

Financial Inclusion and Its Role in Strengthening Islamic Investment: Challenges and Opportunities in the Arab World

الشمول المالي ودوره في تعزيز الاستثمار الإسلامي: التحديات والفرص في العالم العربي

Khalfallah Houssameddine¹, Berrais Khalifa²

¹ University Center of Tipaza (Algeria), khalfallah.houssem23@gmail.com

² University Center of Tipaza (Algeria), berraiskhalifa@gmail.com

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Abstract:

This study analyzes the role of financial inclusion in strengthening Islamic investment in Arab countries. It highlights the impact of mechanisms such as microfinance, financial technologies, and access to Islamic bank accounts on the expansion of this investment. The study identifies the main challenges faced, particularly in terms of regulations, financial infrastructure, and awareness. It also draws on successful experiences, such as those of Malaysia and Indonesia, to propose solutions adapted to the Arab context. Finally, recommendations are made to promote more inclusive and sustainable finance in the region.

Keywords: financial inclusion, Islamic investment, microfinance, sustainable development.

ملخص:

تحلل هذه الدراسة دور الشمول المالي في تعزيز الاستثمار الإسلامي في الدول العربية. وتسلط الضوء على تأثير آليات مثل التمويل المصغر، والتقنيات المالية، وإمكانية الوصول إلى الحسابات المصرفية الإسلامية في توسيع هذا الاستثمار. وتحدد الدراسة التحديات الرئيسية التي تواجه هذا المجال، ولا سيما من حيث اللوائح التنظيمية، والبنية التحتية المالية، ومستوى الوعي. كما تستند إلى تجارب ناجحة، مثل تجارب ماليزيا وإندونيسيا، لاقتراح حلول تتناسب مع السياق العربي. وأخيراً، تقدم الدراسة توصيات لتعزيز التمويل الشامل والمستدام في المنطقة.

كلمات مفتاحية: الشمول المالي، الاستثمار الإسلامي، التمويل المصغر، التنمية المستدامة.

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Corresponding author: khalfallah Houssameddine, e-mail: khalfallah.houssem23@gmail.com.

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Introduction:

Financial inclusion represents one of the cornerstones of economic and social development in the contemporary world. In the face of economic and financial challenges encountered by many countries, the provision of financial services in an inclusive manner proves to be an effective means of strengthening economic stability and achieving social equity. Among the financial systems that significantly contribute to this objective, Islamic finance stands out due to its ethical principles, aiming to promote financial justice while avoiding interest and other harmful financial practices.

The issue of this study lies in the following question: *How can financial inclusion become an effective tool to support Islamic investment?* Financial inclusion is indeed a pillar for providing access to financial services to individuals and economic sectors previously excluded from the traditional financial system. Therefore, it becomes essential to integrate financial inclusion policies into strategies for promoting Islamic investments, which play a key role in achieving sustainable economic and social objectives. However, several challenges exist in implementing these policies in the Arab world, such as weak financial infrastructure and legal and regulatory constraints.

Objectives of the Study:

1. **Analyze the role of financial inclusion in strengthening Islamic investment:** by studying the relationship between financial inclusion and the expansion of the Islamic investment base.
2. **Explore the mechanisms and tools facilitating financial inclusion:** such as microfinance, financial technology, and bank accounts, and how these can be used to support Islamic investment.
3. **Identify the challenges faced in implementing financial inclusion policies in the Arab world:** by analyzing the obstacles that hinder the integration of financial inclusion and Islamic investment.
4. **Study successful international experiences:** such as those of Malaysia and Indonesia, and how Arab countries can benefit from them to develop their local policies.

1: Theoretical and Conceptual Framework

Definition of Financial Inclusion: Concept, Dimensions, and Objectives

1.1 Definition of Financial Inclusion

Financial inclusion refers to the process of enabling all segments of the population, particularly marginalized and disadvantaged groups, to access financial services in an affordable, equitable, and secure manner. This includes banking services, credit, insurance, and money transfers.

Key Definitions:

1. **World Bank:**
Financial inclusion means that individuals and businesses have access to financial products and services that meet their needs, such as bank accounts, credit, insurance, and payment services, in a responsible and sustainable manner.
2. **International Monetary Fund (IMF):**
It refers to the integration of as many individuals and businesses as possible, including the poor and small enterprises, into the formal financial system.

