco's commitment to broadening the scope of policies for financial and economic inclusion.

### *Towards an inclusive vision of policies for financial inclusion*

Actions have been undertaken in the direction of facilitating access to credit for SMEs, enhancing financial education, providing access to banking services for different groups of the population, and promoting financial innovation and consumer protection. BAM has revised the regulatory framework to reinforce competition and innovation, whilst enhancing consumer protection. Furthermore, it has joined the AFI to exchange and benefit from the expertise of its peers at an international level. In 2013, in line with the Maya declaration, Morocco engaged in (1) promoting FI by increasing access to bank accounts to two thirds of the population, (2) enhancing financial education through the creation of the FMEF, (3) increasing competition in favour of consumers and (4) launching a study to evaluate the financial capacity of the population. In 2014, indicators for FI were developed in order to perform a sound evaluation of the sector, according to the international standards of the network's FI Data Working Group (FIDWG). In 2015, an evaluation of the

financial sector was carried out by BAM and the IMF. In 2016, the Moroccan Observatory for SMEs (*Observatoire Marocain de la TPME*) was launched to mobilise public and private actors to collect reliable information regarding demographic, economic and financial aspects of the country.

### *Financial inclusion policies through new technologies*

Recent policy developments and measures for FI reflect the will to sustain the momentum of progress. Besides the development of the national FI strategy, BAM turned to developing competition in the banking and payment markets through various measures, including a recent cooperation agreement with the Council of Competition. Moreover, measures geared towards consumer protection and personal data protection were strengthened. A further step towards new challenges was the establishment of "One Stop Shop Fintech" to support the development of the Fintech ecosystem and the launch of a national study on climate risks by BAM. Commercial banks are also encouraged to account for environmental risks in their strategy and governance.

As one of the major actors for FI, the Moroccan Capital Market Authority (AMMC) made a commitment to adopting regulations favourable to innovation within its 2021-2023 strategic plan<sup>44</sup>. This commitment strengthens the agency's support for the operationalisation of new markets, such as futures markets and innovative financial instruments, thus making it possible to diversify the offering and improve market liquidity. These commitments are translated into actions, such as those favourable to crowdfunding and those aimed at broadening the range of Sharia Compliant instruments to different market segments.

### *Sustaining policy benefits for future generations*

Some of the most important measures adopted are policies for education on FI (table 5.4), which should yield benefits for generations to come.

Financial education is a major component of FI and consumer protection. The financial education strategy, mainly driven by the FMEF and created in 2013 though an initiative of BAM, is based on a multi-targeted approach favouring the most vulnerable groups and developing programmes that consider their socio-cultural and economic specificities. Through the foundation, Morocco established awareness-raising and financial education programmes adapted to different segments of the population, in order to promote their FI. As part of the national strategy for FI, financial education measures also

---

<sup>44</sup>See the AMMC 2021-2023 strategic plan for more information on key orientations in <https://www.ammc.ma/sites/default/files/Dossier%20de%20presse%20-%20Plan%20strat%C3%A9gique%202021-2023.pdf>

consider the development of skills within the population for the acquisition of capacities to assume financial decisions and risks.

**Table 5.4 – Different financial education (FE) programmes in Morocco**

Socio-economic group	Type of FE programme	Year
Children & youths	Extra-curricular FE activities: financial education days for youths and children to meet with financial sector actors (banks, insurance companies, BAM, stock market).	2013
	FE in curricular books: a pilot project in more than 100 primary schools in the Rabat region that trains teachers in FE with simple content. Three guides have been developed for inspectors, teachers and students.	2013
	FE for youths out of school: a partnership with the office of vocational training and employment promotion (OFPPT) to train youths in vocational training. The action plan included the training of 3000 trainers, who trained 20,000 beneficiaries by 2018.	2013
Low-income households and illiterate populations	Focus on mass media outlets to convey content through a simplified, easy-to-understand and close-to-the-culture method. A partnership with the National Agency for the Fight against Illiteracy to train 600 facilitators to train about 90,000 beneficiaries. An adapted teaching pedagogy has been adopted.	2014
Migrants	A partnership with the International Labour Organisation (ILO) allowing the development of a special FE training programme for migrants in Morocco.	2016 <sup>45</sup>
Small & Micro-Enterprises and Auto-entrepreneurs	Cross-cutting actions: modules covering all stages of company life and a guide aimed at improving access to financing (types of offers and conditions). Another special programme with the Al-Amana Microfinance Association that provides a toolkit for Auto-entrepreneurs on personal finances and launching their professional project Sectorial specific actions: actions developed for financial education by sector, focused on artisans and agriculture.	2017 <sup>46</sup>

Source: CDVM & Bank Al-Maghrib<sup>47</sup>

## VI. CONCLUSION

In the context of the global COVID-19 crisis, access to financial services and credit is at the heart of most mitigation measures taken by the Moroccan government. Furthermore, access to financial services is a key element in the implementation of any

<sup>45</sup> ILO guide migrants.

<sup>46</sup> Bank Al-Maghrib, 2017, "Éducation financière dans le monde Arabe : stratégies, mise en œuvre, et impacts », p.19, in : <http://pubdocs.worldbank.org/en/152281499427629476/WBBOOKLET-FR-7-5.pdf>

<sup>47</sup> CDVM C. (2012). News Letter (Rep. No. 10). "Stratégie d'éducation financière" Retrieved October 17, 2018, from CDVM (cdvm.gov.ma), [http://www.ammc.ma/sites/default/files/NL\\_2012\\_T2.pdf](http://www.ammc.ma/sites/default/files/NL_2012_T2.pdf)  
Éducation financière dans le monde arabe : Stratégies, mise en œuvre, et impacts (Rep.). (2017). October 18, 2018, <http://pubdocs.worldbank.org/en/152281499427629476/WBBOOKLET-FR-7-5.pdf>

policy targeting vulnerable groups of the population and, in particular, being able to reach them. During the pandemic, the Moroccan authorities implemented different measures dedicated to households, workers in the formal and informal economy and enterprises, in order to contain the impact of the crisis from cash transfers, credit allocation with low interest rates, the development of guarantee schemes and a liquidity injection to the financial system.

In the current unfavourable environment, despite achievements in FI in the previous decade, challenges persist. There are disparities between rural and urban areas, between genders, and between stable and inconsistent income populations. Meanwhile, the quality of data is improving and the development of an effective measurement system is being elaborated. As a multi-dimensional concept, coordination amongst all stakeholders is a major challenge in promoting FI.

Morocco's National Strategy for FI emphasises the importance of promoting exchanges and collaborations for successful action implementation. Furthermore, for FI measures to yield desirable outcomes, they must develop alongside a healthy market, as well as sustainable economic growth.

Although important measures were taken for the progress of infrastructure, industries and market and finance laws, the development of FI in Morocco also relies on the development of its human capital, especially when it comes to education and eliminating illiteracy.

## Chapter 6: Financial inclusion in Tunisia

*Olfa Benouda, Soumaya Ben Khelifa, Dorra Hmaied, Rania Makni*

### I. INTRODUCTION

Tunisia has experienced positive developments in access to financial services in recent years, by enhancing MFIs and services provided to individuals and enterprises. However, the financial system remains under-developed, despite the sustained efforts of financial reforms compared to other developing economies (Ayadi et al. 2018).

Tunisia ranks low in FI compared to MENA countries. Based on data from the Findex Survey 2017, only 37% of adults declared holding an account at a financial institution, compared to 56% and 47% respectively for lower middle income and MENA countries. SMEs still face many constraints in accessing finance. Payment facilities are limited and/or rarely used, financing options remain too limited and are often complicated for companies (i.e., collateral), and insurance is non-existent.

In terms of geographic distribution, the target population is divided into two main regions: the interior regions for low-income individuals, and the coastal areas where there are concentrations of large businesses. The allocation of supply by type of establishment follows these lines, with banks concentrated on the coastal zones, whereas the post office and the microcredit associations are particularly developed within the country's interior.<sup>48</sup>

FI has been a priority within the policy agenda of the Tunisian government for several years, owing to the FI role in overall economic and social inclusion. The Tunisian government has initiated a national strategy for FI, aimed at improving the regulatory environment, in order to strengthen the expertise of MFIs and facilitate the emergence of inclusive financial products, particularly for the benefit of young entrepreneurs. Recently, attention has been paid to mobile payment to broaden access to financial services, in particular payment services. However, despite enormous efforts, the offer of inclusive financial services remains fragmented, incomplete and insufficiently accessible.

This chapter provides an overview of FI in Tunisia, discusses the constraints faced by individuals and MSMEs in accessing financial services, and the policy actions undertaken by government to enhance FI.

---

<sup>48</sup>Etat des lieux Inclusion financière en Tunisie, Septembre 2015 « World Bank »

## II. NATIONAL POLICIES TO PROMOTE FINANCIAL INCLUSION

In 2011, in the aftermath of the revolution, Tunisians were facing alarming levels of poverty and regional inequalities: a poverty rate of 12%, more than one third of the population living in vulnerable and precarious conditions, and an average unemployment rate of about 16%, 25% amongst graduates and more than 40% in some regions.<sup>49</sup>

In response to these realities, the Tunisian Ministry of Finance set up a strategy for developing microfinance for 2011-2015, aiming to reduce regional and social disparities, to fight financial and social exclusion and to encourage entrepreneurship amongst young adults.<sup>50</sup> The strategy is based on four main actions:

- To introduce a regulatory and supervisory framework encouraging the development of the microfinance sector.
- To contribute to the development of regions and priority segments by promoting a market study to better understand the needs of customers, targeting and putting in place an incentive framework for the development of microfinance.
- To restructure the sector, mainly the microcredit associations (MCAs; to redefine the role of the Tunisian Solidarity Bank (BTS – *Banque Tunsienne de Solidarité*) and the National Guarantee Fund (FNG – *Fond National de Garantie*); to promote the role of the Post Offices in FI and to gradually prioritise the involvement of the private financial sector in refinancing microfinance.
- To promote and support responsible growth of the sector: set up a central unit for microcredit risks, create an observatory of FI, develop a training capacity and ensure the protection of clients through financial education.

The strategy was supported by the MicroMed-Tunisia programme, launched by the EIB and the Government of Luxembourg in 2011. Over a period of five years, the programme aimed to support the development of the microcredit sector in Tunisia by improving the regulatory environment and transparency in the sector, strengthening the expertise of MFIs and facilitating the emergence of adequate, inclusive financial products, particularly for the benefit of young entrepreneurs.

The implementation of this strategy from 2011-2015 strengthened the role of microfinance through the establishment of an adequate regulatory and operational framework. The regulatory framework was set up, together with the authority of

---

<sup>49</sup> Tunisian Ministry of Finance « Roundtable on FI » May 2016.

<sup>50</sup> Vision concertée « la stratégie pour le développement de la microfinance 2011-2015 ».

supervision of microfinance “*Autorité de Contrôle de la Microfinance-ACM*” and the central risk unit “*Centrale des risques*”, to avoid over-indebtedness of customers. The enlargement of the players and the strengthening of their financial base, through the creation of new credit institutions, was specifically intended for those on low incomes<sup>51</sup>.

