

The Role of Digital Finance in Enhancing Financial Inclusion

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Abstract:

This article examines the critical role of digital finance in promoting financial inclusion, a concept that has garnered significant attention in economic and financial discourse. Despite its growing prominence, a universally accepted definition of financial inclusion remains elusive due to its multidimensional nature. Financial inclusion encompasses a range of services—including payments, savings, transactions, insurance, and credit—aimed at integrating underserved populations into regulated financial systems. This integration is essential for ensuring access to timely and affordable financial products. The paper highlights the complex initiatives undertaken to enhance financial inclusion, which often address both institutional and systemic barriers. These efforts are supported by governments, central banks, and international organizations such as the International Monetary Fund and the World Bank.

The study posits that digital finance plays a crucial role in advancing financial inclusion, particularly by facilitating access to financing for small and medium enterprises (SMEs) and contributing to economic growth and job creation. The objectives of the research include defining key concepts related to digital finance, identifying the characteristics of financial inclusion, and assessing the impact of digital finance on enhancing financial inclusion.

Utilizing a descriptive methodology, the study analyzes data to provide insights and recommendations aimed at strengthening the relationship between digital finance and financial inclusion. Ultimately, this research contributes to the understanding of how digital finance can effectively reduce poverty and enhance overall financial well-being in society.

Keywords: Digital Finance; Financial Inclusion; Financial Inclusion Indicators; Enhancing Financial Inclusion; Algeria.

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Introduction:

The significance of financial inclusion in economic and financial discussions has received much attention from academics and practitioners. Although financial inclusion has gained prominence in the finance literature, there is still no widely approved description of financial inclusion. This lack is a result of the multidimensional nature of financial inclusion.

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The notion financial inclusion includes payments, savings, transactions, insurance and credit that are spread in a sustainable and responsible way. Thus, the notion financial inclusion may be described as the procedure of integrating the weakest and weakest individuals of society into a regulated financial system that ensures they have access to the right credit at the right time and other reasonably priced financial products (Zins & Weil, 2016). Financial inclusion thus depicts a scenario in which the majority of financial services cover a sufficiently large percentage of the population (Abel, 2018)

Initiatives aimed at promoting financial inclusion are typically complex and intended to tackle institutional and systemic flaws while also encouraging people to get over obstacles in their own lives. Financial firms' charters or codes of conduct, central banks' mandates, and government-backed declarations all participate in the attainment of financial inclusion in different nations. Governments and international organizations like the International Monetary Fund, the World Bank, the G20, African Development Bank, and others support financial inclusion efforts.

However, because digital finance makes it possible for people and businesses to access financial services and handle their money more swiftly and effectively, it represents a revolution in the financial services industry. Nowadays, people can use mobile apps or the Internet to open digital bank accounts and manage their finances, doing away with the necessity for traditional bank branches and the related expenses. In addition to lowering costs and increasing accessibility, digital finance enables those without bank accounts to establish credit and apply for further financial services like loans and credit cards. This improves financial inclusion and contributes to the social and economic stability of communities.

Furthermore, digital finance enables enterprises and SMEs to swiftly acquire financing and expand their operations, thereby boosting economic growth and creating new job possibilities. It is a revolution that extends to numerous sectors of financial and economic life, and a very important part of gaining financial inclusion and enhancing the degree of financial well-being for everybody.

In light of the above, the following main issue can be raised: What is the function of digital finance in promoting financial inclusion?

To attain the primary objective of the investigation, the following hypothesis was formulated:

Digital finance plays a crucial role in advancing financial inclusion.

A list of the primary goals of the work is as follows:

- Defining fundamental notion of digital finance.
- Determining the most important characteristics of financial inclusion.
- Determine the value of digital finance in promoting financial inclusion.
- Access to a range of results and suggestions that can serve to expand, improve, and increase interest in digital finance research due to its vital value, notably in reducing poverty and providing world food.

The study aims to define concepts about digital finance and financial inclusion, their goals and importance in development, besides the fact that the mechanisms for developing financial inclusion and its most important axes, alongside the challenges facing financial inclusion, and finally determining the duty of digital finance in promoting financial inclusion.

