



Financial Inclusion in the Arab Countries (Challenges, Strategies and Prospects)

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Abstract :

The study aims to present the most important concepts about financial inclusion, and the importance of promoting it in the Arab countries, to achieve development at all levels, in addition to the strategies adopted to eliminate the challenges that impede the implementation of financial inclusion in the Arab region.

Relying on the analytical descriptive approach, and in order to answer the problem raised, the study concluded that despite the initiatives and strategies pursued by the Arab countries, the Arab Monetary Fund and all central banks, the situation still did not rise to the generalization of financial inclusion in all Arab countries. Therefore, Arab countries must intensify efforts and follow effective strategies, and work to implement them effectively and monitor them, so that they can promote comprehensive banks and generalize their services to various segments of society, and thus contribute to financial inclusion in achieving the goals of sustainable development.

Key Words: Financial inclusion, Financial services, Challenges, Strategies, Arab countries.

JEL Classification: G21, G20.

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Introduction:

After the global financial crisis, the issue of financial inclusion gained great concern from economic and financial policy makers in the Arab countries, similar to the countries of the world, as it has become the most important pillar for achieving the goals of sustainable development in any economy, through its role in providing all financial services and products. Official and its use by various segments of society, including institutions and individuals.

This necessitated that the Arab countries, with their various economic and financial systems, adopt a set of effective strategies and efforts and eliminate the challenges facing the promotion of financial inclusion, in order to achieve financial stability and improve access to optimal financing and appropriate financial services for various groups of society, especially groups with limited income and those unable to afford it.

The Problematic: Within this framework, the problem of the study is summarized as follows: **How can the challenges that impede the promotion of financial inclusion in achieving sustainable development in Arab countries be addressed?**



From the analysis of the problem, the following sub-questions can be asked:

- What is the concept of financial inclusion?
- What are its most important pillars?
- What are the challenges that impede the course of its dissemination in Arab countries?
- What are the most important effective strategies adopted by Arab countries in achieving financial inclusion that promotes sustainable development in Arab society?

The importance of the study: The importance of the study is represented in:

- The importance of financial inclusion in the development of the Arab financial and banking sector;
- The importance of financial inclusion in building banking awareness in the Arab community; Standing on the most important challenges that hinder the implementation of financial inclusion in the Arab region;

Study objectives: Summarized in achieving the following objectives:

- Fundamentals and dimensions of financial inclusion,
- The role of effective strategies and constructive efforts to confront the challenges that hinder the generalization of financial inclusion and the promotion of the banking sector in Arab countries;

Study methodology and structure: The analytical descriptive approach was relied upon, by describing and analyzing what was mentioned in studies and research related to the subject of the study.

Accordingly, the study was divided into the following axes:

- **The first axis:** the conceptual framework of financial inclusion
- **The second axis:** challenges, strategies and effective efforts to enhance financial inclusion to achieve sustainable development in the Arab countries.

I. The conceptual framework of financial inclusion:

In the year 1993, the term financial inclusion was used for the first time in a broader way, to describe the determinants of individuals' access to the various available banking services, and in the year 2000, interest in it increased, as it was a common goal for many governments and central banks of developing countries. Low-income groups of society at an affordable cost (adjouz & Badr, 2017), and after the repercussions of the global financial crisis in 2008, interest in financial inclusion intensified, and studies began to continue on clarifying concepts related to it, and its effective contribution to achieving financial stability, social justice and sustainable development, through Expanding access to financial services and products for various individuals and institutions of society.

Many researchers and academics have also presented different definitions of financial inclusion and its basic pillars, from different perspectives and dimensions, and we review the most important of them in the next part.



1. The definition of financial inclusion:

Financial inclusion is defined as “the process by which the scope of benefiting from high-quality financial services is expanded, which includes loan and deposit services, the payment system, pensions, financial education, and the customer protection mechanism” (mahmoud, zamir, ahmed, & xiaochen, 2012);

The World Bank defines financial inclusion in its report on global financial development issued in the year 2014 (Global Financial Report), as “the percentage of people or companies that use financial services.” As for the United Nations report for the year 2016, it is understood that financial inclusion is “the provision of financial services.” It also expresses the extent to which individuals and businesses are able to obtain useful financial services and products at a reasonable cost that satisfy their needs in terms of savings, credit, payments and insurance, provided that these services are provided in a permanent and safe manner (United Nations, 2017). And on the joint report of the Arab Monetary Fund and the Consultative Group to Assist the Poor, financial inclusion is defined as: “The enjoyment of individuals, including those with low incomes, and companies, including the smallest ones, with access to and benefiting (for reasonable prices) from a wide range of formal financial services of high quality (payments Transfers, savings, credit, insurance...) are provided in a responsible and sustainable manner by a variety of financial service providers operating in an appropriate legal and regulatory environment” (Bashar & Al-Nagami, 2018)