3. **Organisation for Economic Co-operation and Development (OECD):**
Financial inclusion refers to efforts aimed at improving access to financing for individuals and small businesses at affordable costs.

1.2. Dimensions of Financial Inclusion

- **Economic Dimension:**
 - Contributing to sustainable economic growth through increased savings and investments.
 - Improving the efficiency of financial resource allocation.
 - Supporting small and medium-sized enterprises (SMEs) by facilitating their access to financing.
- **Social Dimension:**
 - Reducing inequalities between the rich and the poor by making financial services accessible to all.
 - Promoting the economic empowerment of women through tailored financial tools.
 - Improving living standards and reducing poverty.
- **Technological Dimension:**
 - Encouraging the use of financial technology (Fintech) to simplify access to financial services, such as banking apps and e-wallets.
 - Developing the digital infrastructure of financial services (Ben Salem, 2021).
- **Regulatory Dimension:**
 - Establishing a legal and regulatory framework that protects financial consumers.
 - Promoting transparency and accountability in the provision of financial services.
 - Combating money laundering and the financing of terrorism through inclusive and monitored financial systems.

1.3. Objectives of Financial Inclusion

- **Ensuring Financial Stability:**
 - Reducing the informal sector by integrating individuals and businesses into the formal financial system.
 - Limiting the impacts of economic and social shocks by increasing individuals' capacity to save and invest.
- **Stimulating Economic Development:**
 - Expanding the base of savers and investors, thus fostering better financial circulation within the economy.
 - Supporting startups and small businesses, which form the backbone of the economy.
- **Reducing Poverty and Social Inequalities:**
 - Enabling individuals to access financing to meet their daily needs and develop their economic capacities.
 - Improving access to education and healthcare through tailored financial tools.
- **Encouraging Financial Innovation:**
 - Promoting innovation in financial services, such as microcredit, micro-insurance, and digital services.
 - Offering solutions adapted to the challenges of financial access, especially in rural and remote areas.
- **Supporting the Sustainable Development Goals (SDGs):**

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- Strengthening partnerships to achieve sustainable development through efficient financial systems.
- Contributing to the achievement of goals such as poverty eradication, gender equality, and quality education through increased financial inclusion (Saïd, 2019).

1.4. Importance of Financial Inclusion in the Islamic Context

In the framework of Islamic finance, financial inclusion plays a key role in expanding access to Sharia-compliant financial services, such as:

- Interest-free loans (*qard hassan*).
- Equity-based financing through *musharaka* and *mudaraba*.
- Cooperative insurance (*takaful*).

Financial inclusion thus contributes to promoting social justice and holistic development, in perfect harmony with Islamic principles and values.

2. Definition of Islamic Investment: Objectives, Principles, and Tools

2.1. Definition of Islamic Investment

Islamic investment is a form of investment that complies with Sharia principles, which prohibit certain practices such as *riba* (interest), *gharar* (excessive uncertainty), and illicit (haram) economic activities. It represents an ethical financial framework aimed not only at maximizing profits but also at promoting social justice, economic development, and collective well-being.

Key Definitions:

1. **Islamic Development Bank (IDB):**
An investment based on contracts and financial mechanisms that adhere to Sharia principles, encouraging participation and fairness in profit and loss distribution.
2. **International Islamic Fiqh Academy:**
An act of committing capital to productive and lawful activities with the aim of generating profit while complying with Islamic precepts (Hachimi, 2020).

2.2. Objectives of Islamic Investment

1. **Compliance with Sharia:**
The primary goal is to ensure that all financial activities are aligned with Islamic teachings. This includes the prohibition of speculative transactions and interest-based dealings.
2. **Promotion of Economic Justice:**
Islamic investment seeks to reduce economic inequalities by fostering a fair distribution of wealth and resources.
3. **Support for Sustainable Development:**
Investments should contribute to overall economic growth, supporting productive sectors such as agriculture, industry, and infrastructure.

4. **Encouragement of Cooperation and Solidarity:**
Contracts and mechanisms like *musharaka* (partnership) and *takaful* (cooperative insurance) aim to strengthen collaboration among stakeholders.
5. **Prevention of Financial Crises:**
By avoiding excessive speculation and risky practices, Islamic investment strives to create a more stable and sustainable financial system (Ouertani, 2019).