We investigated and discussed the research assumptions and reach outcomes using the descriptive approach by means of data description and analysis, hence obtaining the causes and results for the purpose of providing suggestions and recommendations that can be used to achieve the connection among digital finance and financial inclusion.

Background of the study:

1-Digital finance:

Digital finance refers to financial services provided via mobile phones, personal computers, the Internet, or cards associated with a reliable digital payment system. A McKinsey report similarly describes digital finance as "financial services provided through the internet, mobile phones, or cards." (Shofawati, 2019)

Digital finance refers to a wide range of financial and payment services that are provided and managed through mobile or internet technologies and a network of experts. According to the World Bank (2015), digital financial services are described as the utilization of digital technologies (like the internet and mobile communication technology) to access and perform financial transactions. Therefore, digital financial services broadly encompass the available technology for delivering financial services from various service providers to a diverse range of users. This is done through digital payment methods such as e-money, mobile money, card payments, and electronic funds transfers. Digital finance services mainly concentrate on providing access to savings, loans, and insurance, along with facilitating transactions through digital means like mobile phones, cards, computers, tablets, etc.

During crisis situations, digital financial payment products permit consumers to obtain money from businessmen, family, and friends who live far away, reducing the probability of their descent into poverty in the first place. Digital financial services, for instance mobile money, provide more convenience, protection, and, in many cases, improved security than holding cash at home or carrying it with you. Small businesses benefit greatly from digital financial services, which provide them with access to finance, secure financial products and electronic payment systems, and the ability to develop a financial track record. Digital finance fosters financial cohesion and integration by making financial services available to all members of society, especially those with low incomes and in rural places where traditional bank branches may not exist. Furthermore, digital finance promotes financial innovation and improves the entire financial system's efficiency.

Many financial services have been changed from offline to online using digital finance technology, which has enhanced transaction efficiency and reduced transaction costs. Digital finance has altered the risk profile. For example, the adoption of digital currency based on blockchain technology has helped to reduce moral hazards such as faking invoices in financial

transactions. However, the reliance of digital technologies on the network poses security issues (Shofawati, 2019)

2- Financial Inclusion:

To define financial inclusion, we must first define financial exclusion. The phrase "financial exclusion" was coined in 1993 by researchers Leyshon and Thrift, who were concerned about limited ability to utilize banking services due to the closure of several bank branches. Kempson and Whiley (1999) defined financial exclusion in a narrow sense, referring to persons who lack access to conventional financial services or items. Others refer to financial exclusion "as an issue where individuals are unable to utilize conventional banking services, debit cards, and insurance, especially education loans and house insurance." Financial exclusion can result in isolation from others vital services, for instance pensions or savings plans, as well as debt and a lack of access to basic facilities. The European Commission characterizes financial exclusion as "a process in which individuals encounter challenges in accessing or utilizing financial services and items available in the primary market that meet their needs and facilitate a normal social existence within their community." (Garg & Agarwal, 2014).

Based on the notion of financial exclusion, interest in the concept of financial inclusion arose in the early 2000s, when it became a common goal for numerous governments and central banks in developing nations. Financial inclusion was formerly described as the practice of delivering affordable financial services to low-income people in society (Muhammad & Ajour).

Financial inclusion, as described by the World Bank in its 2014 "World Financial Development Report," is "the proportion of individuals or organizations who utilize financial services." As per the collaborative assessment of the Arab Monetary Fund and the Consultative Committee for Supporting the Poor, financial inclusion indicates "the right of persons, incorporating low-income individuals and organizations, covering the smallest, to get entry to and benefit effectively (at affordable costs) from a numerous range of superior quality formal financial services (transfers, payments, credit, savings, insurance, etc.), delivered in an appropriate manner and sustained by a diverse(Egyptian Central Bank)

With the objective of agreeing on a common, internationally accepted definition of financial inclusion, the Working Group on Inclusion Data of the Global Financial Inclusion Alliance has created the following essential conditions required to be faced by financial inclusion indicators (Muhammad & Ajour):

- **Usefulness and relevance:** Selecting metrics that facilitate national development financial inclusion policies.
- **Consistency:** guaranteeing uniformity of evaluation and consistency across time and location.