The Group of Twenty G20 and the Global Alliance for Financial Inclusion recognized that “the measures taken by the regulatory bodies to enhance the access and use of all segments of society, including marginalized and well-off groups, to financial services and products that are commensurate with their needs, and to be provided to them in a fair, transparent and reasonable cost” (shanabi & belakhder said, 2018)

Through the contents of the previous definitions, the importance of financial inclusion appears in achieving financial stability and achieving sustainable development, as it is an opportunity to provide various financial and banking services, and use them by all segments of society, its institutions and individuals, through official channels and in a deliberate manner, as improving levels of financial inclusion contributes to Achieving financial stability. Financial inclusion is also an important means for achieving sustainable development through its effective role in economic efficiency and social equality, and thus achieving societal well-being at all levels.

2. Pillars of Financial Inclusion:

The Global Partnership Financial Inclusion has recently realized that financial inclusion is an inevitable trend and a major support for empowerment in combating poverty and achieving the goals of economic and sustainable development, as it contributes to achieving social justice among the segments of society, and improving the standard of living. Living by generalizing the acquisition of financial services to the various classes, including the vulnerable classes, so the focus and



interest in policies and initiatives increased in order to enhance financial inclusion, and try to come up with reliable data about its dimensions and measurement indicators to achieve sustainable development, as the members of the Global Association for Financial Inclusion (GPII) agreed in Los Cabos Conference, which was held in 2012 to make a recommendation that includes three main dimensions of financial inclusion, namely:

-easy access to financial services; effective use of financial services by all citizens; -Enhancing the quality of financial services” (alliance for financial inclusion AFI, 2013). At the initiative of the heads of the Group of Twenty countries, and in cooperation with the World Bank and the Global Alliance for Financial Inclusion, the adoption of the previous dimensions and a set of indicators that measure financial inclusion in various countries of the world (eddine & ilyess, 2015), was established within an updated database of financial inclusion and the global statistical survey. These indicators are available on the website (www.worldbank.org/globalindex), where the first version of this data was issued in 2011, followed by the second version of a global survey in 2014, and the latest version in 2017 as the last update of this data. These data are accompanied by global and regional analyzes, which include more than 140 countries, and collect information on more than 755 main and sub-indicators from at least 1,000 people in each country over the age of 15 years, and also include data on information related to social and demographic conditions in access to services. Finance and its use, indicators of individuals' behavior regarding financial activities such as borrowing, saving, means of payment and credit cards (Bouzana & Hamdoush, 2021).

In this context, financial inclusion has become dependent on the following four pillars and dimensions according to the following figure:

Figure1: Pillars of Financial Inclusion



Source :prepared by the researcher



- **Access to financial services:** This dimension depends on the ability to use financial services from official institutions, determining levels of access to these services, and analyzing potential obstacles to opening and using a bank account, such as cost and proximity or distance from banking service delivery points (Samir & others, 2016).
- **Uses of financial services:** It refers to the extent to which customers use financial services provided by banking institutions, through the regularity and frequency of use from one period of time to another (Saliha, Muammar, & Swish, 2019).
- **Quality of financial services:** This dimension reflects the importance of financial services provided to customers, and it is measured according to the opinions and attitudes of customers towards the request for financial service. The process of developing indicators to measure the quality dimension is a challenge in itself, as over the past years the concept of financial inclusion has moved to the agenda of countries on the path of growth, where it is necessary to improve the access of all customers to the financial services provided, and the lack of access to these services, It is problematic and varies by country and type of financial services. However, the struggle to ensure the quality of financial services provided is considered a challenge as it requires interested parties to study, measure, compare and take actions based on clear evidence regarding the quality of financial services provided, because the quality dimension of financial inclusion is not a clear and direct dimension because it is linked to many factors. That affect the quality and quality of financial services such as the cost of services, consumer awareness, the effectiveness of the compensation mechanism, in addition to consumer protection services and financial guarantees, the transparency of competition in the market, and intangible factors such as consumer confidence... (shanabi & belakhder said, 2018). In order to measure the previous dimensions, the following indicators were adopted:

2.1. Using bank accounts:

To find out the extent of using bank accounts, the following indicators can be calculated:

- Proportion of adults who own bank accounts in formal financial institutions (banks), post offices and microfinance institutions;
- the percentage of adults who have at least one type of regular deposit account;
- the proportion of adults who have at least one type of regular credit account; The purpose of these accounts (personal or business):
- the number of bank transactions (withdrawals and deposits, cashless retail transactions, payments by phone);
- Percentage of adults who use a bank account permanently and frequently;
- The percentage of those who held a bank account during the past year;
- Percentage of adults receiving domestic or international bank remittances;
- the proportion of medium or small enterprises that have official financial accounts (deposit or loan accounts);
- the number of insurance policy holders per 1000 adults;



- How to access banking services (bank branches, ATMs);
- electronic leverage accounts;
- the number of insurance policy holders per 1000 adults;
- the extent of interdependence between service delivery points;

2.2. Savings and Borrowing:

The savings and borrowing indicators refer to the following ratios:

- the percentage of adults who saved in the last 12 months using banks;
- the percentage of adults who saved in the last 12 months using an informal savings institution or someone outside the family;
- the percentage of adults who saved in the last 12 months otherwise (exp at home);
- the percentage of adults who have borrowed in the past 12 months from a formal financial institution;
- the percentage of adults who have borrowed in the past 12 months from an informal financial institution, including from family and friends;

2.3. Payments and insurance:

Based on the following indicators:

- the percentage of adults who have used an official account to receive government wages or payments in the past 12 months;
- the percentage of adults who have used an official account to receive or send money to household members living elsewhere in the past 12 months;
- the percentage of adults who used a mobile phone to pay bills or send or receive money in the past 12 months;
- the percentage of adults who insure themselves;
- the percentage of adults working in agriculture, forestry or fishing, who insure their activities against natural disasters;

2.4. Affordability, Transparency, Convenience and Ease:

- The cost of maintaining a bank account, especially for low-income people;
- The extent to which financial services information offered is available to all customers with transparency and clarity;
- The extent to which all customers have access to the conveniences of using financial services;

2.5. Financial education and consumer protection:

- Clients' basic financial knowledge and ability to plan and balance their income;
- Laws and regulations to guarantee consumer rights and protect them from fraud and unfair practices;

2.6. Indebtedness, financial behavior and credit barriers:

- The reason why borrowers are late in repaying in a specific period of time;
- The ability to choose financial services and products within a range of options (shanabi & belakhder said, 2018).

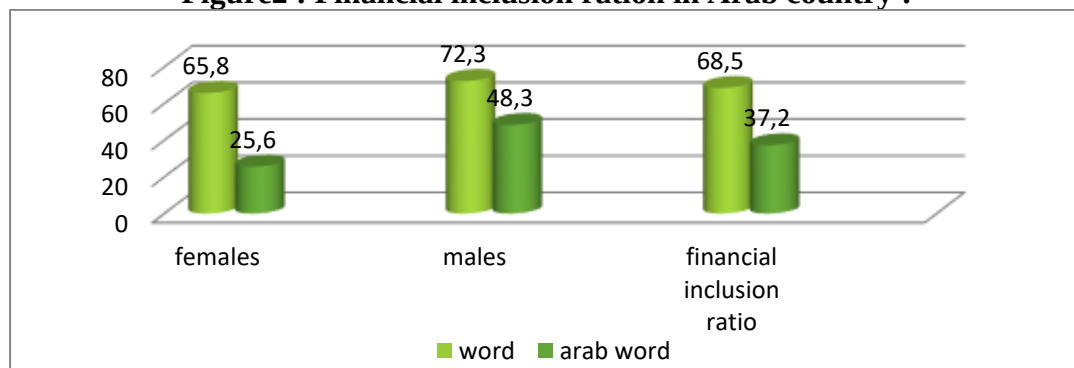


II. Challenges hinder the implementation of financial inclusion:

The Arab region is still at the lowest levels in the world, in terms of implementing financial inclusion, which is considered a key factor for achieving sustainable development goals, improving living conditions, empowering women, financing small projects, reducing poverty, providing job opportunities and promoting growth. It should be noted that there are wide differences between Arab countries in terms of financial inclusion. In 2014, for example, the percentage of account ownership was significantly high in the United Arab Emirates, Bahrain, and Kuwait, at about 83%, 82%, and 73%, respectively. On the other hand, financial inclusion recorded low rates in Yemen, Somalia, and Iraq, at about 6%, 8%, and 11%, respectively. Therefore, the Arab countries are divided into three groups: The first group includes the countries of the Gulf Cooperation Council, which are countries with high rates of financial inclusion, as the proportion of account ownership in these countries exceeds the global average of 62%. The second group includes Lebanon, Jordan, Palestine and the Arab Maghreb countries (Morocco, Algeria and Tunisia), which are countries with medium financial inclusion rates ranging from 24%-62%. The third group includes Egypt, Iraq, Yemen, Sudan, Djibouti, Mauritania and Somalia, which are countries with financial inclusion rates of less than 24%, which is the average for countries in sub-Saharan Africa. (Banks, Union of Arab, 2021.).