Several market studies were conducted to develop the appropriate strategy for FI (the MicroMed project, the African Development Bank and the EU). A multi-disciplinary committee was set up in 2013 to accompany the restructuring of microcredit associations. The assessment of the strategy, by the end of 2015, has identified that supply remains well below the demand for financial services and regional inequalities persist. Despite the efforts made to reduce financial exclusion through microfinance, financial sector modernisation and measures favouring SMEs, the level of FI remains very low.<sup>52</sup>

According to the Ministry of Finance, the microfinance sector is developing, with nearly 350 microcredit points of service being accessible in 2013. However, it only partially meets demand, with fewer than 400,000 borrowers for a potential demand of between 1.2 and 1.4 million for microcredits and a potential clientele for microfinance services of between 2.5 and 3 million people/companies. The microfinance sector is still semi-administered by the State. The culture of financial savings and insurance is poorly developed.

In 2016, the Ministry of Finance adopted a comprehensive strategy for “Responsible FI”, as a pillar of the economic development plan for the period 2016-2020. This strategy extends previous efforts to develop microfinance since 2011, encouraging the financial sector to contribute to more inclusive economic and social growth, as well as facilitating SME development and job creation. A comparative approach across countries is planned to be adopted with a global country survey as a database for FI (OIF, *Observatoire de l'Inclusion Financière* OIF; the observatory for FI).

### III. REGULATORY FRAMEWORK

Many reforms have been adopted by the Tunisian authorities to bring finance closer to poor people and young entrepreneurs, which is essential for FI. The regulatory framework has developed gradually.

In 1997, as per the law n°97-87, the Tunisian Ministry of Finance created a public financial institution, *Banque Tunisienne de Solidarité* (BTS), dedicated to micro projects and

---

<sup>51</sup> 6 approvals for microfinance institutions and new private funds

<sup>52</sup>Tunisian Ministry of Finance « Roundtable on FI » May 2016.

MSMEs. The BTS offers financing to MCAs and allocates direct loans for university graduates to finance the creation and extension of their businesses.

In 1999, the first law with the reference 99-67 on microcredits was approved by the Tunisian government, allowing the creation of MCAs and the national guarantee fund (*Fond National de Garantie*). This law reinstated the role of the BTS as a refinancing institution (with a zero interest rate, if 80% of the credit amount has been repaid).

In 2005, the Tunisian Government created the bank for funding SMEs, *Banque de Financement des Petites et Moyennes Entreprises* (BFPME) with law n°2004-90 of December 2004, an institution dedicated to the finance of existing and developing MSMEs, with more advantageous financial terms than those of commercial banks.

The regulatory framework for microfinance was a pillar of the national strategy 2011-2015, to encourage the development of the microfinance sector.

Law no. 2011-117 provided a framework for the creation of the microfinance supervisory authority *Autorité de Contrôle de la Microfinance* (ACM), the establishment of new credit institutions specifically intended for those on low incomes and the restructuring of the existing actors in the form of an association or a limited liability company, as well as the creation of a central risk unit to avoid over-indebtedness of customers. The vision became broader from 2013, with the membership of the Ministry of Finance and the ACM in the AFI.<sup>53</sup>

In 2016, law n°2016-35 broadened the scope of activities of the Banking Services Observatory (*Observatoire des Services Bancaires*) created earlier within the Tunisian Central Bank into the FI Observatory (*Observatoire de l'Inclusion Financière*, OIF) to guarantee the regulation and transparency of the microfinance sector's social performance.

The OIF has the responsibility of:

- Collecting data on access to and use of financial services, and setting up a database for this purpose.
- Controlling the quality of services supplied by financial institutions.
- Educating and informing people about financial products and their cost.
- Establishing quantitative and qualitative indicators to measure the cost of financial services, the level of client satisfaction and the level of FI.

---

<sup>53</sup> The Alliance for FI is a network of FI policymakers (central banks and other financial regulatory institutions) from developing countries that empowers policymakers to increase access to quality financial services for the poorest populations. It includes members from more than 90 countries.

Two guarantee funds are present in Tunisia:

- The National Guarantee Fund (FNG, *Fonds National de Garantie*). It is financed through 1% of microcredit amounts granted by MCAs and is supposed to cover (refund) up to 90% of credit losses of MCAs and BTS customers.
- The SOTUGAR is a credit guarantee company, created in 2003 (law n° 2002-101), to support SME's access to financing. The SOTUGAR is placed under the supervision of the Ministry of Finance and is financially autonomous. It supports SMEs in the process of credit financing by banks and is intended for the promotion and development of SMEs during the most decisive phases of their life (creation, development, innovation and restructuring).

The credit guarantee system for SMEs suffers from many dysfunctions; its role is still limited due to operational constraints.

#### IV. SALIENT FEATURES OF FINANCIAL INCLUSION

In Tunisia, FI indicators for individuals are below average compared to international standards, especially when compared to countries of the MENA region and to countries with the same income level. According to the World Bank, as reported by the Tunisian Ministry of Finance, the FI rate remains rather low (37% in 2017).<sup>54</sup> About 40% of the active population and 50% of MSMEs are not served or are under-served by financial institutions and 81% of Tunisians are in need of micro-savings, which are currently unavailable in Tunisia.<sup>55</sup> However, the comparison of FI indicators from the global Findex surveys for 2014 and 2017 shows an improvement in FI, as the key indicators are making progress.

The following sections report the key available indicators for FI.

---

<sup>54</sup>The World Bank study "Etats des lieux de l'inclusion financière en Tunisie" and the Findex Survey 2017 FI rate calculated as the percentage of the population over 15 years that has access/uses formal financial services.

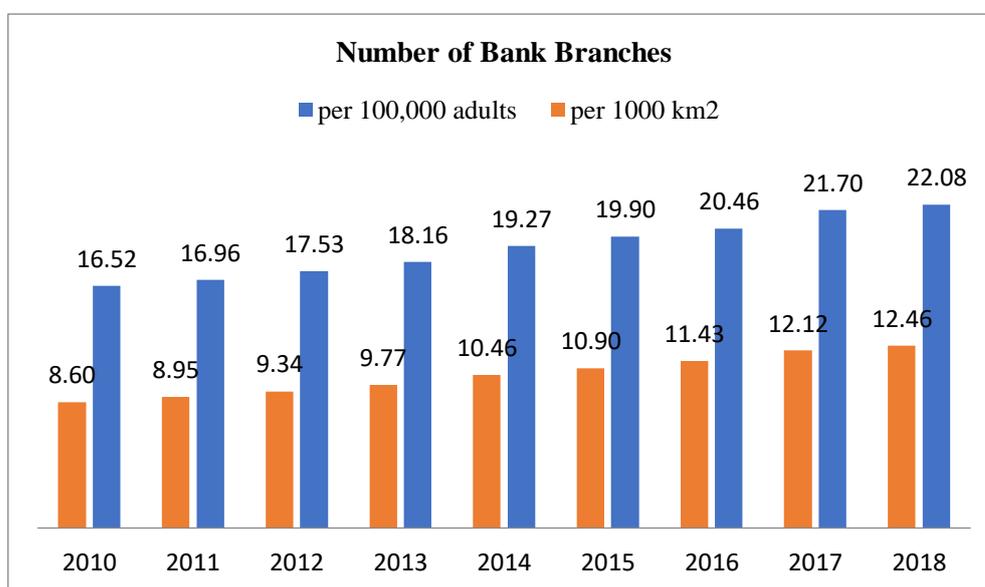
<sup>55</sup>In 2015, the World Bank and the Centre of Arab Women for Training and Research (CAWTAR) launched a market study on digital finance for the promotion of FI in Tunisia. The study was conducted on 1200 Tunisians over 15 years, in 17 governorates. The study also enabled the collection of information on the use of traditional financial services through these populations.

## 1. Availability of financial services

### Commercial banks

As shown in Figure 6.1, the number of commercial bank branches per 100,000 adults increased from 16.37 in 2010 to **22.08 in 2018**, recording a growth of **33.61%** over the period, compared to 12.73% for MENA countries and 20.54% for upper middle-income countries for the same period.<sup>56</sup> The number of branches per 1000 km<sup>2</sup> reached 12.46 for 2018. The north eastern region accounts for the highest number of bank branches, followed by the central eastern region; 44% are located in the 3 largest cities.

**Figure 6.1: Evolution of bank branch numbers in Tunisia for 2009-2018**



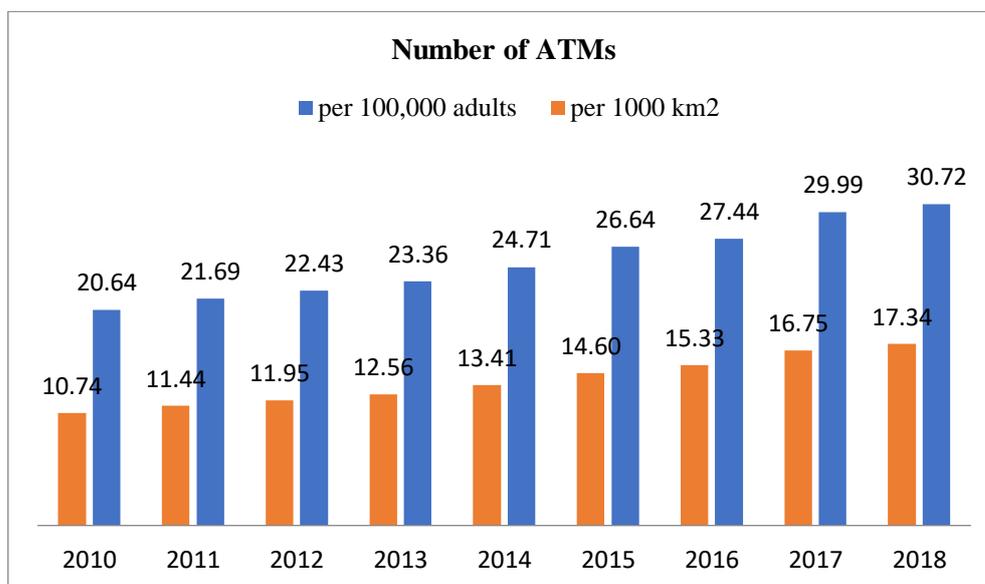
*Source: FAS database (2020)*

The number of ATMs per 100,000 adults is, on average, **25.3** for 2010-2018, registering a growth of **48.8%** for the period. The number of ATMs per 1000 km<sup>2</sup> is 17.34 for 2018. On average, over the period 2010-2015, 41.2% of ATMs are located in the 3 largest cities.<sup>57</sup>

<sup>56</sup> According to FAS data (data are available until 2016 for Tunisia)

<sup>57</sup> Tunisian Central Bank

Figure 6.2: Evolution of ATM numbers for 2010-2018



Source: FAS database (2020)

### Postal network

The Tunisian Post, a government owned institution, is located in rural and urban areas (47.5% in urban areas and 42.5% in rural areas). By the end of 2015, the number of post offices was about 12 per 100.000 adults, representing 42.8% of the total financial services outlets. In 2015, the share of postal ATMs was 8%, with significant growth of 19.1% between 2014 and 2015.<sup>58</sup> The postal network accounts for 3,871 million savers, representing 35% of the population and 24% of national savings. The postal network contribution to the financial activity in Tunisia is 74.7% of financial services income. It has a permanent customer base of nearly 6 million people and 7% of the Tunisian population uses the post daily.<sup>59</sup>

A study by the Tunisian Ministry of Finance states that the post offices are more accessible to people (within walking distance for 80% of the survey respondents) and offer financial services (savings, transfer, payment of bills, etc.).

<sup>58</sup> The Tunisian Post Reports (2015-2016)

<sup>59</sup> Union Postale Universelle : La poste et l'inclusion financière à travers la téléphonie mobile : Etude de cas n°5 – Tunisie, juillet 2014.