- **Balance:** Financial inclusion addresses both provision (being able to financial services) and usage (activity of these services).
- **Pragmatism:** Depending to the greatest extent feasible on existing and accessible information to minimize expenses and effort.
- **Flexibility:** Financial inclusion requires consideration of the country's economic, geographical, social, and cultural contexts. It changes depending on the circumstances and resources of each country. As a result, the basic conditions recommended for computing the financial inclusion indices allow nations to possess adequate adaptability in selecting definitions and/or alternative indicators.
- **Ambition:** Accurately measuring financial inclusion may require more resources to achieve fundamental requirements. However, out of pragmatism and adaptability, different signs might be selected if the fundamental signs cannot be gained, provided that the indicators be improved later on, in accordance with the principle of aspiration based on the dynamics of basic circumstances.(Shanbei & Bin Lakhdar, 2018)

According to the previous definitions, financial inclusion refers to the accessibility and usage of all financial services by diverse collections of society, entities and persons via formal channels. The concept of financial inclusion also includes protecting consumers' rights to financial services and promoting effective management of their finances and savings, with the goal of preventing some people from turning with regard to informal paths and means that are not subject to inspection and supervision, and frequently charge high fees. (Fund, 2017).

3. Enhancing financial inclusion

There are four key aspects to improve financial inclusion, including the following(Arab Monetary Fund, 2017) :

- Supporting the financial infrastructure;
- Protecting consumers of financial services: Applying strong international norms, concepts, and practices related to safeguarding financial services customers assists to improving trust in the banking and financial sector, with the goal of reinforcing the notion of financial inclusion and, consequently, stable finances;
- Creating financial services and solutions that adapt to the requirements of various societal groups: It is the responsibility of banks and other financial companies to provide new banking products and services;
- Financial education: Each country must address the issue of financial education and awareness by developing a national strategy aimed at increasing educational and financial literacy levels. The plan is being created with the involvement of many various branches of government, companies, and other affiliated organizations, with the goal of increasing awareness of finance and understanding among individuals, particularly the target groups. Financial training aims to establish a coherent financial education system from the ground up with the goal of creating a financially literate society. Financial education enables individuals to make smart and educated financial decisions with the lowest risk levels. An equilibrium requires to be struck within the data accessible to customers and financial service suppliers, especially fresh clients, whose lack of

expertise in using financial services must be considered to assist them understand their duties.

Based on the World Bank's Financial Inclusion Index (FINDEX), over 38% of the worldwide entry to formal financial services. In Arab nations:

- less than 25% of persons with banking and financial accounts possess accounts for savings.
- Approximately 72% of individuals lack official entry banking services.
- Only 5% of people, without considering the Gulf Cooperation Council nations, resort to borrowing through official means.

Financial inclusion confronts several hurdles in its execution due to its successful future perspective for boosting residents' standards of living while also attaining sustainable growth for the country. The most significant impediments to financial inclusion are:(Arab Monetary Fund, 2017)

- High levels of financial illiteracy, leading to a lack of knowledge about banking services.
- Inadequate geographical distribution of banks and ATMs, particularly in rural and isolated regions.
- High interest rates, which discourage some people from borrowing.
- The high cost of executing financial activities (opening an account or using an ATM).
- The expansion of what is known as the informal economy across the country.
- A high unemployment rate, which places a strain on the state to hire these young people.
- Weak promotional efforts for the financial inclusion policy to market the benefits it would provide to citizens and the state if adopted.
- There is a low degree of consumer or citizen confidence in banking services, and financial inclusion can help to improve and enhance that.

4-The role of digital finance in enhancing financial inclusion

Digital finance exerts a considerable influence on financial inclusion because it has the potential to expand the provision of financial services to a substantial portion of the population, especially the impoverished, via novel technologies such as smartphone banking solutions, electronic cash systems, and electronic payment infrastructure, at minimal cost, under suitable circumstances, and within a secure environment. Based on the International Telecommunication Union's 2016 Annual Report, 95% of the demographic data resides in regions with mobile cellular coverage. 47% of the demographic data was linked to the Internet, suggesting improvement. However, over fifty percent of the world's people was the majority of the globe, or around 3.9 billion population, lack Internet access. This indicates

that there exists substantial opportunity to resolve financial concerns electronically (ITU, 2016).