2.3. Principles of Islamic Investment

1. **Prohibition of *Riba* (Interest):**
All forms of fixed or variable interest are forbidden. Profits must be generated from productive activities and shared risk-taking.
2. **Prohibition of *Gharar* (Excessive Uncertainty):**
Transactions involving significant uncertainty or excessive risk are prohibited. Contracts must be clear and transparent.
3. **Investment in Lawful Activities:**
Investments must be limited to sectors compliant with Sharia, excluding industries related to alcohol, gambling, pornography, and usury.
4. **Profit and Loss Sharing:**
Stakeholders must share both gains and losses based on pre-agreed proportions.
5. **Promotion of Ethics and Social Responsibility:**
Investments should aim to improve collective well-being while adhering to ethical standards.

2.4. Tools of Islamic Investment

1. **Murabaha (Cost-Plus Financing):**
A mechanism where a financial institution purchases an asset and sells it to a client at a known profit margin agreed upon by both parties (Bensalem, 2021).
2. **Mudaraba (Profit-Sharing Partnership):**
A contract between an investor (*rab al-mal*) and an entrepreneur (*mudarib*), where profits are shared according to a predetermined ratio, while losses are borne by the investor unless caused by negligence or misconduct by the manager.
3. **Musharaka (Joint Partnership):**
A partnership where all parties contribute capital and share profits or losses in proportion to their contributions.
4. **Ijara (Leasing):**
A contract where a financial institution purchases an asset and leases it to a client for a specified period, often with an option to purchase the asset at the end of the contract.
5. **Sukuk (Islamic Bonds):**
Investment certificates backed by tangible assets, allowing the financing of specific projects while generating Sharia-compliant returns.
6. **Takaful (Islamic Insurance):**
A mechanism based on mutual solidarity and cooperation, where participants contribute to a common fund designed to cover losses according to shared principles.
7. **Qard Hassan (Interest-Free Loan):**
A benevolent loan provided for specific needs, where the borrower is required to repay only the principal amount without any interest.

2.5. Importance of Islamic Investment

Islamic investment plays a crucial role in:

- Promoting an ethical financial system.
- Supporting small and medium-sized enterprises (SMEs).
- Developing economic and social infrastructure.
- Reducing economic inequalities while respecting cultural and religious values (Oujda, 2022).

3. The Relationship Between Financial Inclusion and Islamic Investment: A Theoretical Analysis

Financial inclusion and Islamic investment share common objectives, such as social justice, economic equity, and sustainable development. Financial inclusion aims to integrate marginalized segments of society into the financial system, while Islamic investment offers Sharia-compliant tools to encourage ethical and responsible financial participation. This section explores the theoretical links between these two concepts and their complementarity in promoting inclusive economic and social development.

3.1 Financial Inclusion: A Lever for Islamic Investment

Financial inclusion provides a platform to expand access to Islamic financial services. This is reflected through:

- **Access to Sharia-Compliant Products:** Marginalized individuals and businesses, often excluded from conventional financial systems, can benefit from Islamic products such as Murabaha, Mudaraba, and Sukuk.
- **Financial Education:** Financial inclusion initiatives raise awareness about the importance of saving, investing, and using Islamic financial tools.
- **Financial Technology (Fintech):** Digital innovations facilitate the distribution of Islamic financial products in rural and remote areas.

3.2 Islamic Investment as a Catalyst for Financial Inclusion

Islamic investment directly contributes to financial inclusion by implementing principles such as:

- **Absence of Riba (Interest):** This principle attracts populations that reject conventional financial systems due to non-compliance with Sharia.
- **Profit and Loss Sharing:** Tools like Musharaka and Mudaraba offer equitable opportunities for small businesses and entrepreneurs.
- **Ethics and Social Responsibility:** Islamic investments focus on essential sectors, such as agriculture, infrastructure, and healthcare, thereby promoting inclusive development (Ben Abdellah, 2020).

4. Synergies Between the Two Approaches

4-1 Common Objectives: Social Inclusion and Inequality Reduction

- **Poverty Alleviation:** The combination of financial inclusion and Islamic investment expands access to credit and financial products for poor populations. For example, interest-free loans (Qard Hassan) can finance microeconomic projects.
- **Women Empowerment:** Both approaches encourage women's access to financing, strengthening their role in economic development.