### *Microfinance institutions*

Besides the Tunisian Post, MFIs contribute to FI by providing microcredits to the low income and unbanked communities. The BTS is present through 25 branches, with one branch per governorate. The BFPME is represented by 21 regional offices.

By the end of 2017, there were 8 MFIs (6 limited liability companies (LLC) and 2 in the form of associations IMF-ACM) and 287 microcredit associations. The ACM reports<sup>60</sup> 173 active associations as benefitting from BTS financing for the 9 first months of the year 2017. The IMF-ACM, operating under the law 2011-117 related to microcredits, had to halt their activities because they were unable to comply with the new legal framework. An extension of the transition period allowed many of the associations to resume their activities in 2014.<sup>61</sup>

The 6 LLC MFIs manage about 80% of the microcredit portfolio. The establishment of IMF-SA in 2014 has contributed to the development of the sector, however Enda-Tamweel represent 95% of active customers and 74.8% of the sector at the end of September 2017. Enda is the first microfinance operator in Tunisia for 25 years. It is a NGO covering all regions in Tunisia, with 78 agencies.

Since May 2016, Islamic microfinance has also emerged via the approval of Zitouna Tamkeen (created by Zitouna Bank, the first Islamic bank established in the country) by the Ministry of Finance, as the first Islamic microfinance institution in Tunisia. By the end 2017, Zitouna Tamkeen had 14 branches in operation, with the objective of reaching 20 branches spread across the country by 2021.

## **2. Access to financial services**

Despite the analysis in terms of accounts, which shows that 66% of the population has a bank account<sup>62</sup>, the World Bank Findex Survey 2014 states that 64% of Tunisian adults are excluded or poorly served by the formal financial sector. Hence, the FI rate is 36%.

Based on data from the Findex Surveys, only 27.4% of adults declared holding an account at a financial institution in 2014. This proportion increased to 37% in 2017, but this is still low compared to 56%, 73% and 47% respectively for lower middle income, upper middle income, and MENA countries. Even as account ownership continues to grow,

---

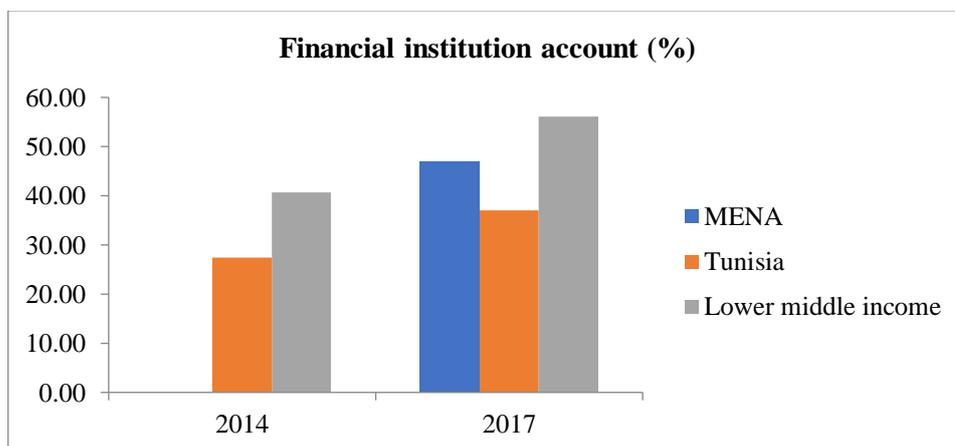
<sup>60</sup> Autorité de contrôle de la Microfinance « Le baromètre de la microfinance » n°1 janvier 2018.

<sup>61</sup> Vision concertée pour le développement de la microfinance en Tunisie, 2011-2014

<sup>62</sup> Tunisian Central Bank Report (2016)

inequalities persist. Whilst 45.7% (34.2%) of men had an account in 2017 (2014), only 28.3% (20.7%) of women did. The gender gap in account ownership is higher than in middle income countries.

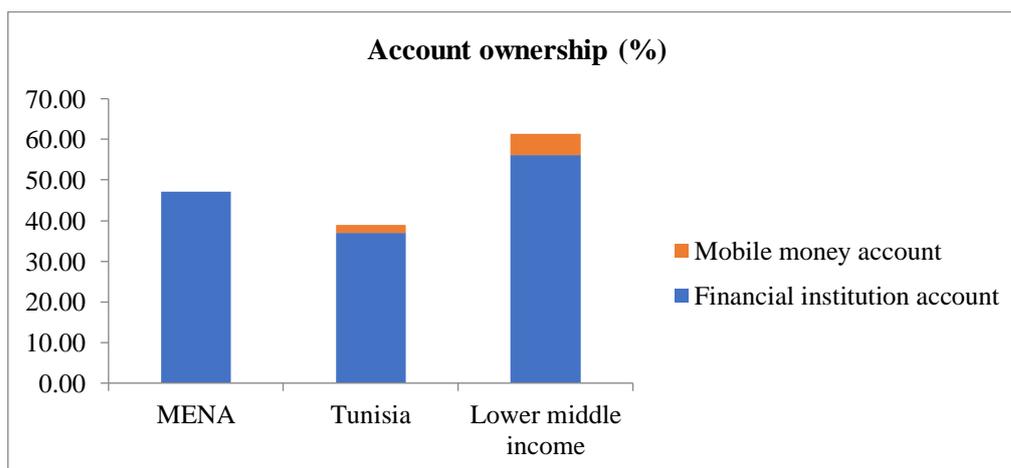
**Figure 6.3: Account Ownership at a financial institution by region**



*Source: Global Findex Database 2017; 2014 Data not reported for MENA region*

It is worth noting that financial exclusion is more acute in rural areas, with only 28% (22.4%) owning an account at a formal financial institution for 2017 (2014), compared to 39.3% for the MENA region and 55.8% for lower middle income countries.

**Figure 6.4: Account ownership by region**



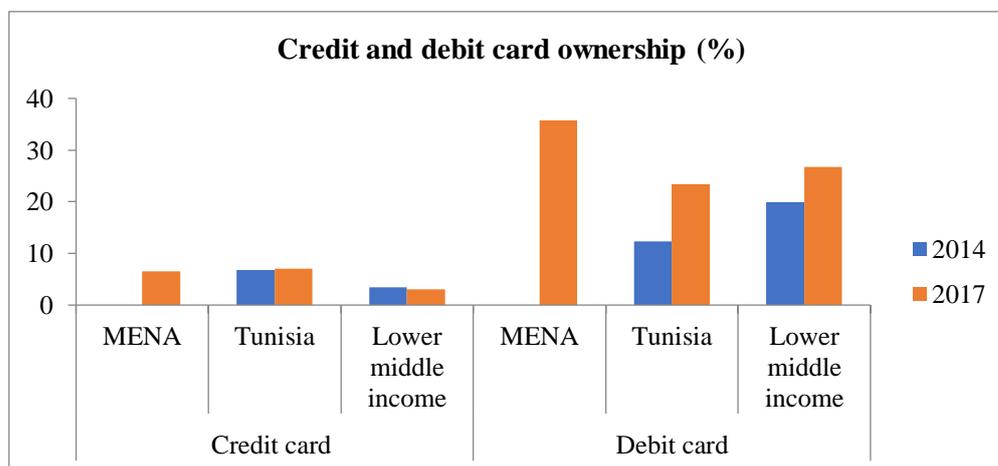
*Source: Global Findex Database; Data not reported for MENA region*

The ownership of mobile money accounts is still in its early stages in Tunisia, with 2% of adults holding a mobile money account in 2017 (0.62% in 2014) compared to 5.3% and 3.2% respectively for lower middle income and upper middle income countries in 2017.

In addition, it is noted that in 2014, 12.3% of Tunisian adults have a debit card; this proportion increased to 23.4% for 2017, whilst the proportion is constant at 7% for credit card holders.

The Findex survey 2014 reports that 90% of Tunisians who have a formal account belong to the postal network. However, 50% of the accounts were inactive during the last two years<sup>63</sup>. This can be explained by the use of electronic cards for scholarship payments, which are not used afterwards.

**Figure 6.5: Credit and debit card ownership by region**



*Source: Global Findex Database; 2014-2017 Data not reported for MENA region*

A limited range of services, such as national transfers, student grant receipts and telephone credit recharges. In 2015, four mobile financial services products were commercialised. The use of mobile money has been enhanced by the COVID-19 crisis.

Regarding MFIs, the ACM reported that they served 423,834 customers for 633 million TND, by September 2017. It has registered growth of 15% in the number of customers throughout the year 2017.

<sup>63</sup>According to the World Bank report on FI (2015)

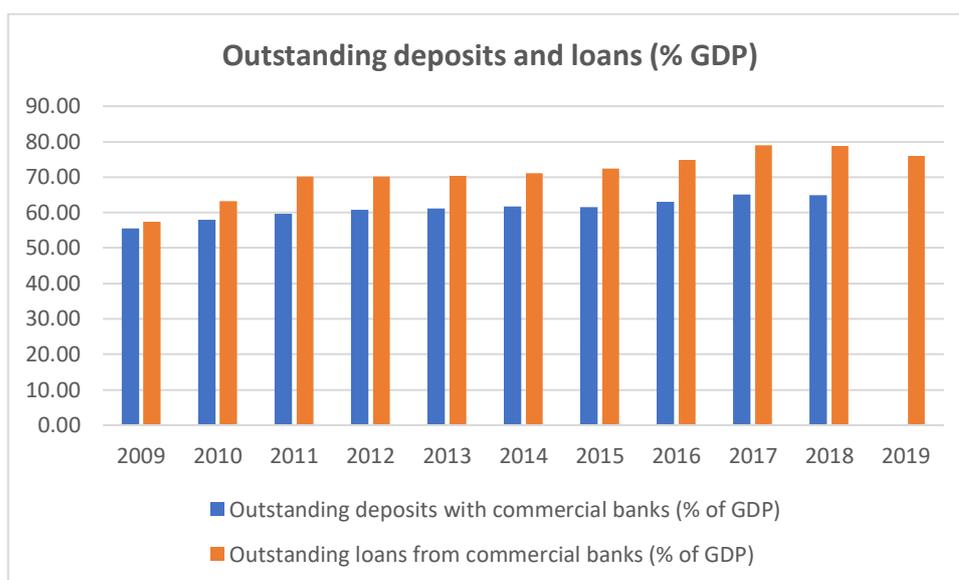
The World Bank Survey (2013) reports that 29% of MSMEs had never attempted to open a bank account; 37% reported needing financing, although they never came into contact with a financial institution; 78% (91%) used cash to pay their suppliers (employees).

### 3. Use of financial services

#### Banking network

FAS reports that outstanding deposits with commercial banks for Tunisia stands at 64.9% of GDP (33% to households) for 2018. Furthermore, outstanding loans with commercial banks represent 78.8% of GDP in 2018, with 22.74% to households. They are higher than the regional average of MENA countries and their income level groups. Figure 6.6 demonstrates growth in outstanding deposits and loans between 2009-2019.