With around 50% of people in the developing world owning a smartphone, electronic finance promotes financial inclusion, non-financial services, and basic individual services (Yong, 2014). Digital finance boosts digital economies' GDP by offering simple accessibility to financial products and solutions (including provisions for credit) for consumers businesses of all kinds. It also promotes economic stability and improves financial mediation, benefiting both the economy and clients. (Lyman & Lauer, 2015)

Digital finance benefits governments by increasing total spending, which leads to increased tax collections from more financial transactions.(Manyika, Lund, Singer, & White, 2016). Digital finance assists financial and monetary system regulators by reducing the distribution of counterfeit money. Other advantages of digital finance for individuals involve increased dominion throughout their own accounts, accelerated financial decision-making and the ability to send and get payments instantaneously.

Digital financial services for poor and remote areas can make it easier for people who can't get to a traditional bank because of lengthy line times or trouble getting there to get money. They can also reduce the need for bank branches, resulting in cost savings and increased profitability.(Shofawati A. , 2019)

Digital finance offers a handy platform for essential financial operations such as utility payments, water delivery, and money transfers to floaters and companions. If digital finance systems are extensively utilized, consumers of digital financial products can assist in educating and convincing their colleagues in formal as well as informal (rural) sectors to leverage digital financial services, resulting in an increase in the quantity of individuals utilizing digital money, resulting in enhanced financial integration.(Ozili, 2018)

Given that digital finance is the process of learning new ways to conduct financial transactions in a way that allows for the gradual development of the organization's culture, increases its flexibility and transparency, raises its value and transactions, and increases the benefits of its main performance indicator, it is possible to distinguish three types of relationships between digital finance and inclusion Financial:(Obaid, 2021)

A - Positive relationship:

The established correlation between the utilization of digital finance as well as accessibility to financial services suggests that the implementation of digital finance in the lives of low-income individuals will significantly enhance financial inclusion in rural regions.

Furthermore, conducting financial transactions that are necessary in an individual's daily life, such as transferring money and paying living expenses such as electricity and water bills, necessitates the presence of an easy-to-use platform that is convenient for individuals, which is what digital finance provides, and users of digital financial services can assist. To increase awareness and information about digital financial services, including the number of people who utilize them, as well as financial inclusion.

B - Negative relationship:

The negative factors influencing the connection among digital finance and inclusive finance stem from the reality that digital finance service providers are profit-driven entities that leverage digital finance to enhance their revenue or to optimize profitable possibilities for associated businesses, such as banks and both financial and non-financial institutions, where this premise is applied. Digital finance service companies selectively employ a more robust marketing strategy to attract high- and middle-income clients to their platforms, while utilizing an exceptionally aggressive marketing approach to persuade low- and impoverished clients to adopt digital solutions; however, the implications of the associated fees remain uncertain.

C - Two-way causality

Increasing digital finance has the potential to enhance financial autonomy if consumers across various income levels can encourage their family and friends in regions of poverty and non-banking organizations to open bank accounts and utilize digital finance for ease of access. This type of feedback and private influence is especially effective in societies with cultural or religious convictions that reject the use of technology in finance. Individuals in the informal sector and impoverished neighborhoods exhibit a diminished propensity to believe bankers or bank marketers who solicit them at home to adopt digital financial services, in contrast to their faith in endorsements from friends and family members currently utilizing such platforms. Upon persuasion, these marginalized individuals will establish a formal bank account to utilize digital financial services. In such instances, the expansion of digital finance will lead to enhanced financial inclusion.(Ozili, 2018)

Financial inclusion has the capacity to enhance the utilization of digital finance by increasing bank account users' familiarity with both new and existing digital finance platforms available for their convenience. Enhanced financial inclusion may elevate digital finance. A rise in the proportion of impoverished or low-income people possessing a current account at a formal banking institution may facilitate banks in informing or persuading existing as well as new customers regarding the digital financial services that are accessible for their own use. In this context, enhancing financial inclusion (or augmenting the number of bank account holders) will result in increased utilization of digital finance.