The following figure shows the percentage of financial inclusion in the Arab countries compared to the world and by gender, so, this figure presents that 37.2% of financial inclusion ratio in Arab region with 68.5% in world, this indicates a low level of financial inclusion in the Arab world. By comparing females to males according to the following figure, it is noted that the male category dominates in the Arab world and internationally (48.3% in Arab world, 72.3% internationally).

Figure2 : Financial inclusion ratio in Arab country :



Source: hananetayeb(2020), "financial inclusion", Arab Monetary Fund, p18. And facing financial inclusion, especially at the state level. The developing world presents a set of challenges, and hinders its promotion in order to achieve development in all its dimensions.

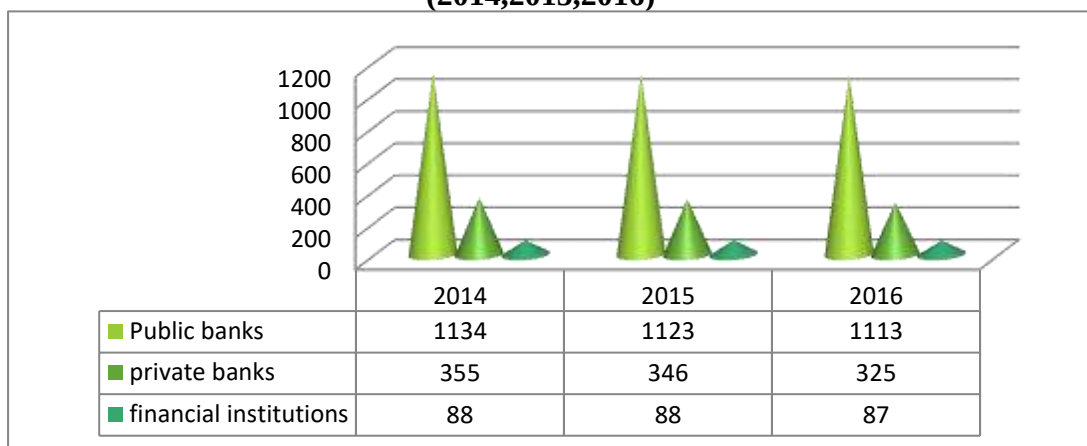
The most important of these challenges are:

- Extending credits to unqualified persons without considering the cost, thus exacerbating financial and economic instability;



- The weakness of the Arab banking infrastructure, For example, the following figure shows the size of the infrastructure of banking institutions in Algeria.

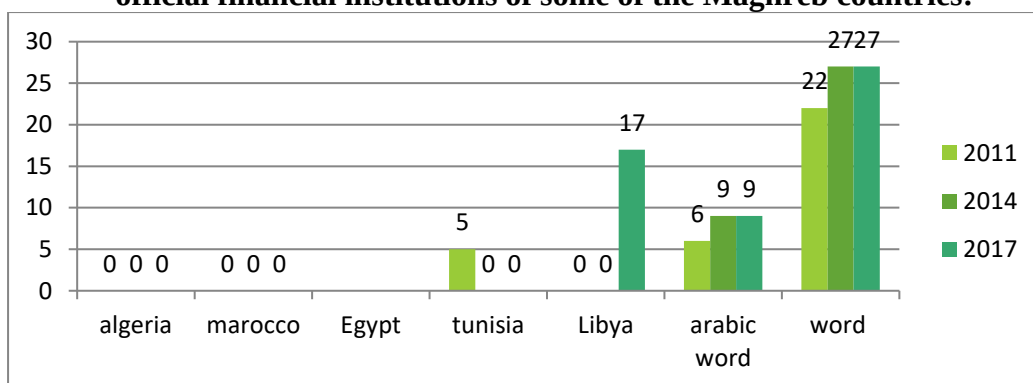
Figure3: infrastructure of banking institutions in Algeria (2014,2015,2016)



Source:Bank of Algeria(report 2014,2015,2016).