Figure 6.6: Outstanding deposits and loans by region



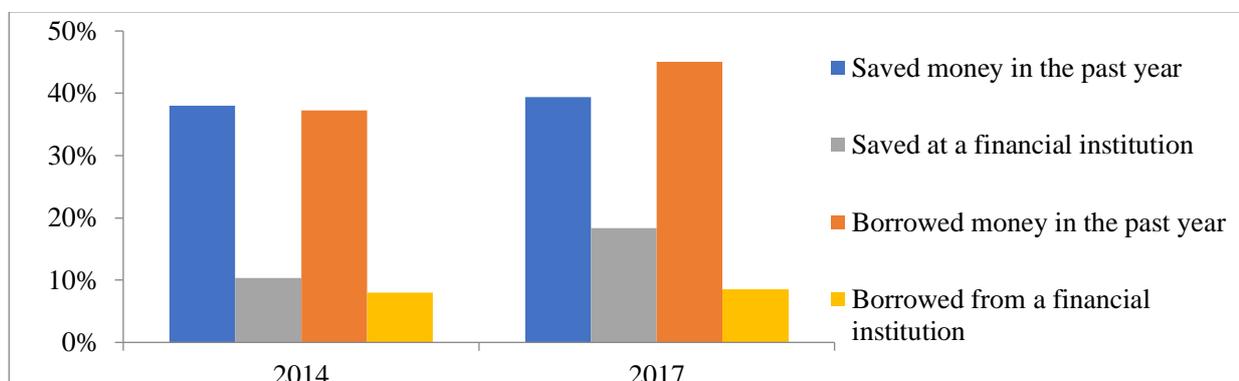
Source: FAS survey (2020)

Tunisians seem to have difficulties in using formal financial services. According to the 2017 Global Findex survey, 39.4% of Tunisians have declared saving money in the previous year (against 38% in 2014) but just 18.3% (10.3%) made savings at a financial institution, compared to 12.37% in MENA countries, 16% in lower middle income countries

(against 14.4% in 2014) and 27% in upper middle income countries(32.2%). A progression in the proportion of persons saving money at a financial institution is noted in respect of gender; 22.6% men (against 12.09%); 14.2% women (8.5%) and 12% of rural people (8%). The proportion of men who made savings in 2017 is higher than that of MENA and lower middle income countries, but the opposite is noted for women.

In addition, 45% declared borrowing money in the previous year (against 37% in 2014) but only 9% (against 8% in 2014) borrowed from a financial institution, compared to 9% MENA, 8.4% for lower middle income countries and 10% upper middle income countries. It is noted that 12% of men (against 9.8% in 2014) and 5% of women (6.16%) borrowed from a formal financial institution. The proportion is 6% for rural people (7.2% in 2014). The gender gap for borrowing at a financial institution is higher in Tunisia than other MENA countries, as well as in lower or upper middle income countries. Figure 6.7 shows that people holding a formal account make use of their accounts by making deposits or withdrawals. 80% of those reported had made deposits in the past year (against 64% in 2014) and 72% made withdrawals (61%).

**Figure 6.7: Usage of financial services**



*Source: Global Findex Survey (2014, 2017)*

It is noted that 29% of account holders in 2014 (no data reported for 2017) use ATMs as the main mode of withdrawal, whilst the majority are more likely to make withdrawals over the counter at financial institutions. The rates of those using ATMs are 41% for lower income countries and 57% for upper middle income countries (not reported for the MENA region).

Regarding the use of credit and debit cards, 6.26% of adults in 2014 declared using credit cards (3.7% of women, 8.85% of men and 4.5% of rural people). In 2017, 13% reported having used a debit or credit card to make a purchase in the past year (against 9% in 2014).

In addition, 54% of adults reported receiving wages into a financial institution account in 2017 (up from 33% in 2014) compared to 53% for MENA, 32% for lower middle income countries and 64% for upper middle income countries in 2017.

The World Bank Enterprise's Survey (2020) reports that, on average, 97.5% of SMEs in Tunisia have an account at a formal financial institution and 42% have an outstanding loan or line of credit. However, 30.5% of firms declare not needing a loan.

**Table 6.1: Access to and Usage of financial services by SMEs**

Use	Tunisia				MENA
	Small (5-19)	Medium (20-99)	Large (100+)	Average	Average
Firms with a checking or savings account	97.6	97.4	97.2	97.5	79.6
Firms with a bank loan/line of credit (%)	33.4	54.1	47.4	42	25.4
Firms not needing a loan (%)	28.1	33.8	31.9	30.5	52.1
Firms using banks to finance investments (%)	19	57.1	38.1	35.9	25.7
Proportion of investments financed by banks (%)	12.9	25.8	26	19.9	13.5
Firms using banks to finance working capital (%)	33.3	53.3	49.3	41.7	27.2

*Source: World Bank Enterprise Survey (2020) data*

A study carried out in Tunisia (Grand Tunis and 13 other governorates) gives the following results: <sup>64</sup>

- 42% of respondents do not own an account and so did not use any financial service, 3% own an account but didn't use it and 19% own an account but make limited use (one operation per month maximum);

<sup>64</sup> Rapport de la mission Amarante – Novembre 2014/Mars 2015 presents a survey based on 12 focus groups with 103 people and 1,234 face-to-face interviews.

- 36% own an account and use a variety of financial services;
- A preference for cash: only 17% of respondents have a cheque book, 28% own a card used essentially for withdrawals but not for payments;
- 30% of respondents declare making savings regularly but 80% need micro savings products;
- 20% of respondents benefitted from a loan during the last 5 years: 16% from a bank and 4% from a MFI;
- Insurance is very little used: only 9% take out an insurance policy.
- A money transfer service is frequently used by 40% for sending money and 45% for receiving.

### Microfinance institutions

As for MFIs, the total amount of microcredits granted recorded a growth of about 40% in amounts and 16% in number between 2014 and 2015.<sup>65</sup>

**Table 6.2: Distribution of micro credits by region over the period 2000-2015**

Regions	Number %	Amount %
North	41%	41.6%
Centre	36.22%	34.23%
South	22.79%	24.17%

*Source:* Data from Microfinance control authority <http://www.acm.gov.tn>

The trade and agriculture sectors benefitted from 64.8% of the value of microcredits granted during the period 1999-2015. Handicrafts remain the sector that has benefitted the least from microcredits, with only 2.38% of the total amount granted. During 2014-2015, the main progress concerns the service sector, with a growth of 72% in the amount of microcredits granted.

From 2000-2015, approximately 59.2% of the total value of microcredits granted benefitted women, against 40.8% for men. However, the growth of credit amounts for 2014-2015 is 51% for men but only 33% for women.

<sup>65</sup> Autorité de contrôle de la microfinance.

Most of the microcredits granted during the period 1999-2015 have benefitted project extensions (88%), with only a very small part allocated to project creation (12%), given the high risk of the project creation period. In 2015, 93.64% of the total value of microcredits was allocated to project extensions, compared to only 6.36% for project creations.

### *Digital finance*

The use of digital finance remains very limited in Tunisia. Although the Tunisian mobile market had a penetration rate of 118% in 2014 (124% in 2017), less than 4% of the Tunisian population used mobile financial services in 2014.<sup>66</sup> The current users are mainly young people (95%), urban (95%) and students (84%), who are encouraged to subscribe to the service to obtain their scholarship.<sup>67</sup>

According to the Findex survey 2017, 19% of respondents declared making digital payments in the past year (against 13% in 2014); this is below the rates recorded for MENA (27.7%), lower middle income countries (21.3%) and upper middle income countries (53.4%).

Regarding the use of mobile phones for financial services, 10% of adults used a mobile phone or the internet to access a financial institution account in the past year, compared to 24.7% for MENA, 9.7% for lower middle income countries and 41% for upper middle income countries. 7.4% of adults sent or received domestic remittances through a mobile phone (7% in 2014) compared to 25.6% for lower middle income countries and 26.8% for upper middle income countries. However, COVID-19 has accelerated the uptake of digital wallets, particularly to receive social aid.

### *Informal finance*

Tunisians generally rely on informal financial services<sup>68</sup>, as 45% declared that they borrowed money in the previous year, yet only 8.5% borrowed from a financial institution. It can be deduced therefore that 36.5% rely on informal finance for borrowing, presumably in rural areas. The main lenders are friends and family (32%) and stores providing loans for goods (11.2%).

---

<sup>66</sup> Estimate obtained from mobile operators December 2014

<sup>67</sup> Services Financiers Mobiles et Inclusion Financière en Tunisie, Amarante consulting (2015)

<sup>68</sup> Findex survey 2017

## V. BARRIERS TO FINANCIAL INCLUSION

Many obstacles still persist and are curbing the development of FI: barriers related to financial literacy, access to financial services and their affordability.

The development of financial services is constrained by several factors<sup>69</sup>: the physical access to financial services (the distance to access points of service (cash in / cash out) and the waiting time); the lack of knowledge about financial services, especially provided by mobile banking; the preference for cash and the lack of trust in new services.

Lack of or limited knowledge of financial services is considered the major hurdle to accessing and using various financial services amongst individuals, mostly for illiterate people or those with only basic education.

At the individual level, the main barriers to having an account are the lack of money (45.25%) and no need for financial services (37.24%)<sup>70</sup>.

**Table 6.3: Self-reported barriers to holding an account at a financial institution (2014)**  
(% without a financial institution account, age 15+)

Self-reported barriers	Tunisia
Too far away	7%
Too expensive	9%
Lack of documentation	8%
Lack of trust	6%
Religious reasons	8%
Insufficient funds	45%
Family member already has one	5.6%
No need for financial services	37.24

*Source: Global Findex database (2014)*

At the enterprise level, the barriers to access to finance are the high levels of collateral needed to get a loan<sup>71</sup>.

<sup>69</sup> Rapport de la mission Amarante – Novembre 2014/Mars 2015 which presents a survey based on 12 focus groups with 103 people and 1,234 face-to-face interviews

<sup>70</sup> Findex survey 2014

<sup>71</sup> World Enterprise survey 2013

**Table 6.4: Constraints faced by SMEs to accessing finance**

Tunisia	MENA				
Constraints	Small	Medium	Large	Average	Average
Proportion of loans requiring collateral (%)	95.5	97.2	94.4	96	79.5
Value of collateral needed for a loan (% of the loan amount)	275.7	354.4	335.9	319	200.5
Firms whose recent loan application was rejected (%)	7.8	3.1	11.4	6.8	12.2
Firms identifying access to finance as a major constraint (%)	49.4	46.9	40.2	47.4	27.5

*Source: World Bank Enterprise Survey (2020) data*

## VI. MEASURES TO PROMOTE FINANCIAL INCLUSION

### 1. The role of Government

The Tunisian Government has undertaken many initiatives to promote FI. A regulatory framework was set up to encourage the development of the microfinance sector. In addition, ACM was created in 2013, in partnership with the Tunisian Central Bank (with the support of the GIZ and the World Bank). Moreover, the first Risk Unit for Microfinance (CRM, *Centrale des Risques de la Microfinance*) in North Africa was created and has been operational since January 2016.

Following the extension of its missions in 2017, the FIOIF has benefitted from technical assistance under the MicroMed programme. A market study on FI was conducted in partnership with ADA, as part of the MicroMed project, to better identify client needs and update the data and market analysis developed as part of the strategy adopted. Another study to evaluate BTS interventions in microcredit, co-financed by the African Development Bank and the EU, was also conducted. A multi-disciplinary committee was set up in 2013 to accompany the restructuring of microcredit associations.

In August 2016, the Ministry of Finance took certain measures to enhance the protection of microcredit borrowers, which are likely to reduce the default rates. MFIs must analyse the economic situation of their clients before any microfinance is granted.

More specifically, they have to assess the repayment capacity, based on the level of indebtedness, future commitments, credit history, etc.

As for the national strategy for FI 2018-2022, five axes are proposed, namely: digital finance, micro insurance, refinancing, the social and solidarity economy, and financial education. Along with these five axes, the OIF is also in charge of measuring the socio-economic impact of the strategy, through the monitoring and evaluation of the actions undertaken.