The expected advantages of financial inclusion and digital finance have led numerous governments in developed nations, via their banking regulators, to impose demands compelling consumers, companies, and consumers with bank accounts to adopt digital financial services; this is achieved by restricting daily cash deposits, imposing substantial fees for cash withdrawals beyond a specified limit, among other measures. Compelling individuals, organizations, and customers with bank accounts to use digital methods may enhance the welfare of account holders, though not invariably.

If forced financial inclusion is imposed on the "banked" community through financial orders, the organization that enforces them will ultimately realize that such ultimatums are effective only for individuals with official bank accounts, not for the unbanked demographic. What is

the situation of the unbanked, or persons lacking regular bank accounts and not integrated into the formal banking system?

II- The empirical methodology:

1-Account ownership:

The figure below shows that Algeria recorded a rate of 43%, which is a good standing in comparison to other neighboring countries, as the latter recorded a decrease in terms of account ownership compared to 2014, 43% in 2017 compared to 50% in 2014, indicating the existence of work in the plan. The strategy utilized to increase financial inclusion and build trust in formal financial institutions. The same is true for 2021, with Algeria experiencing a minor growth projected at 1%. Despite an increase in account openings, gender discrepancies persist. In 2021, 57% of men own accounts compared to 31% of adult women, representing a 26% gender difference. It is worth mentioning that the latter has declined by 1% since 2017. This demonstrates a lack of financial tools that support comprehensive financing in acquiring credit in official Algerian institutions, as well as a lack of trust in financial organizations. In 2017, 38% of Algerian adults reported saving money in the previous year, whereas just 16% of savers in 2021 reported formal deposits in a bank or other financial institution, representing a 5% rise over 2017. If having an account is required for formal savings, the percentage of account holders is higher than the percentage of savings, showing that savings accounts are still underutilized. In this sense, there are two key motivations for saving: Old age, construction, or saving to start, run, or expand a business.

Table 1: Account ownership

	2011	2014	2017	2021
Account ownership	33%	50%	43%	44%
Savings account ownership	4%	14%	11%	16%

Source: Financial inclusion portal for development

In general, Algeria showed modest relative improvements from 2017 to 2021, but it still trails behind the world and many regional regions. Most Maghreb nations witnessed slight increases, but interestingly, no Maghreb country topped 50% of the penetration of formal financial services in Average.

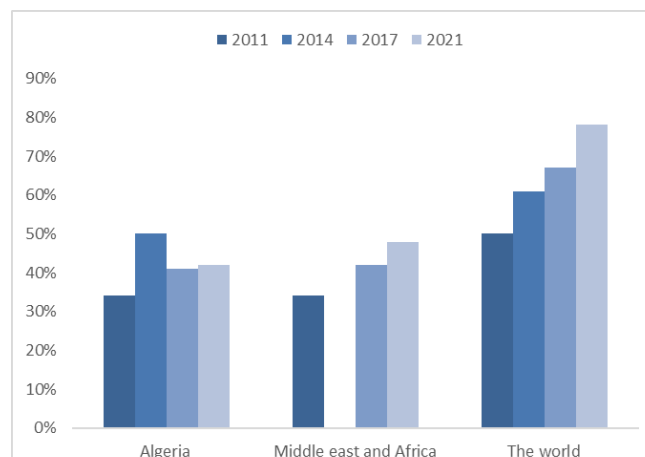


Figure 1: Account ownership in Algeria

Source: Financial inclusion portal for development

The inadequate levels of financial inclusion might be related to the high unemployment rate, particularly among young people, and the banks' demand that customers be 18 years old to create accounts. This means that young people under the age of eighteen are unable to open and maintain their own bank accounts without the permission of their guardians, denying them financial independence. The remaining percentages can be explained by requiring university students to have official financial accounts in order to receive scholarships, as well as forcing wage workers in the public and private sectors to have accounts in official financial institutions in order to receive salaries and grants, as well as non-wage workers, contractors, and farmers to have accounts in an official financial institution. To obtain their financial dues