- The lack of basic ingredients to increase access to finance,
- The lack of an efficient system for inquiring about credit and mortgages, and lending against the rights of creditors;
- Weak competitiveness among Arab financial and banking institutions, and high credit concentration for individuals and companies;
- The slow development of savings institutions and investment funds, which leads to an increase in reliance on short-term credit that is not in line with the medium and long-term financing needs of individuals and institutions(Bakhta & Aguoun, 5-6 December 2018) ;

Figure4 : The percentage of savings for individuals (over 15 years) in the official financial institutions of some of the Maghreb countries:



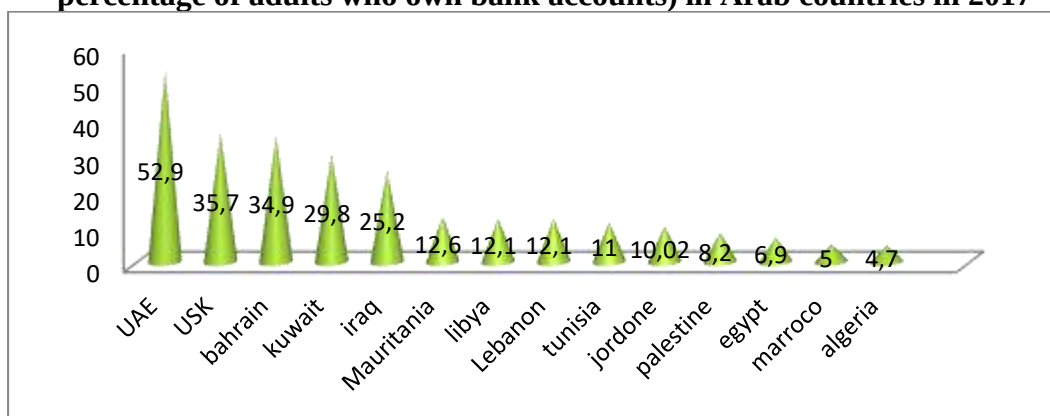
Source : www.worldbank.org/globalindex,consulted 14/06/2023.

From the table, it is clear that the percentages of savings for individuals (more than 15 years) in the countries of the Arab Maghreb are modest in the recorded years, which requires countries in general (whether Maghreb, Arab or international), to reconsider ways to motivate individuals and institutions to encourage savings of all kinds.



- The absence of a specific financial and legal classification for microfinance institutions in the Arab countries, where they are registered as governmental organizations, and therefore it is difficult to establish a supervisory framework that regulates microfinance, whether by the Central Bank or an independent supervisory financial authority, and these obstacles have led to a decrease in transparency in the activity of the financing sector. Smaller and restrict its ability to mobilize the financial resources necessary for its various operations by attracting deposits or borrowing;
- The weak development of non-bank financial institutions, especially the bond and sukuk markets, which provide mainly short-term resources that are not appropriate to meet the medium and long-term financing needs of individuals and companies (Daife, 2020);
- High levels of financial illiteracy, which results in some citizens' ignorance of banking services;
- Poor geographical distribution of banks and automatic teller machines in villages and remote areas. In addition to the low use of modern technological means to access financial services (See next figure); whereas, from the data of the following table, it shows the dominance of high-income Arab countries (such as the UAE, Saudi Arabia, and Bahrain) in the rates of using mobile phones and the Internet to access bank accounts. This indicates the good use and demand for digital technology in banking transactions in these countries. The countries of the Middle East (such as Lebanon and Jordan, for example), as for the countries of North Africa, chose the lowest percentages from the table, represented by Algeria with the lowest rate of 4.7%. On all the obstacles that obscure virtual transactions and the importance of relying on them as a strategic alternative, especially in times of crisis, and the Corona crisis is the best proof of that.

Figure 5: Use of mobile phones and the Internet to access a bank account (as a percentage of adults who own bank accounts) in Arab countries in 2017



Source: Research and Studies Department, “The Reality of Financial Inclusion and the Role of Financial Technology in Enhancing It”, Journal of the Union of Arab Banks, January 2019, Issue 458, p. 19.

- The high interest rate on some basic loans, which leads to the reluctance of low-income citizens, especially, to borrow;



- The high cost of conducting financial transactions, especially electronic ones;
- Weak promotional efforts on financial inclusion and its benefits in applying it to the state and society;
- The lack of customer confidence in financial services, and here comes the role of financial inclusion in improving and enhancing them (Al-Naqira & Ahmed Mohamed, 2019);
- Individuals not having sufficient funds to open bank accounts;
- The religious factor prevented some from obtaining official bank accounts (Financial and banking highlights, 2016).

III. Arab strategies and efforts in promoting financial inclusion:

The Arab region is characterized by its appropriate capabilities that allow it to take appropriate steps with regard to financial inclusion, where policy makers and regulatory authorities are working to carry out important economic and banking reforms to support financial inclusion, and to adopt important strategies to reach the generalization of services and products. Finance for all segments of society and the application of financial inclusion programs in the Arab countries to establish aspects of integration and partnership with the public and private sectors, in the service of sustainable economic development in the region.