As for digital finance, the Tunisian Central Bank acts as a catalyst for the monitoring and development of the payments market, favouring the emergence of innovative solutions that combine robustness, safety, simplicity of use for its users, and interoperability at national level. In 2016, the payment platform “Mobicash” was set up, allowing the processing and clearing of digital payment transactions, as is the case with bank cards. This project is based on the principle of interfacing with systems of mobile operators and those of banks and, thus, offering inter-banking and interoperability. This project was initiated by the telecom operator “Ooredoo Tunisia” in partnership with “*la Société Monétique de Tunisie*”. Moreover, a new regulation for the creation of institutions for mobile payments was introduced in December 2018.

The creation of a new financial institution “the bank of the regions” was adopted by the 2019 finance law. The main guidelines are for the financing, refinancing and guarantee of SMEs, as well as the scope of intervention of the bank, to ensure an optimal transition with the existing financial structures BFPME and SOTUGAR.

At the regulatory level, many draft laws are on the agenda of the Central Bank and the Ministry of Finance, especially regarding crowdfunding and Fintech development.

## 2. The Role of the financial sector

### *The Post*

The Post is an active player that has an important role in FI in Tunisia. The Tunisian postal network was the first to introduce digital finance with e-payments in the early 2000s and has continued to develop and diversify its offering. The Tunisian Post has already embarked on FI via digital financial services, by launching several offers in bilateral partnerships with mobile operators since 2010.

The Tunisian post has taken several initiatives to further develop infrastructure, such as electronic payments and money transfers. The first mobile financial service

“Mobidinar” was created with Tunisie Telecom in 2010. In 2012, the service “Mobiflous” with Ooredoo Tunisia was launched and, in 2014, “Mobimoney” with Orange Tunisia was launched. These services allow e-Dinar Smart customers the ability to carry out a wide range of financial services via their mobile phones, without having to go through a post office. The Post has also developed insurance products offering long-term savings plans for scholarship grants and retirement programmes. In October 2017, it launched the first “e-Dinar PRO” prepaid electronic card, for the benefit of MSMEs and start-ups.

The Tunisian Post continues to sign strategic partnership agreements for the development of innovative digital financial services (example: the partnership with MasterCard in October 2016, offering customers and MSMEs innovative and secure e-payment solutions).

In addition, in 2015, the Tunisian Post renewed its "mobiFlouss" solution, allowing citizens to cash their loans, repay them, and pay their bills via mobiles. the Tunisian Post is also committed to developing mobile financial services to contribute to the promotion of social and economic inclusion.

#### *The Banks' association*

At the individual bank level, there are no initiatives or plans to develop FI by banks. In May 2017, the Tunisian Professional Association of Banks and Financial Institutions (APTBEF) showed its interest in FI, especially for female entrepreneurship. It announced a partnership with the International Finance Corporation (IFC)<sup>72</sup>, a member of the World Bank group at the round table on “fFI of women entrepreneurs”. The APBTEF reports that, in Tunisia, MSMEs represent 97% of all enterprises, account for 40% of GDP and employ 56% of Tunisian salaries. Financing is the major constraint, especially for entrepreneurial women. In Tunisia, women represent 12% of entrepreneurs (30% worldwide), and 63% of them declared not having access to the traditional network of banks and financial institutions to provide them with finance.

### **3. The Role of NGOs and Microfinance institutions**

In 2013, ENDA (the first microfinance operator in Tunisia) reinforced its service offerings by launching a mobile banking project. It allows low-income populations to benefit from microcredits and to pay them via their mobile phones. The mobile phone

---

<sup>72</sup> IFC is the most important international institution, providing assistance to private sector development in emerging countries. IFC supports female entrepreneurs through a FI programme for women, ‘Banking on Women’ ;[www.ifc.org](http://www.ifc.org)

service "mdinar" allows the loading of accounts and proceeding, as well as reimbursements via mobile phone SMS messages. It is an innovative, simple, fast, secure and economical service for those who have or do not have a bank account. The pilot operation was undertaken in collaboration with the Viamobile company for mobile payment solutions, with the bank BIAT as a financial institution, and Tunisie Telecom as a telephone operator. The target populations are mainly rural women and unemployed youths in these areas. Enda declared an objective of integration into the financial system, via ICT. Initially the service was used for the payment of ENDA credits, but its long-term objective is to interest people living marginally and informally to the formal economy through the generalisation of the mobile banking service to be used in the payment of electricity and water bills, the transfer of money and even savings.

The first Islamic MFI, Zitouna Tamkeen, also declared that its customers benefitted from a large choice of mobile payments.

#### 4. Financial education

The low use of financial services requires financial institutions and different economic agents (banks, Post, mobile operators, NGOs and MFIs) to better communicate with and educate clients.

Two initiatives have emerged for financial literacy in Tunisia: the first programme "TounesTekhdem" (Tunisia is working) started in 2012, through funding from the British Department for International Development (DFID) and AFD. Its goal is to contribute to the economic and professional integration of young people, especially in the governorates Gafsa, Kasserine, Tataouine and Médenine. Focused on strengthening the support service for entrepreneurs, the project aims to develop opportunities for entrepreneurial initiatives. The project reaches 3,500 young people through financial education activities and other activities aimed at increasing entrepreneurial skills. It will support 125 entrepreneurs in the creation of their businesses.

A second programme initiated by "Mercy Corps" has been active in Tunisia since July 2011 and aims to reduce disparities between coastal and traditionally under-served areas. It is focused on the south of Tunisia, with corporate offices in Gafsa and Médenine, and it aims to: support initiatives to improve employment capacity and entrepreneurship; provide capacity building of local associations for civic, social and economic development; and to support local development projects for young leaders.

## VII. CONCLUSION

Since the revolution, the issue of FI has gained more attention from the authorities, as well as from other financial actors. FI in Tunisia is below the desired level, compared to MENA and low-income countries, although it has increased from 2014 to 2017. Despite widespread bank branches, there is still a concentration in the urban areas. The Post is making a lot of efforts to reach excluded people and to develop new financial services (such as micro-insurance). With the development of ICT, new mobile banking services and payment services are proposed, but there is room for improvement, as well as integrating the Fintech industry in the supply of financial services.

Several initiatives and policy actions have been implemented by the Ministry of Finance and the Central Bank, but a lot more is needed to improve the access to finance for individuals and MSMEs. A national strategy has been set up for 2018-2022. As for MSMEs, a law allowing the creation of a regional bank has been adopted to be closer to entrepreneurs, In addition, a legal framework proposing many incentives for entrepreneurs has been set up, enhancing the creation of start-ups.

The low use of financial services in Tunisia requires better communication and education of clients from financial institutions and different economic agents (banks, Post, mobile operators, NGOs and MFIs). A national programme of financial education has to be implemented in order to improve financial literacy.

## Appendix: Methodology and survey guide

This study was based on desk research conducted by country experts and also on semi-structured interviews with stakeholders in financial sector institutions of the studied countries.

Experts within the financial system in each country contacted and conducted semi-structured interviews with actors such as:

- Government officials (in relevant ministries and bodies)
- Financial sector (banks, microfinance organisations, cooperative finance, mutual finance and others)
- Guarantee schemes
- National SME organisations
- Small samples of individuals and entrepreneurs

The main objectives of the desk research and interviews were to identify and to assess:

- Most relevant policies and actors, who aim for FI within the target countries
- Regulatory framework and regulations within the financial sector
- Role of government and whether FI is considered a national priority
- Role of other financial institutions to enhance FI and their code of conduct
- Role of guarantee schemes
- Salient features of FI in the target countries
- Financial education and financial literacy (survey of financial education programmes)
- Policy actions to enhance FI

Each country expert group interviewed different stakeholders within the financial sector. In Lebanon, for example, the survey targeted microfinance associations (Lebanese Microfinance Association), guarantee schemes representatives (Kafalat), financial sector professionals and central bank representatives (FI Unit).

**The guide for the semi-structured interviews:**

1. What definition do you give to FI?  
Access, use, availability, other...  
What is the source of the definition?
2. How do you measure FI?  
Do you have updated statistics? What frequency?
3. What are the most recent initiatives undertaken to promote FI?  
How have these initiatives helped promote FI?  
What are the most important targets (Man, Woman, Start-up, Young, Disadvantaged and Poor)  
Are there any FI initiatives addressing MSMEs? Which ones?  
Has there been any new offering of innovative products and services in the last year?  
Who promoted these initiatives?
4. Are there any FI initiatives to encourage entrepreneurship? Which ones?
5. In your opinion, what should be further done?  
How do you intend to contribute to FI in the future?
6. In your opinion, what are the major constraints to FI?
7. Do you think financial education is an important factor in promoting FI? Why?
8. How does your institution measure the success of FI and its impact on the economy and “real life”?
9. Do you think FI should be regulated? How?
10. Should there be a universal financial services law to ensure universal access to finance for all?
11. In your opinion, do you see a role for the financial sector in promoting FI initiatives?
12. Do you see any role for international finance organisations (such as WB, IFC, EBRD, EIB)?
13. Do you see a role for the European Union (promotion of projects on FI, international platforms for capacity building and sharing of best practices)?

## REFERENCES

### Chapter 1

4. Ayadi, Rym. 2013. "Financial Sector Development and Integration in the Southern and Eastern Mediterranean Towards a Long-Term Sustainable Transition." *Medpro Policy Paper 7* (April).
5. Ayadi, Rym, Emrah Arbak, Sami Ben Naceur, and Barbara Casu. 2011. "Convergence of Bank Regulations on International Norms in the Southern Mediterranean: Impact on Bank Performance and Growth." *CEPS Paperback, Centre for European Policy Studies, Brussels*.
6. Ayadi, Rym, Sami Ben Naceur, and Mohamed Goaid. 2021. "Financial Development and Employment: New Panel Evidence." *Economic Notes* Forthcomin.
7. Ayadi, Rym, Olfa Benouda, Soumaya Ben Kelifa, Dorra Hmaied, and Rania Makni. 2019. "Financial Inclusion: New Index, Determinants and Consequences - Evidence from the Euro-Mediterranean Countries." *EMNES Studies*.
8. Ayadi, Rym, Emanuele Sessa, Hala Helmy El Said, Rana Hosni Ahmed, Nooh Alshyab, Serena Sandri, Fuad Al Sheikh, et al. 2017. "Micro, Small and Medium Sized Enterprises Development in Egypt, Jordan, Morocco and Tunisia - Structure, Obstacles and Policies." *EMNES Studies* 003 (December). [http://emnes.org/wp-content/uploads/2017/12/emnes\\_study\\_003-msmes-development-in-the-southern-mediterranean-countries.pdf](http://emnes.org/wp-content/uploads/2017/12/emnes_study_003-msmes-development-in-the-southern-mediterranean-countries.pdf).
9. Ayadi, Rym, and Mais Shaban. 2020. "Digital Financial Inclusion : A PILLAR OF RESILIENCE AMIDST COVID-19." *EMEA Policy Paper*, 1–16. <https://research.euromed-economists.org/covid-19/#>.
10. Ayadi, R., & Shaban, M. (2021). Assessing the Role of Credit Guarantee Schemes in the Southern Mediterranean- Pre and During Covid-19. EMEA-EMNES study. <https://euromed-economists.org/download/assessing-the-role-of-credit-guarantee-schemes-in-the-southern-mediterranean-pre-and-during-covid-19/>
11. Burgess, Robin, and Rohini Pande. 2005. "Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment." *American Economic Review* 95 (3): 780–95.
12. Central Bank of Jordan (CBJ), (2021). "Financial Inclusion Report 2018-2020".
13. Central Bank of Egypt (CBE), (2020). "Central Bank of Egypt's measures to offset the impact of COVID-19".
14. Chliova, Myrto, Jan Brinckmann, and Nina Rosenbusch. 2015. "Is Microcredit a Blessing for the Poor? A Meta-Analysis Examining Development Outcomes and Contextual Considerations." *Journal of Business Venturing* 30 (3): 467–87. <https://doi.org/10.1016/j.jbusvent.2014.10.003>.
15. Demir, Ayse, Vanesa Pesque-Cela, Yener Altunbas, and Victor Murinde. 2020. "Fintech, Financial Inclusion and Income Inequality: A Quantile Regression Approach." *The European Journal of Finance*.