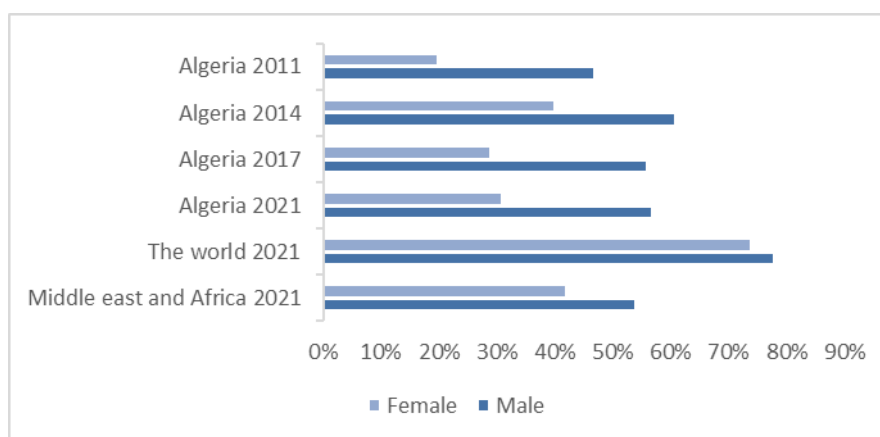


Figure 2: The gender gap in account ownership in Algeria

Source: Financial inclusion portal for development

2- Deposit accounts at commercial banks

According to the figure above, Algeria has minimal deposit accounts, with commercial banks holding only 19% in 2020. The geographical growth of formal banking services cannot effectively attract deposit accounts for over payers, resulting in a situation of low financial inclusion in Algeria.

Table 2: Deposit accounts at commercial banks

Years	2011	2012	2013	2014	2015	2016
Deposit accounts with commercial banks for every 1,000 adults	516,89	547,14	559,07	574,24	560,91	545,374
Years	2017	2018	2019	2020	2021	
Deposit accounts with commercial banks for every 1,000 adults	523,67	511,50	568,26	518,58	510,06	

Source: Financial inclusion portal for development

3- Number of bank branches and ATMs

Accessibility to and use of formal financial services is essential, as savings, coverage, purchases, financing, and transfers empower individuals to control their lives, arrange their expenditures, develop their companies, and enhance their overall well-being. As banks remain a principal institution for obtaining formal financial services, the availability of an accessible bank branch is an essential initial point for entry and consequently the utilization of financial services. Filial banks are complemented with vital points of entry, like as automated banking machines (ATMs), for all formal financial institutions, thereby extending financial services to remote areas, as illustrated in the image below.

Table 3 : Number of bank branches and ATMs

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of bank branches and ATMs per 100,000 adults	5,18	5,23	5,22	5,21	5,26	5,25	5,22	5,24	,25	5,25	5,26

Source: Financial inclusion portal for development

The figure above reveals that there are only 5 banking agencies for every 100,000 adults, which is also verified by the rate of ATMs, as the high demand for ATMs is clearly obvious, and it appears that there is a significant financial exclusion owing to the expansion of their region. This is because, in Algeria, public banks dominate the banking sector, eliminating the element of competition that would promote banking services.

4- Percentage of borrowers from commercial banks

Looking at the data, we can see certain trends and swings in the percentage of commercial bank borrowers per 1,000 adults between 2011 and 2021. Overall, the percentage of borrowers fluctuates within a range over time, with no distinct upward or downward trend. There is some volatility, with the share peaking in 2019 (50.27%) and then slightly dropping in 2020 (46.69%) and 2021.

Yearly fluctuations: The percentage changes from year to year, indicating that a variety of factors may influence borrowing behavior. For example, there is a considerable increase from 2011 to 2013, followed by a decline in 2014. The percentage then swings without any discernible trend.

Table N° 4: Percentage of borrowers from commercial banks

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Commercial bank borrowers per 1,000 adults	39,08	42,58	45,02	42,54	44,24	39,19	40,64	42,9	50,27	46,69	47,79

Source: Financial inclusion portal for development

Potential Influencing Factors:

- Economic factors including interest rates, inflation, and employment might affect borrowing activities.
- Economic stability and turbulence may impact borrowing from commercial banks.
- Changes in banking legislation and policies can impact lending practices, affecting commercial bank loan availability and accessibility.
- Consumer confidence can influence lending decisions. During times of economic uncertainty, people may be more hesitant to incur debt.
- Demographic changes, including age distribution and income levels, may impact borrowing patterns.