4-2 Support for Sustainable Development

- **Islamic Products:** Green Sukuk, for instance, promote investments in environmental and social projects while adhering to Sharia principles.
- **Financial Inclusion:** Supports financing for Sustainable Development Goals (SDGs) by backing projects aligned with ethical and sustainable values.

4-3 Utilizing Fintech for Broader Reach

- **E-Wallets and Islamic Crowdfunding Platforms:** Provide innovative solutions to connect unbanked populations with ethical investment opportunities.
- **Technological Access:** Facilitates access to Islamic tools, even in rural or underdeveloped areas (Charfi, 2021).

4-4 Challenges in Implementing Integration

- **Lack of Awareness and Financial Education**

Many financially excluded populations are unaware of Islamic products and their benefits.

- **Limited Financial Infrastructure**

In some countries, Islamic financial institutions and digital services lack sufficient coverage to reach unbanked populations.

- **Conflict Between Legal and Religious Frameworks**

The absence of a unified regulatory framework for Islamic finance in some countries hinders its development and contribution to financial inclusion.

5-Financial Inclusion as a Tool to Strengthen Islamic Investment

I. Mechanisms of Financial Inclusion

Financial inclusion refers to the processes, tools, and mechanisms implemented to integrate unbanked or underbanked populations into the formal financial system. In the context of Islamic finance, this inclusion is based on ethical and religious principles that promote broad and equitable economic participation.

1. Microfinance

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Microfinance is a pillar of financial inclusion, offering low-income populations access to tailored financial resources.

- **Characteristics in Islamic Finance:**
 - Islamic microfinance relies on Sharia-compliant contracts such as Qard Hassan (interest-free loan), Mudaraba (profit-sharing), and Musharaka (partnership).
 - Eliminates usurious practices (Riba) and focuses on financing productive economic activities.
- **Economic and Social Impacts:**
 - **Poverty Reduction:** Provides financing to entrepreneurs and small businesses, supporting income generation.
 - **Strengthening Female Entrepreneurship:** Women, often marginalized, benefit from these funds to start Sharia-compliant businesses.
 - **Rural Development:** Microfinance institutions focus on remote areas with limited financial infrastructure.
- **Concrete Examples:**
 - In Indonesia, Islamic microfinance programs have funded thousands of rural micro-enterprises.
 - In Sudan, Islamic banks have introduced specific products for farmers (Idrissi, 2021).

2. Financial Technology (Fintech)

Technological advancements in the financial sector offer innovative solutions to promote financial inclusion, especially in Islamic finance.

- **Role of Fintech in Islamic Financial Inclusion:**
 - **Islamic Crowdfunding Platforms:** Enable individuals and businesses to raise funds for Sharia-compliant projects.
 - **Digital Wallets:** Facilitate payments, savings, and investments, even for rural populations.
 - **Blockchain:** Distributed ledger technologies ensure transparency and integrity in Islamic financial transactions.
- **Specific Advantages:**
 - **Accessibility:** Digital tools overcome geographical barriers.
 - **Efficiency:** Reduces transaction costs, making financial services accessible to previously excluded segments.
 - **Sharia Compliance:** Fintech ensures strict adherence to Islamic principles in transactions.
- **Concrete Examples:**
 - Malaysia's EthisCrowd platform finances Sharia-compliant real estate projects.
 - In Africa, mobile applications enable rural populations to access Takaful insurance products.

3. Inclusive Bank Accounts

Bank accounts play a fundamental role in financial inclusion, serving as a gateway to other financial services.

- **Characteristics of Islamic Accounts:**
 - No interest on deposits.
 - Profit-sharing options based on Mudaraba.
 - Compatibility with other Islamic financial products, such as Sukuk or Takaful.
- **Initiatives for Banking Inclusion:**
 - Governments and Islamic banks conduct awareness campaigns to encourage account opening.
 - Simplified products tailored to the needs of rural and low-income populations are developed.
- **Advantages:**
 - Encourages formal savings.
 - Provides a foundation for accessing financial services such as credit and insurance (Jaziri, 2019).

6-Challenges and Practical Experiences

I. Challenges Related to the Implementation of Financial Inclusion to Support Islamic Investment

Financial inclusion is an important lever for strengthening Islamic investment. However, its implementation faces numerous challenges often linked to structural, economic, social, and institutional factors that limit the integration of marginalized populations into the formal financial system.