Among the most important of these strategies are:

1. The role of the Arab Monetary Fund in promoting financial inclusion in the Arab countries:

The efforts of the Arab Monetary Fund to promote financial inclusion in the Arab region have been strengthened, as a result of the increasing interest that Arab banks, central banks, and monetary institutions have paid in recent years to programs and policies for implementing financial inclusion, within the framework of supporting financial inclusion opportunities. Growth and achieving economic and financial stability, as many regulatory frameworks and legislation witnessed a significant development in encouraging financial inclusion, improving access to finance by all members of society, with a greater focus on youth, women, and small and medium enterprises, and working to reduce the leakage of savings of individuals and institutions in the Arab countries through official banking channels.

1.1. The efforts of the Arab Monetary Fund: It is a regional Arab financial institution, founded in 1976, and began its operations in 1977, with the aim of laying the monetary foundation for Arab economic integration and accelerating the process of economic development in member states, through training and capacity building in topics of interest, as well as providing Financial and technical support to member countries, to correct the imbalance of payments, implement structural reforms, provide technical support to banking and monetary institutions in Arab countries, and develop and strengthen Arab financial markets. Since the establishment of the regional working group to enhance financial inclusion in the Arab countries in 2012, for which the Arab Monetary Fund assumed the technical secretariat, the future work program of the Council of Governors of Central Banks and Arab Monetary Institutions included developing regulatory frameworks and



legislation for the spread of banking services, encouraging innovation, and upgrading infrastructure systems. Banking, developing non-banking services and studying ways to improve indicators of financial inclusion in the Arab countries, exchanging expertise and experiences between Arab and international countries in the field of financial inclusion, preparing working papers and studies on the situation of financial inclusion in Arab countries (Arab, Monetary Fund, 2020)

1.2. Arab Monetary Fund Strategy (2015-2020): This strategy included many programs and activities for the period (2015-2020), which aim to assist Arab countries in reforms that enhance financial and economic stability in access to finance and banking services for the general community, supporting projects Arab economic integration and the development of the financial sector as a locomotive for growth and development in the Arab countries. The activities of this strategy were represented in building a database, calculating indicators of Arab financial inclusion, supporting the efforts of countries in building national strategies for financial inclusion, enhancing the protection of consumers of financial services and financial education, supporting access to financial services. To rural areas, encouraging financial innovation, empowering women financially, in addition to developing small and medium enterprises, financing startups, and employing payment systems and modern technologies.

2. The Financial Inclusion Initiative in the Arab Region:

The Arab Monetary Fund established and established the Financial Inclusion Initiative for the Arab Region, in cooperation with the German Development Agency on behalf of the German Federal Ministry for Economic Cooperation and Development, and the Global Alliance for Financial Inclusion and with the participation of the World Bank. The initiative was launched on September 14, 2017 On the occasion of the Global Alliance for Financial Inclusion Forum, held in Sharm El-Sheikh, Egypt, in the presence of governors of central banks and Arab monetary institutions.

This initiative was launched in line with the international efforts that are consistent with the sustainable development goals set by the United Nations by reaching the year 2030, where financial inclusion was considered at the forefront of the means to achieve economic efficiency, social equality, and the eradication of poverty and unemployment, as a basis for achieving sustainable development, by achieving a large number of goals. The ambitious seventeen for sustainable development, encouraging digital financial services, access to finance, savings and insurance. The initiatives of the Arab Monetary Fund have been demonstrated in the financial inclusion initiative for the Arab region, and the Fund's participation in strategic areas, the dissemination of data and statistical surveys of indicators of financial inclusion, financing micro, small and medium enterprises, modern financial technologies, and other areas to enhance financial inclusion at the national and regional levels, in accordance with the objectives of the policies of innovation, integrity, stability, protection and social justice, and thus achieving sustainable economic development.



- Developing an action program for the period (2018-2020) to gather the needs and priorities of Arab countries regarding the initiative, at the coordination meeting of the partners in February 2018, in the presence of the German Development Agency, the Global Alliance for Financial Inclusion, the World Bank, the Islamic Development Bank, the Japanese Development Agency, the International Monetary Fund, The International Finance Corporation, conducting field assessments and a detailed action plan in October 2018, for some Arab countries, such as Iraq, to provide technical advice to develop policies related to advancing financial inclusion,

- Organizing the first Arab forum for modern financial technologies in December 2018, in which a group of central banks, international and Arab financial markets and related research centers participated. Cross-border electronic money transfers and their role in promoting financial products and studying the risks of electronic threats and mechanisms for activating them at the local level (Secretariat of the Council of Governors of Central Banks and Arab Monetary Institutions, 2019).