16. Dupas, Pascaline, and Jonathan Robinson. 2013. "Why Don't the Poor Save More? Evidence from Health Savings Experiments." *American Economic Review* 103 (4): 1138–71.
17. Force. 2011. "Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion." *FATF*.
18. Janina, Steinert, Juliane Zenker, Ute Filipiak, Ani Movsisyan, Lucie D. Cluver, and Yulia Shenderovich. 2018. "Do Saving Promotion Interventions Increase Household Savings, Consumption and Investments in Sub-Saharan Africa? A Systematic Review and Meta-Analysis." *World Development* 104 (C): 238–56.
19. Montgomery, Heather, and John Weiss. 2011. "Can Commercially-Oriented Microfinance Help Meet the Millennium Development Goals? Evidence from Pakistan." *World Development*.
20. Popov, Vladimir. 2018. "Billionaires, Millionaires, Inequality, and Happiness."

## Egypt

1. Acemoglu, D. et al. (2001), "The colonial origins of comparative development: An empirical investigation", *American economic review*, Vol. 91, pp 1369-1401.
2. African Development Bank (2013), "Financial Inclusion and Integration through Mobile Payments and Transfer", Proceedings of Workshop on "Enhancing Financial Integration through Sound Regulation of Cross-Border Mobile Payments: Opportunities and Challenges"
3. Alex Bank. (2017), "FINANCIAL INCLUSION IN EGYPT", Retrieved From: [https://www.alexbank.com/Cms\\_Data/Contents/AlexBank\\_En/Media/Publication/FlashNote/financialinc.pdf](https://www.alexbank.com/Cms_Data/Contents/AlexBank_En/Media/Publication/FlashNote/financialinc.pdf)
4. Ajay, B. (2017), retrieved from <https://plan-international.org/skills-work/microfinance-financial-inclusion>
5. A step toward financial inclusion in Egypt (2017), retrieved from [http://www.cipe-arabia.org/files/pdf/Democratic Governance/Banks Accounts for Financial Inclusion English WEB.pdf](http://www.cipe-arabia.org/files/pdf/Democratic%20Governance/Banks%20Accounts%20for%20Financial%20Inclusion%20English%20WEB.pdf)
6. Assad, R. (2006), "Assessing Informality in Labour Markets of Developing Countries.
7. Aguera, P. (2015), "Financial inclusion, growth and poverty reduction", World Bank, Financial presentation for all: promoting financial inclusion for Africa, Congo.
8. Allen, F. et al. (2016), "The African financial development and financial inclusion gaps", *Journal of African economies*, Vol. 23, pp 614-642.
9. Allen, F., et al. (2012), "The foundations of financial inclusion: Understanding ownership and use of formal accounts", *World Bank Policy Res. Work. Pap. Ser* (6290).
10. Alshabrawe, H. (2016), "Financial Inclusion of Microfinance in Egypt", CBE
11. Ananth, S. and Öncü, T. (2013), "Challenges to financial inclusion in India: The case

- of Andhra Pradesh", *Economic and Political Weekly*, Vol. 48, pp 77-83.
12. Barro, J. (1991), "Economic growth in a cross section of countries", *The quarterly journal of economics*, Vol. 106, pp 407-443.
  13. Beck, T. et al. (2005), "Financial and legal constraints to growth: does firm size matter?" *The Journal of Finance*, Vol. 60, pp 137-177.
  14. Boukhatem, J. (2016). Assessing the direct effect of financial development on poverty reduction in a panel of low-and middle-income countries. *Research in International Business and Finance*, Vol. 37, pp 214-230.
  15. Bruhn, M. and Love, I. (2014). The real impact of improved access to finance: Evidence from Mexico. *The Journal of Finance*, Vol. 69, pp 1347-1376.
  16. Burgess, R. and Pande, R. (2005), "Do rural banks matter? Evidence from the Indian social banking experiment", *American Economic Review*, Vol. 95, pp 780-795.
  17. Calomiris, C. (2011). "The Mortgage Crisis: Some inside Views.
  18. Centre for financial inclusion, (2016), "The business of financial inclusion: insights from banks in emerging markets".
  19. Chithra, N. and Selvam, , (2013). Determinants of financial inclusion: An empirical study on the inter-state variations in India".
  20. CBE. (2017), "Facilitating Bank Account Transactions A Step towards Financial Inclusion in Egypt Policy Recommendations", Retrieved From: [arabia.org/files/pdf/Democratic\\_Governance/Banks\\_Accounts\\_for\\_Financial\\_Inclusion\\_English\\_WEB.pdf](http://arabia.org/files/pdf/Democratic_Governance/Banks_Accounts_for_Financial_Inclusion_English_WEB.pdf)
  21. Collard, S. (2014), "Toward financial inclusion in the UK: Progress and challenges", *Public Money and Management*, Vol. 27, pp 13-20.
  22. Chadzingwa, J. (2015), "An analysis of the role of Microfinance institutions in achieving financial inclusion in Zimbabwe", *Faculty of Commerce, Midlands State University, Midlands, Zimbabwe*.
  23. De Koker, L. and Jentzsch, N. (2013), "Financial inclusion and financial integrity: Aligned incentives?" *World Development*, Vol. 44, pp 267–280.
  24. Demirguc-Kunt, A. et al. (2008), "Finance for all? Policies and pitfalls in expanding access", Washington, DC: The World Bank.
  25. Dev, M. (2006), "Financial inclusion: Issues and challenges", *Economic and political weekly*, pp 4310-4313.
  26. Damodaran, Akhil. (2013). *Financial Inclusion: Issues and Challenges*", *akgec journal of technology*.
  27. Doi, Y, David M, and Bilal, Z. (2012), "Who You Train Matters: Identifying Complementary Effects of Financial Education on Migrant Households."
  28. Egypt Today staff. (2017). Egypt selected for World Bank financial inclusion initiative. Retrieved from <https://www.egypttoday.com/Article/3/14577/Egypt-selected-for-World-Bank-financial-inclusion-initiative>.
  29. Evans, O. (2016), "Determinants of Financial Inclusion in Africa: A Dynamic Panel Data Approach".
  30. *El-Mahdi, A. (2002). "Towards Decent Work in the Informal Sector: The Case of*

- Egypt", *The Informal Economy*.
31. European Commission(2008),"Financial services provision and prevention of financial exclusion", retrieved from <http://ec.europa.eu/social/main.jsp?newsId=130&langId=en&catId=89&furtherNews=yes>
  32. Fungacova, Z. and Weill, L. (2014),"Understanding financial inclusion in China", BOFIT Discussion Papers, Vol. 10.
  33. Fungáčová, Z. and Weill, L. (2015),"Understanding financial inclusion in China", *China Economic Review*, Vol. 34, pp 196-206.
  34. GPMI (2014)," Issues paper: Digital financial inclusion and the implications for customers, regulators, supervisors and standard-setting bodies".
  35. GLORIA M. GRANDOLINI, (2015),." *Five challenges prevent financial access for people in developing countries*" Retrieved from: <https://blogs.worldbank.org/voices/five-challenges-prevent-financial-access-people-developing-countries>.
  36. Gupta, S. Jain, V. and Sharma, R. (2014),"Financial inclusion in rural Oman: A demand and supply analysis", *International Journal of Management and International Business Studies*. Vol. 4, pp. 285-296.
  37. Ikdal (2017). " 6 challenges to financial inclusion in South Africa".
  38. Joshi, D. (2011)," Financial Inclusion & Financial Literacy." Reserve Bank of India.
  39. Kassem, T. (2014)," *Formalising the informal economy*. College of Management and Technology", *International Academy of Science, Engineering and Technology*, Alexandria, Egypt.
  40. Kaur, J.(2017),"Factors affecting financial inclusion: A case study of Punjab", *International Journal of Advanced Research and Development*, Vol. 2, pp 422-426.
  41. Keefer, P. and Knack, S. (1997)," Why don't poor countries catch up? A cross-national test of an institutional explanation", *Economic inquiry*, 35(3), 590-602.
  42. Khalil, A. (2018)," Digital Financial Inclusion in Egypt".
  43. Kim, D. et al. (2018). Financial inclusion and economic growth in OIC countries. *Research in International Business and Finance*, Vol. 43, pp 1-14.
  44. Klapper, L., and Singer, D. (2014)," The opportunities of digitising payments", retrieved from: <https://www.openknowledge.worldbank.com/handle/10986/19917>.
  45. Lopiz T. (2017)," *Philippines tops Asia on financial inclusion list*", retrieved from <http://bworldonline.com/philippines-tops-asia-financial-inclusion-list/>
  46. Mantinez, C. (2013)," Demand factors that influence financial inclusion in Mexico: Analysis of the barriers based on the ENIF survey", *BBVA-Research*. Vol. 22, pp 13 - 37.
  47. Maya D. ( 2017)," *Alliance for Financial Inclusion*", retrieved from <http://www.afi-global.org/maya-declaration>
  48. Micro finance in Mena region (2017), Retrieved from <http://microfinance-mena.org/what-is-financial-inclusion/>
  49. Martínez Turégano, D., and Garcia-Herrero, A., (2015). Financial inclusion, rather

- than size, is the key to tackling income inequality. BBVA Bank, Economic Research Department
50. Miller, K. (2017). Enhancing the financial inclusion of women in the Arab world. Microfinance gateway.
  51. Mugo, M. and Kilonzo, E. (2017), Community – Level Impacts of Financial Inclusion in Kenya with Particular Focus on Poverty Eradication and Employment Creation. Kenya. Retrieved From:  
<http://siteresources.worldbank.org/KENYAEXTN/Resources/ERS.pdf>
  52. Osi-Assibey, E.(2009)," Financial Exclusion: what drives supply and demand for basic financial services in Ghana? Saving and Development", Vol 33, pp 207-238.
  53. Pearce, D. (2011)," Financial Inclusion in the Middle East and North Africa".
  54. Robin J., John D. and Darrel M. (2017), "The 2017 Brookings Financial and Digital Inclusion", Project Report Washington, Dc.
  55. Roy C., and Senior F. (2012), "The Role of the G20 in Enhancing Financial Inclusion", University of Ottawa
  56. S. Mahendra (2006),"Financial Inclusion: Issues and Challenges", *Economic and Political Weekly*, Vol. 41, pp 4310-4313. Retrieved from  
<http://www.istor.org/stable/4418799>.
  57. Singh,N. (2017) Financial Inclusion: Concepts, Issues and Policies for India University of California, Santa Cruz.
  58. The financial inclusion centre (2007), "Demand side or Behavioral factors", retrieved from <http://inclusioncentre.co.uk/wordpress29/the-financial-inclusion-challenge/the-causes-of-financial-exclusion/demand-side-or-behavioral-factors>.
  59. The financial inclusion centre (2007). Supply side factors. Retrieved from <http://inclusioncentre.co.uk/wordpress29/the-financial-inclusion-challenge/the-causes-of-financial-exclusion/supply-side-factors>.
  60. The World Bank (2015). How to measure financial inclusion. Retrieved from <http://www.worldbank.org/en/topic/financialinclusion/brief/how-to-measure-financial-inclusion>.
  61. Tuesta, D.(2014),"Factors that matter for financial inclusion: Evidence from Peru", BBVA- Research, Vol. 2, pp. 14 - 90.
  62. World Bank (2013)," *Leveraging Financial Inclusion to Promote Economic Development in Egypt*", Retrieved from:  
<http://blogs.worldbank.org/arabvoices/leveraging-financial-inclusion-promote-economic-development-egypt>.
  63. World Bank (2017), Global Financial Development Report.
  64. World Bank, (2011), *General Principles for Credit Reporting*. World Bank, Washington, DC.
  65. World Bank (2012), "*Financial inclusion strategy framework*", World Bank, Washington, DC
  66. Zhaobin Fan and Ruohan Zhang, (2017),"Financial Inclusion, Entry Barriers, and Entrepreneurship, China: department of international business", *Jinan University*.
  67. Zins,A and Weill,L. (2016),"The determinants of financial inclusion in Africa", EM