1. Institutional and Regulatory Challenges

- **Lack of clear legal frameworks:** In many countries, financial regulations do not account for the specificities of Islamic finance. Islamic banks often operate within regulatory frameworks designed for conventional financial institutions, limiting their effectiveness.
- **Lack of standardization:** Differences in interpretations of Sharia principles across regions or institutions complicate the design and implementation of Islamic financial products suitable for financial inclusion.
- **Weak coordination among stakeholders:** Governments, regulators, and Islamic financial institutions often work in isolation, hindering the development of inclusive and effective solutions (Chérif, 2021).

2. Economic and Financial Challenges

- **Limited access to capital:** Islamic microfinance institutions often lack the financial resources to meet growing demand. High costs related to Sharia compliance and product development can limit competitiveness.
- **Lack of financial infrastructure:** In rural and remote areas, the absence of bank branches or digital infrastructure limits access to financial services. Islamic microfinance institutions and banks struggle to expand services to these regions.
- **Limited product diversification:** Available Islamic financial products are often restricted to basic loans or savings accounts, which do not meet all the needs of investors and entrepreneurs.

3. Social and Cultural Challenges

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- Lack of financial literacy: Many marginalized populations lack the knowledge to understand and use Islamic financial products. The absence of appropriate financial education programs exacerbates this issue.
- Distrust towards financial institutions: In some communities, distrust of banks, including Islamic banks, is a major barrier to adopting financial services.
- Influence of cultural norms: In certain regions, cultural or religious norms may discourage women from actively participating in economic activities or accessing financial services.

4. Technological Challenges

- Limited access to technology: The adoption of financial technology (Fintech) is hindered by a lack of internet access and digital devices in some regions. Rural populations, in particular, have limited access to smartphones or mobile services necessary to use Fintech tools.
- Lack of Sharia integration: Technological innovations such as blockchain and smart contracts are still underutilized in Islamic finance, despite their significant potential to overcome traditional barriers.

5. Challenges Related to International Perception

- Competition with conventional finance: Conventional finance is perceived as more accessible and universal, which can discourage potential investors from turning to Islamic finance.
- Lack of global recognition: Islamic financial products are not always well understood or accepted in international markets, limiting their reach and attractiveness (Djebali, 2020).

II. Strategies to Overcome Challenges

To mitigate these challenges, it is essential to develop effective strategies:

- Strengthening regulatory frameworks: Adopt policies that promote the harmonization of Islamic financial standards nationally and internationally.
- Investment in infrastructure: Develop financial and digital infrastructure to reach rural populations.
- Promotion of financial education: Launch awareness campaigns to improve understanding of Islamic financial products.
- Collaboration among stakeholders: Encourage partnerships between governments, financial institutions, and international organizations.

7-Successful International and Regional Experiences: The Case of Malaysia and Indonesia

The experiences of countries like Malaysia and Indonesia offer valuable examples of success in implementing financial inclusion to support Islamic investment. These countries have combined public policies, private sector initiatives, and innovative solutions to address economic and social challenges while adhering to Islamic principles.

1. Malaysia's Experience: A Model of Success in Islamic Financial Inclusion

Malaysia is a global leader in Islamic finance, with an environment conducive to developing inclusive infrastructure and a solid legal framework. The country has successfully integrated financial inclusion with Islamic finance principles to encourage investment and support sustainable development.