3. Launching financial inclusion strategies in the Arab countries:

- Workshops on “Building and Implementing National Strategies for Financial Inclusion in the Arab Countries”: The Arab Monetary Fund, in cooperation with the Global Alliance for Financial Inclusion, organized, on November 24, 2020, a workshop on building and implementing national strategies for financial inclusion in the Arab countries, and the steps and stages of preparing this strategy. Aspects of coordination and follow-up, implementation and evaluation mechanisms, especially after the repercussions of the Corona pandemic and the need to accelerate digital financial transformation, by benefiting from presenting the experiences of previous Arab and foreign countries in this field.

- Technical assistance to some central banks in designing and implementing the national strategy for financial inclusion: for example, a grant was provided by the World Bank to the Central Bank of Jordan in the amount of one million dollars, to conduct an integrated project for statistical surveys and diagnostic studies regarding the state of financial inclusion in the Middle East region, and to present the progress made in it. Or in Iraq, where a training session was held on October 27, 2020, on the foundations of implementing the financial inclusion strategy and the requirements for its implementation.

4. Enhancing awareness and knowledge of financial inclusion: as examples:

- Arab Financial Inclusion Day: The Council of Governors of Arab Central Banks and Monetary Institutions has set April 27 of each year to be the Arab Financial Inclusion Day. The Arab countries, and the associated policies and programs, within the framework of the keenness that the Arab countries attach to achieving the goals of sustainable development 2030, and achieving universal access to financial services to all segments of society.

- Keeping pace with the repercussions of the Corona crisis on financial inclusion, and accelerating the transition to the digital economy: where Since April 2020, the Arab Monetary Fund, in cooperation with its partners in the Financial Inclusion Initiative for the Arab Region, has organized a series of remote virtual meetings for



directors of financial inclusion, payment systems, financial infrastructure and financial consumer protection in central banks and monetary institutions al-Arabiya, on the repercussions of the emerging Corona virus on financial services and financial inclusion, and the need to enhance and accelerate the transition to digital financial services with the participation of a number of regional and international financial institutions, in addition to the need to provide the necessary liquidity for establishments and individuals in order to cover basic obligations, such as paying workers' salaries and covering expenses operational.

- Workshops on "Digital Education and Protection of Consumers of Financial Services in the Era of Modern Technologies": On December 14, 2020, the Arab Monetary Fund organized a remote workshop with its partners and some financial institutions, on ways of educating and digital awareness and protecting consumers of financial services in the era of modern technologies, from by employing modern technologies, taking into account the potential risks in their application, with field experiments at the level of Saudi Arabia, Tunisia and Palestine (Secretariat of the Council of Governors of Central Banks and Arab Monetary Institutions, 2019);

5. Capacity building: represented in:

- Training courses on inclusive growth: On December 17, 2020, a training course on inclusive growth was organized, as the recent developments related to the Corona pandemic imposed on the Arab countries a new economic reality, which necessitated holding training courses to guide decision makers to adopt macroeconomic policies aimed at stimulating levels of demand. And increase the levels of resilience of these economies in the face of these developments, as well as pushing towards the implementation of a number of basic structural reforms to achieve comprehensive and sustainable growth to achieve the aspirations and aspirations of the peoples of the region.

- Training workshops on "Building National Strategies for Modern Financial Technologies by Applying Effective Statistical Survey Models": training workshops from 26-29 June 2020 remotely, with the aim of providing a guide on preparing and implementing effective national strategies and programs for modern financial technologies, aiming to provide the legislative and regulatory environment supporting the financial technology industry that encourages innovation, thus contributing to expanding the market for modern technologies and improving the performance of institutions operating in this industry and their services with the presentation of practical training cases on how to build national strategies for modern financial technologies based on the reality and needs of each country.

- Exchange of experiences between members of the regional working group to enhance financial inclusion in the Arab countries: Through its periodic and extraordinary meetings, the working group serves as a platform for exchanging experiences between Arab central banks, encouraging cooperation in areas related to financial inclusion, which leads to coordinating the views of Arab countries on inclusion issues and financial advancement at the global level.



6. Production and dissemination of knowledge:

- A vision document on the "Framework for Digital Financial Transformation in the Arab Countries": In 2020, the Fund issued a vision document on the framework for digital financial transformation in the Arab countries, within the framework of the regional initiative to enhance financial inclusion in the Arab countries.

The document urges building partnerships with various financial institutions. Regional and international agencies and international development agencies, to support the endeavors of digital financial transformation in the Arab countries.