5- Digital transactions with banks:

Low-income societies, particularly in the Maghreb countries, are turning to digital financial services to manage their money through the use of mobile phones and rechargeable cards, because modern financial technologies have a positive impact on financial inclusion rates, particularly in remote areas, and thus the mobile phone has become a "reputation." " all over the world. It is also a fantastic tool for development on the African continent.

Table 5: Digital transactions with banks

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Deposit accounts per 1,000 adults		544,4873	556,5441	571,7735	558,4643	543,6496	519,005				
Made or received digital payments in the past year				25,38704			25,97552				33.7

Source: World Bank report, 2011- 2021

According to the figure above, Algeria has a low percentage of people using a smartphone or the World Wide Web for browsing a financial institution's account.

Results and discussion:

This study, which attempted to highlight the role of digital finance with its many technologies in increasing financial inclusion and identifying the reality of financial inclusion in the Arab area, yielded a set of results that can be summarized as follows:

- Digital finance helps to boost the GDP of digital economies by facilitating access to a wide range of fundamental products and services, resulting in financial inclusion.
- Digital finance enables residents of rural and isolated locations to gain access to financial services via smart phones connected to the Internet, increasing the level of financial inclusion.
- Digital finance enables funds to be tracked, counterfeit currencies and money laundering reduced, and transactions completed more quickly.
- Digital finance facilitates and simplifies financial transactions, including electronic payment platforms for utilities and money transfers, promoting financial inclusion. Digital money makes essential services more accessible to the poor and disadvantaged, resulting in increased financial inclusion in developing countries. Financial inclusion raises individuals' standard of living by providing easy financing opportunities for the poor and disadvantaged, as well as job opportunities, resulting in economic well-being, which can lead to an increase in individual savings and an increase in the bank deposit base used to finance the economy.
- The level of financial inclusion in the Arab area remains below expectations.
- Arab countries differ in terms of financial inclusion, with the Gulf countries having a higher degree than the worldwide average.
- Arab countries, including Algeria, have undertaken numerous strategies to improve financial inclusion, either individually or in collaboration with regional and international entities.

To this day, poor and vulnerable segments of society have been denied fundamental financial needs. However, with a new vision for comprehensive growth and financial independence, various governments, banks, and financial institutions must work together to establish strategies and policies to advance financial inclusion. However, for the initiative to be implemented successfully, necessary infrastructural facilities (technology, internet access, ATMs, etc.) must be given, particularly in remote and rural areas. In addition to financial education among the weaker parts of society, which still requires improvement and development. However, Algeria continues to trail behind wealthy countries in terms of financial inclusion, and much more work remains to be done. However, care must be given during the development process to ensure long-term growth while taking into account the social and economic environment. Otherwise, financial inclusion will be merely a financial fantasy. As governments increase their efforts to achieve financial inclusion, it is evident that they encounter numerous challenges. Solutions might be proposed that include:

- Developing meaningful and relevant financial products that cater to consumer needs.

- Ensure that everyone has legitimate identification documents, and that methods of verification are inexpensive and simple.
- Increase access to and delivery of financial services to hard-to-reach communities.
- Improving individuals' cultural and financial literacy so that they can understand diverse financial services and products.
- Create strong consumer financial protection frameworks, and adapt applicable regulatory and supervisory bodies, including the use of technology to enhance oversight.

Conclusion:

Financial inclusion contributes significantly to poverty reduction and long-term development. Several physical, economic, regulatory, and cultural issues contribute to limited access to financial services. These variables disproportionately affect the poor, women, young people, rural communities, and non-governmental sector workers. The application of new technologies and innovative business models can help to avoid and overcome barriers to accessing financial services. Governments play a vital role in building strong regulatory frameworks and setting conditions that allow for incentives to broaden the spectrum of service offerings and their cost-effectiveness. inexpensive and increase demand for financial services by such ways as financial education and enabling people to obtain financial goods.

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