- **Public Policies and Regulation:**
 - Robust regulatory and legal framework: Malaysia has one of the most developed regulatory frameworks for Islamic finance. The Central Bank of Malaysia (Bank Negara Malaysia) has introduced specific regulations to govern Islamic financial institutions and ensure Sharia compliance.
 - Integrated supervision system: Malaysia has implemented an integrated financial supervision system for both conventional and Islamic banks, ensuring harmonized regulation of financial services.
 - Government initiatives: The Malaysian government has created tax incentives and support policies to encourage investments in Sharia-compliant businesses, such as tax measures promoting sukuk issuance and other Islamic financial instruments (Mokhtar, 2021).
- **Development of Islamic Financial Products:**
 - Islamic microfinance: Malaysia has developed an Islamic microfinance system offering interest-free loans to small businesses and low-income individuals based on qard hassan (interest-free loans). This enables entrepreneurs to start or grow their businesses without excessive debt.
 - Innovative financial instruments: The country has developed innovative Islamic financial instruments, such as green sukuk for sustainable energy projects, attracting international investors while supporting sustainable development goals.
- **Digital Inclusivity and Financial Technology (Fintech):**
 - Islamic Fintech: Malaysia has heavily invested in the Fintech ecosystem, fostering the development of digital solutions that comply with Islamic principles. Islamic crowdfunding platforms, like Ethis Malaysia, have enabled thousands of entrepreneurs to access Sharia-compliant financing.
 - Mobile payments and financial inclusion: The country has introduced mobile payment solutions for unbanked populations, with platforms compatible with Islamic principles, ensuring interest-free transactions.
- **Social and Economic Impact:**
 - Poverty reduction and social inclusion: Through financial inclusion, Malaysia has integrated millions of people previously excluded from the formal financial system. Islamic microfinance has contributed to the creation of small businesses, reducing poverty and inequality.
 - Improved access to education: Projects funded by sukuk have financed schools and scholarships for youth from modest backgrounds.

2. The Indonesian Experience: Promoting Islamic Finance for Sustainable Development

Indonesia, with the largest Muslim population in the world, has implemented remarkable initiatives to support financial inclusion through Islamic finance, aiming to strengthen investments and support sustainable development projects.

1. Government Policies and Institutional Support

- **Encouragement of Islamic Finance:** The Indonesian government has carried out several reforms to develop the Islamic finance sector. Bank Indonesia has launched initiatives to encourage banks to adopt Sharia-compliant practices.
- **Legislation and Standardization:** Indonesia has introduced specific legislation to regulate Islamic finance, enabling stable growth in the sector. Additionally, an Islamic supervisory body, the Dewan Syariah Nasional (DSN), has been established to ensure the compliance of financial products with Islamic principles.

2. Development of Islamic Financial Products and Services

- **Islamic Microfinance:** Indonesia has launched microfinance programs to support small businesses and low-income entrepreneurs. These financings, based on contracts such as mudarabah and musharakah, allow individuals and community groups to access funds to start or expand economic activities.
- **Sukuk and Crowdfunding:** The country has also issued sukuk to finance infrastructure, education, and healthcare projects, attracting both local and international investments. Crowdfunding platforms like CrowdIndonesia have helped raise funds for Sharia-compliant community projects.

3. Digital Inclusivity and Innovation in Islamic Finance

- **Islamic Fintech Platforms:** Indonesia is a global leader in Islamic fintech. Companies like Amarthia have introduced Sharia-compliant peer-to-peer lending platforms, facilitating credit access for thousands of rural small businesses.
- **Mobile Banking Services:** The country has also invested in mobile banking solutions, allowing unbanked populations to access savings accounts and payment services compatible with Islamic finance.

4. Social Impact and Sustainable Development

- **Poverty Reduction and Support for Entrepreneurship:** Thanks to Islamic financial inclusion, millions of small businesses in Indonesia have accessed funding for growth, creating jobs and reducing poverty.
- **Support for Education and Healthcare:** Sukuk financing has enabled the construction of schools and hospitals, contributing to the improvement of the country's social infrastructure.

3. Lessons Learned from the Experiences of Malaysia and Indonesia

The experiences of Malaysia and Indonesia show that financial inclusion combined with Islamic finance can have a significant impact on economic growth and social development. The key lessons from these experiences are:

1. The importance of a robust regulatory framework and effective supervision.
2. The key role of financial technology in reaching unbanked populations.
3. The need to promote financial literacy and awareness of Islamic finance.

4. Collaboration between the private sector, public sector, and financial institutions to create an inclusive ecosystem (Nadir, 2022).
5. Evaluation of Local Policies in the Arab World to Support Financial Inclusion and Islamic Investment

Arab countries have made notable progress in implementing financial inclusion and Islamic finance, but these policies also face many challenges due to economic, political, and social factors specific to each country. The evaluation of local policies in this region must consider the successes, challenges, and opportunities within each national context.

I. Successful Local Policies in Some Arab Countries

1. Saudi Arabia: A Model for Islamic Finance Development

Saudi Arabia is one of the leading countries in the field of Islamic finance, with well-established policies to support financial inclusion and encourage Islamic investment through various initiatives.