- Studies on "Financial Inclusion in the Age of Technological-Based Globalization: Cross-Border Small Payments, and Its prospects in the Arab Countries": where the "Bouna" platform for Arab payments was launched, which is a regional system for clearing and settling inter-Arab payments, with linkage with the payment systems of commercial partners. The two presidents of the Arab countries, where the study aimed to provide ideas and proposals for the development of mobile payment platforms and the proposal of an Arab digital currency, to contribute to the existing dialogue at the regional and global level, on the importance of small payments across borders, and their role in promoting financial inclusion.

- Studies on "The Effects of Financial Inclusion on the Profitability of Banks in Arab Countries": the study examined the factors affecting the rate of return on assets for eleven Arab countries during the period from 2013 to 2019, by measuring the variables that could affect the profitability of banks through three groups of variables included: variables related to the bank itself, variables related to the banking industry and macroeconomics, and variables related to financial inclusion (Secretariat of the Council of Governors of Central Banks and Arab Monetary Institutions, 2019).

Conclusions:

After the detailed presentation of the study, we conclude that:

- Financial inclusion is one of the most important topics raised in the Arab economic and banking arena, as it is one of the modern economic and banking terms.;

- There are many basic pillars on which financial inclusion depends, some of which are relating to small and medium enterprises, including those related to digital financial services, and others related to education and financial awareness. The difference between the loan principal and the interest;

- The depth of the spread and use of financial services is related to the levels of social justice in societies, and the expansion of the spread of financial services and access to them contributes to the transfer of more small enterprises from the informal sector to the formal sector;

- The higher the level of financial culture among individuals, the higher the rate of financial inclusion in society, as financial culture derives its importance from the increase in the number and complexity of financial products;



- Electronic banking services are one of the most important pillars of financial inclusion and its promotion in times of crisis, and the Corona pandemic is the best evidence of that.
- There is interest, whether at the Arab or national level, in financial inclusion, as the Arab Monetary Fund and Arab financial institutions are making tangible efforts to exchange experiences between countries, and the initiatives of Arab countries and the Arab Monetary Fund, to activate financial inclusion in Arab banks, in addition to the efforts of the government and the Central Bank to embody the conditions for applying financial inclusion in the Arab world;
- Despite the applied strategies, the Arab region is still facing renewed challenges according to global changes, which oblige it to accelerate the implementation of financial inclusion in all its pillars.

Recommendations:

- Paying more attention to financial inclusion in the Arab countries, by meeting financial services for existing and expected needs in the Arab world, which raises the issue of innovation and diversification in financial products and services, especially those that depend on savings, insurance and means of payment, and not only on lending and financing, and the extent to which they are appropriate for the various classes of Arabic society;
- Increasing supervision of Arab banks to strengthen the relationship between the bank and the customer;
- Spreading banking awareness to increase financial culture in the Arab region, especially among marginalized groups, and how to create deep economic empowerment among Arab youth, and the need to deal with banking transparency;
- Expanding and accelerating digital transformation with new technology, electronic banking initiatives, and the services provided through it (ATMs, electronic debit cards, virtual banks...);
- Activating the role of the knowledge economy in achieving financial inclusion in the Arab world, through financial technology and its development;
- Benefiting from the role of the International Alliance for Financial Inclusion, and presenting models of financial inclusion in some Islamic countries such as (Malaysia, Tanzania...); and benefiting from its various Islamic financing formulas to develop and activate small and medium enterprises, thus enhancing financial inclusion in society and achieving development;
- Creating an encouraging and enabling environment for women to obtain finance and financial services offered;
- Developing the infrastructure of the Arab banking sector, protecting the rights of creditors, facilitating guarantee systems, developing payment and settlement systems and electronic banking operations, while setting rules and legislation to conduct banking transactions procedures, and creating a clear regulatory environment for micro, small and medium enterprises;
- Increasing financing for entrepreneurs and small and medium enterprises, which play an important role in combating poverty and unemployment, and raising the level of economic, social and human development in the Arab region.



- Enhancing geographical spread by expanding the network of bank branches and financial service providers, especially microfinance, in addition to establishing access points for financial services, such as bank agents, banking telephone services, points of sale, ATMs, insurance and securities services, and others.

Finally, we reaffirm that financial inclusion is an inevitable necessity concerned with achieving financial stability, advancing to the comprehensiveness of financial services and products, and achieving equality and social justice. Therefore, in order to eliminate all challenges that hinder its path, it is necessary to continue implementing pioneering reforms and strategies on the part of the government and financial institutions. And the supervisory authorities in the Arab countries, with the need to pay attention to financial depth, financial integrity and financial protection for the consumer, awareness and financial culture, to ensure financial stability and achieve sustainable development in the Arab world.

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