- Strasbourg Business School, *University of Strasbourg, Strasbourg, France.*
68. Zulkhibri, M. and Ghazal, R. (2016), "Financial Inclusion, Governance, and Institutions: Evidence from Developing Economies", *IRTI Working Paper Series. WP/2016/03.*
  69. Nadine, N and Navarro, A. (2017), "Financial Inclusion Measurement in the Arab World", Arab Monetary Fund and Consultative Group to Assist the Poor.
  70. Nasr, S. (2017), "Access to finance and economic growth in Egypt", World Bank, Middle East and North African Region, World Bank, Washington, DC.
  71. Neaime, S and Gaysset, I. (2018), "Financial Inclusion and Stability in MENA: Evidence from Poverty and Inequality", *Finance Research Letters.*
  72. Öncü, S. (2015), "Measuring financial inclusion from the demand side", *IFC Bulletins chapters, 38.*
  73. Park, C. Y & Mercado, R. (2015), "Financial inclusion, poverty, and income inequality in developing Asia".
  74. Pearce, D. (2011), "Financial Inclusion in the Middle East and North Africa: Analysis and Roadmap Recommendations", World Bank.
  75. Prasad, S. (2010), "Financial sector regulation and reforms in emerging markets: An overview", National Bureau of Economic Research.
  76. Ravallion, M. (2004), "Pro-Poor Growth: A Primer. Policy Research" Working Paper Series. Washington, D.C.
  77. Rhyne, E. (2013), "A Global Challenge: Can We Achieve Financial Inclusion by 2020".
  78. Sarma, M and Pais, J. (2016), "Financial inclusion and development: A cross country analysis. In Annual Conference of the Human Development and Capability Association", New Delhi, pp 10-13.
  79. Subbarao, D. (2013), "Financial inclusion: Challenges and opportunities", Address delivered at the Bankers Club in Kolkata on December 9.
  80. Tarazi, M. and Paul, B. (2015), "Nonbank E-Money Issuers: Regulatory Approaches to Protecting Customer Funds", Focus Note 63, CGAP, Washington, DC.
  81. Tuesta, D. et al. (2015), "Financial inclusion and its determinants: the case of Argentina", (No. 1503) .
  82. Van, D. et al. (2013), "A Cross-country analysis of financial inclusion within the OECD", *Consumer Interest Annual, 59.*
  83. World Bank Group (2013), "Global financial development report 2014: Financial inclusion", World Bank Publications.
  84. World Bank. (2017), "2017 Good Practices for Financial Consumer Protection".
  85. World Bank. (2017), "Global Financial Inclusion and Consumer Protection (FICP) Survey".
  86. World Bank. (2018), "Toward Universal Financial Inclusion in China: Models, Challenges, and Global".
  87. Zins, A & Weill, L. (2016), "The determinants of financial inclusion in Africa. Review of Development Finance", 6(1), 46-57.

**URLs:**

1. <http://blogs.worldbank.org/arabvoices/leveraging-financial-inclusion-promote-economic-development-Egypt>
2. <http://datatopics.worldbank.org/financialinclusion/country/china>
3. <http://datatopics.worldbank.org/financialinclusion/country/egypt,-arab-rep>
4. <http://datatopics.worldbank.org/financialinclusion/country/kenya>
5. <http://finclusion.org/country/africa/kenya.html>
6. <http://microfinance-mena.org/news/egypts-financial-inclusion-journey-at-cross-roads>
7. <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20433592~menuPK:34480~pagePK:34370~piPK:116742~theSitePK:4607,00.html>
8. <http://www.cgap.org/about/faq/what-financial-inclusion-and-why-it-important>
9. <http://www.cgap.org/blog/5-challenges-women%E2%80%99s-financial-inclusion>
10. <http://www.worldbank.org/en/topic/financialinclusion/overview>
11. <http://www.worldbank.org/en/topic/poverty/overview>
12. <https://grameenfoundation.org/blog/3-ways-increase-financial-inclusion-west-africa#.WsNIZIWWaM8>
13. [https://www.knbs.or.ke/?option=com\\_content&view=article&id=369%3Aeconomic-survey-2016&catid=82%3Anews&Itemid=593](https://www.knbs.or.ke/?option=com_content&view=article&id=369%3Aeconomic-survey-2016&catid=82%3Anews&Itemid=593)

**Jordan**

1. Attia, H., & Engelhardt, H. (2016). Financial education initiatives in the Arab region: A stocktaking report. Report prepared in cooperation with Arab Monetary Fund on behalf of Federal Ministry for Economic Cooperation and Development (BMZ). Bonn & Eschborn: Deutsche Gesellschaft für & Internationale Zusammenarbeit (GIZ) GmbH. Retrieved from [http://www.amf.org.ae/sites/default/files/Studie\\_Arab.Region\\_190417\\_v5-FINAL.pdf](http://www.amf.org.ae/sites/default/files/Studie_Arab.Region_190417_v5-FINAL.pdf)
2. Ayadi, R.; Sessa, E.; El Said, H.; Ahmed, R.; Alshyab, N.; Sandri, S.; Al Sheikh, F.; Sidmou, M.; Rami, J.; Mouelhi, R.; Ghazali Ferchichi, M. (2017). "MSMEs' Development in the Southern Mediterranean Countries" EMNES Studies – 3 – DECEMBER 2017
3. Boakye-Adjei, N. Y.; Robson, G.; Isaacs, L., (2017). "Paving the Way for Digital Financial Services in Jordan, Market and regulatory assessment of payments and remittances" DMA Global Working Paper
4. Camara, N. and Tuesta, D. (2014). "Measuring Financial Inclusion: A Multidimensional Index" Working Paper, No 14/26, Madrid, September 2014
6. Central Bank of Jordan (CBJ) (2017). "Regulatory Fintech Sandbox"
6. Central Bank of Jordan (CBJ), 2018. Annual report 2017.
7. Central Bank of Jordan (CBJ), (2021). "Financial Inclusion Report 2018-2020".

8. Claessens, S. (2006). Access to financial services: a review of the issues and public policy objectives. *The World Bank Research Observer*, 21(2), 207-240
9. Demirgüç-Kunt, A.; Klapper, L.; Singer, D.; Ansar, S.; Hess, J.; Van Oudheusden, P. (2015). *The Global Findex Database 2014: Measuring Financial Inclusion around the World*. Policy Research Working Paper 7255, World Bank, Washington, DC.
10. GIZ/CBJ, 2017. *Financial Inclusion Diagnostic Study in Jordan 2017*, Synthesis Report. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and Central Bank of Jordan (CBJ), December 2017.
11. International Monetary Fund (2017). *Financial Access Survey Report 2018*
12. Kempson, E. ; Atkinson, A. ; Pilley, O. (2004). *Policy level response to financial exclusion in developed economies: lessons for developing countries*. Report of Personal Finance Research Centre, University of Bristol.
13. Nalini, G. S. and Mariappan, K. M. (2012) *Role of Banks in Financial Inclusion*. *Research Journal of Commerce & Behavioural Science*. 1 (4). 33-36.
14. Sarma, A., 2008. *Index of Financial Inclusion*, Indian Council for Research on International Economic Relations, Working Paper No. 215.
15. Serrao, M. V., Sequeira, A. H., and Varambally, K. V. M. (2013) *Conceptual Framework to Investigate the Accessibility and Impact of Financial Inclusion*. *Indian Journal of Research*. 2 (9). 47-49.
16. Tanmeyah, 2017. *Members' Performance Report, Q4 2016*. January 2017.
17. Tanmeyah, 2019. *Industry Performance Report, Q4 2018*. February 2019.
18. Umaru, I. (2014) *Promoting Financial Inclusion with Mobile Banking in Nigeria*. *Daily Trust Newspaper*, March 21.

## Lebanon

19. Ayadi, Rym, Emrah Arbak, David Llewellyn T., Reinhard Schmidt H., and Willem Pieter De Groen. 2010. *Investigating Diversity in The Banking Sector in Europe: Key Developments, Performance and Role of Cooperative Banks*. CEPS.
20. Ayadi, Rym, and Sandra Challita. 2020. "Lebanon, A Case of a Compounded Crisis: A TRIS Path for the Phoenix to Re-Emerge from the Ashes." EMEA Policy Paper.
21. Banque du Liban. 1998. "Basic Circular No 2 Addressed to Financial Institutions" October 22.
22. ———. 2004. "Basic Circular No 93 Addressed to Banks and Financial Institutions" July 13.
23. ———. 2013. "Intermediate Circular No 331 Addressed to Banks and Financial

- Institutions” August 22.
24. ———. 2018a. “Amendment 505 to Circular No 93 Addressed to Banks and Financial Institutions” August 16.
  25. ———. 2018b. “Amendment 506 to Circular No 7136 Addressed to Banks and Financial Institutions” August 16.
  26. Charafedine, Raed, Lama Daher, and Walid Barakat. 2017. “Banque Du Liban’s Financial Inclusion Strategy: Regulation, Empowerment and Protection,.” In The Arab Financial Inclusion Day.
  27. “[Http://Kafalat.Com.Lb/Loans-Statistics?Field\\_category\\_tid\\_1=182.](http://Kafalat.Com.Lb/Loans-Statistics?Field_category_tid_1=182)” n.d.
  28. “[Https://Cfi-Blog.Org/2016/10/07/Financial-Inclusion-of-Refugees-Al-Majmoua-in-Lebanon/#more-22088.](https://Cfi-Blog.Org/2016/10/07/Financial-Inclusion-of-Refugees-Al-Majmoua-in-Lebanon/#more-22088)” n.d.
  29. IMF, and WB. 2016. “Financial Sector Assessment: Lebanon.”
  30. Saeed, Ashraf Al, and Zeina El Khalil. 2021. “Lebanon Sinking Top 3.”
  31. Sanad. 2017. “Are Microfinance Borrowers in Lebanon Over-Indebted?”
  32. UNHCR. 2016. “Serving Refugee Populations - The Next Financial Inclusion Frontier: Guidelines for Financial Service Providers.” Microfinance Gateway - CGAP, no. July.

#### Morocco:

1. Akhtar, S., & Pearce, D. (2010). Microfinance in the Arab World: The challenge of financial inclusion.
2. Bank Al-Maghrib. Témoignage BAM – Maya Declaration (Rep.). Retrieved August 5, 2021 [https://www.afi-global.org/sites/default/files/inline-files/Bank Al-Maghrib Fulfilling our Maya Declaration Commitments-FR.pdf](https://www.afi-global.org/sites/default/files/inline-files/Bank%20Al-Maghrib%20Fulfilling%20our%20Maya%20Declaration%20Commitments-FR.pdf)
3. Bank Al-Maghrib (2016). Rapport annuel
4. Bank Al-Maghrib (2018). Rapport annuel
5. [http://www.bkam.ma/content/download/667171/7639430/RA\\_2018\\_FR.pdf](http://www.bkam.ma/content/download/667171/7639430/RA_2018_FR.pdf)
6. Bank Al-Maghrib, Stratégie Nationale d’Inclusion Financière, Note de synthèse, Septembre (2018)  
<https://www.afi-global.org/wp-content/uploads/2020/12/SNIF-maroc-.pdf>
7. Bank Al-Maghrib and Ministry of Economy and Finance (2019). Stratégie Nationale d’Inclusion Financière. Retrieved August 5, 2021  
<https://www.finances.gov.ma/Publication/dtfe/2020/rapportannuel-SNIF2019.pdf>

8. Bank Al-Maghrib and Ministry of Economy and Finance (2018). Stratégie Nationale d'Inclusion Financière Note de Synthèse . Retrieved August 5, 2021  
<https://www.afi-global.org/wp-content/uploads/2020/12/SNIF-maroc-.pdf>
9. Bennani, A. (2016). Education Financière dans le monde Arabe: Stratégies, Implémentation et Impact: Piliers de l'Inclusion Financière - Cas du Maroc (Rep.)
10. Bennouna, G., & Tkiouat, M. (2016). Studies and Research on Microfinance Sector in Morocco: An Overview. *Asian Journal of Applied Sciences*, 4(3), 585-599.
11. Benthami, A. (2019). La bancarisation et la liquidité des banques: cas du Maroc. *International Journal of Management Sciences*, 2(3).
12. CDVM C. (2012). News Letter (Rep. No. 10). "Stratégie d'éducation financière" Retrieved October 17, 2018, from CDVM ([cdvm.gov.ma](http://www.cdvm.gov.ma))  
[http://www.ammc.ma/sites/default/files/NL\\_2012\\_T2.pdf](http://www.ammc.ma/sites/default/files/NL_2012_T2.pdf)
13. Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess (2018). The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. World Bank: Washington, DC.
14. Demirguc-Kunt, Asli; Klapper, Leora (2012). Measuring Financial Inclusion: The Global Findex Database. Policy Research Working Paper ; No. 6025. World Bank
15. Donovan, K. (2012). Mobile money for financial inclusion. *Information and Communications for development*, 61(1), 61-73.
16. IMF (2008), Morocco: Financial System Stability Assessment— Country Report No. 08/333Update, October 2008.
17. Kaufmann, K. (2013). Microfinance in Morocco since the 1990s—historical development, crisis and recovery.
18. Leone, P., & Porretta, P. (2014). Microcredit guarantee funds in the Mediterranean: A comparative analysis. Springer.
19. Malik, Shahzad & Shabbir, Malik. (2016). Threshold of Micro-Financing in Morocco.
20. Ministry of Economy and Finance (2016) Le système financier marocain (Rep. No. 60). 2016, June. Retrieved on August 5, 2021, from  
<https://www.finances.gov.ma/Maliya%20tawassol/al%20maliya%20n60.pdf>
21. Ministry of Economy and Finance (2018) Recueil annuel des instruments et programmes publics de financement destinés aux start-ups et aux TPME (Rep.) Retrieved on August 4, 2021, from  
[https://www.finances.gov.ma/Publication/dtfe/2018/Recueil\\_instruments\\_financement\\_TPME.pdf](https://www.finances.gov.ma/Publication/dtfe/2018/Recueil_instruments_financement_TPME.pdf)
22. Nadine Chehade, Antoine Navarro (2017) Financial Inclusion Measurement in the Arab World, CGAP working paper

23. Pearce, D. (2011). Financial inclusion in the Middle East and North Africa: Analysis and roadmap recommendations. The World Bank.
24. Reille, X. (2009). The rise, fall, and recovery of the microfinance sector in Morocco (No. 9486). The World Bank.
25. Sanz, F. P., & Abdelmoumni, F. (2012). Partnerships in mobile financial services: The case of Morocco. *Journal of Payments Strategy & Systems*, 5(4), 410-425.
26. Sanz, F. P., & De Lima, P. (2013). The uptake of mobile financial services in the Middle East and North Africa region. *Enterprise Development and Microfinance*, 24(4), 295-310.
27. Sarma, M., & Pais, J. (2011). Financial inclusion and development. *Journal of international development*, 23(5), 613-628.
28. World Bank (2014) Enhancing Financial Capability and Inclusion in Morocco A Demand-Side Assessment
29. World Bank (2014). Sortie de la crise du secteur de la microfinance au Maroc : des interventions opportunes et efficaces : Ending the microfinance crisis in Morocco : acting early, acting right (English). Washington, D.C.: World Bank Group.  
<https://documents1.worldbank.org/curated/en/852051486371609376/pdf/111935-WP-ENGLISH-IFC-Morocco-MicroFinance-Crisis-report-PUBLIC.pdf>
30. World Bank (2016), Financial sector assessment programme: Kingdom of Morocco Financial inclusion, Technical note January 2016. World Bank, Washington, DC
31. World Bank (2017), Éducation financière dans le monde arabe : Stratégies, mise en œuvre, et impacts
32. World Bank, & International Monetary Fund. (2017). Financial Sector Assessment: Morocco. World Bank.

## Tunisia

1. Ayadi, R., de Groen, W. P., Hassouba, T., Zaki, C., Alshyab, N., Sandri, S., & Hmaied, D. M. (2018). Financial development and inclusion in Egypt, Jordan, Morocco and Tunisia. EMNES Studies.
2. Beck T., Demirguc-Kunt.A, and Levine R., (2007), Finance, inequality, and the poor, *Journal of Economic Growth* 12 (1), 27–49.
3. Beck, T., Demirgüç-Kunt, A., and Honohan, P. (2009), Access to financial services: Measurement, impact, and policies. *The World Bank Research Observer*, 24(1), 119-145.
4. Beck, T. Levine, R. and Loayza, N. (2000), Finance and the Sources of Growth. *Journal of Financial Economics*, October-November 2000, 58(1-2), pp. 261-300

5. Camara, N. and D. Tuesta, (2014), Measuring Financial Inclusion: A Multi-dimensional Index, BBVA Working Paper, No. 14/26.
6. Chakravarty, S., and Pal, R. (2010), Measuring Financial Inclusion: An Axiomatic Approach. Indira Gandhi Institute of Development Research Working Paper No. WP 2010/003.
7. Demirgüç-Kunt, A. and L. Klapper, (2012), Measuring Financial Inclusion: The Global Findex Database,” World Bank Policy Research Working Paper, No. 6025, World Bank.
8. King R. et R. Levine,(1993), Finance and growth: Schumpeter might be right, Quarterly Journal of Economics, 108, pp. 717-38.
9. Mialou, Amidzic, Massara (2017), Assessing Countries’ Financial Inclusion Standing – A New Composite Index, Journal of Banking and Financial Economics 2(8), 105–126.
10. Park, C. Y., and Mercado, R. (2015), Financial inclusion, poverty, and income inequality in developing Asia. Asian Development Bank Economics working paper series N° 426.
11. Park, C. Y and Mercado, Jr, R. (2018). Financial Inclusion: New Measure and Cross-Country Impact Assessment. The South East Asian Central Banks Research and Training Centre (80416-M), Malaysia Working paper 29/2018.
12. Sarma, M. (2008), Index of Financial Inclusion, Indian Council for Research on International Economic Relations Working Paper, No. 215.
13. Sarma M. (2010) Index of Financial Inclusion. CITD Discussion Paper 10-05.
14. Sarma, M. (2012), Index of Financial Inclusion: A measure of financial sector inclusiveness. Berlin Working Papers on Money, Finance, Trade and Development, (07).
15. Sarma, M. (2015), Measuring Financial Inclusion, Economics Bulletin, 35 (1), 604-611.
16. Financial development and inclusion in Egypt, Jordan, Morocco and Tunisia - EMNES Studies – 4 – March 2018.
17. Tunisian Central Bank Reports (2016- 2017-2018)
18. Tunisian Ministry of Finance « Roundtable on financial inclusion » May 2016.
19. Vision concertée « la stratégie pour le développement de la microfinance 2011-2015
20. Tunisian Post Reports (2015-2016)
21. Union Postale Universelle : La poste et l’inclusion financière à travers la téléphonie mobile : Etude de cas n°5 – Tunisie, juillet 2014.
22. Observatoire d’inclusion financière report

23. Autorité de contrôle de la Microfinance « Le baromètre de la microfinance » n°1 janvier 2018.
24. Vision concertée pour le développement de la microfinance en Tunisie, 2011-2014
25. Rapport de la mission Amarante – Novembre 2014/Mars 2015
26. World Bank Report on financial inclusion in Tunisia (2015)

## ABOUT EMEA AND EMNES

**The Euro-Mediterranean Economists Association (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 Mediterranean and Africa; and promoter of actions and initiatives that fulfill objectives of sustainability, inclusiveness, regional integration and prosperity. It strives to contribute to the rethinking of the Euro-Mediterranean and Africa partnerships in view of the new dynamics of an emerging multi-polar world and amidst of 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 and Africa. EMEA builds on the collaborative research network MEDPRO (funded by the EU's Seventh Framework Programme (2009-13) and provides forward-looking thinking and political and socio-economic integrated analyses on the Euro-Mediterranean region. EMEA is also the promoter and co-funder of the Euro-Mediterranean Network for Economic Studies (EMNES), co-funded by the European Commission (DG NEAR) between 2015 and 2019. EMNES is a regional network composed of 30 institutions and more than 100 experts and researchers in the Mediterranean region. From January 2020, EMEA coordinates EMNES.

**The Euro-Mediterranean Network for Economic Studies (EMNES)** aims to provide a renewed vision for socio-economic development in the Mediterranean region, mainly focussing on employment creation, social inclusion, sustainable development and regional integration. It performs economic and policy research, exploring the pillars of inclusive and sustainable economic models in the Euro-Mediterranean region, along the following **research areas**:

1. Institutions and institutional reforms;
2. Private sector, micro, small and medium sized enterprises and social business development;
3. Entrepreneurship and innovation;
4. Human capital development, education, labour markets and migration;
5. Demographics, health and social protection;
6. Macroeconomic policy , inequality and social inclusion;
7. Inclusive and sustainable finance;
8. Regional integration, trade, investment and infrastructure;
9. Energy, water, environment and sustainable development;
10. Euro-Mediterranean partnership;
11. Scenario analysis and foresight;
12. Other evolving research areas.

EMNES is a network of research institutions and think tanks from Algeria, Belgium, Egypt, France, Germany, Greece, Italy, Jordan, Morocco, Slovenia, Spain, Tunisia, Turkey and the UK. Between 2014-2019, EMNES was co-funded by the European Commission – under Grant Contract N° ENPI/2014/354-488 and EMNES Partners and Associates. EMNES is built on four core principles: independence, excellence, policy relevance and a deep knowledge of Euro-Mediterranean affairs.