- **Regulatory Framework:** The Kingdom has created a favorable environment for Islamic finance, notably through the regulation of the sukuk market and Sharia-compliant banking products. The Saudi Arabian Monetary Authority (SAMA) supervises Islamic financial institutions to ensure their compliance with Islamic principles.
- **Islamic Microfinance Initiatives:** Saudi Arabia has launched several Islamic microfinance programs aimed at providing credit to small and medium-sized enterprises (SMEs) and population segments without access to traditional financial services. These initiatives are based on mudarabah and musharakah principles, ensuring Sharia-compliant financing.
- **Role of Financial Institutions:** The Saudi Industrial Development Fund (SIDF) and other financial institutions have played a key role in supporting infrastructure projects and investments in high-growth potential sectors.

2. United Arab Emirates: A Regional Hub for Islamic Finance

The UAE has established itself as an important financial center for Islamic finance globally, particularly in Dubai. The country has implemented policies to promote financial inclusion, diversify financial products, and encourage technological innovation.

- **Dubai Islamic Economy Development Centre (DIEDC):** This center was created to promote the development of the Islamic economy, focusing on financial inclusion, Islamic fintech, and sukuk development. Dubai has thus become a global hub for investors interested in Islamic finance.
- **Regulation of Islamic Finance:** UAE authorities have established legislation favorable to Islamic finance, notably through the Dubai Financial Services Authority (DFSA), which regulates Islamic banking activities. The country has also integrated rules to facilitate access to Islamic financing for small businesses and startups.
- **Digital Inclusion and Islamic Fintech:** Dubai has taken measures to promote digital innovations and Islamic fintech, facilitating access to banking and financial services through mobile solutions. This has helped bridge the financial inclusion gap, especially for young and women entrepreneurs.

5. Challenges Faced in Some Arab Countries

Despite significant progress in some countries, the implementation of effective financial inclusion and Islamic investment policies in the Arab world remains hindered by several challenges.

1. **Lack of Banking Infrastructure in Rural Areas:** Many Arab countries, particularly in the Maghreb and parts of the Mashreq, suffer from a lack of banking infrastructure, limiting access to financial services for rural populations. Islamic financial products are often absent in these regions, leaving unbanked individuals excluded from formal investment mechanisms.
2. **Regulatory and Legal Challenges:** In some countries, the regulatory framework for Islamic finance is not yet sufficiently developed. There are divergences in interpreting Sharia principles, creating an uncertain environment for investors. Additionally, the lack of clear regulations on financial instruments such as sukuk hampers the sector's harmonious development.
3. **Low Islamic Finance Awareness:** While Islamic finance is well established in countries like Saudi Arabia and the UAE, it remains poorly understood in other parts of the Arab world. The lack of financial literacy, especially in rural areas and among disadvantaged populations, prevents widespread adoption of Islamic financial products.
4. **Technological Limitations and Internet Access:** In some Arab countries, access to financial technologies and mobile platforms is still limited. This hampers financial inclusion, particularly in countries like Yemen, Syria, and certain regions of Egypt and Sudan, where internet and smartphone access is still restricted (El Amrani, 2020).
5. **Prospects for Improving Policies in the Arab World**

To overcome the mentioned challenges and strengthen financial inclusion and Islamic investment, several improvement strategies can be considered.

1. **Enhancing the Integration of Islamic Finance into National Financial Systems:** Arab countries must continue developing legal and regulatory frameworks favorable to Islamic finance. Establishing harmonized regional standards for Islamic financial products, sukuk, and Islamic fintech regulation can stimulate the integration of these instruments into financial markets.
2. **Developing Digital Financial Infrastructure:** Investments in digital and mobile infrastructure are essential to facilitate access to banking services, particularly in rural areas. Supporting Islamic fintech initiatives and creating Sharia-compliant digital payment platforms is crucial to include unbanked populations.
3. **Promoting Financial Education and Awareness of Islamic Finance:** Arab governments should promote financial education to raise awareness of the benefits of Islamic finance. Educational programs targeting both consumers and economic actors can play a key role in adopting Islamic finance.
4. **Fostering Regional Collaboration:** It is important for Arab countries to collaborate in creating a common Islamic finance market, encouraging exchanges between financial institutions, regulators, and private actors. This will not only strengthen the position of Arab countries in the Islamic finance sector but also attract foreign investments (Ben Khelifa, 2021).

Conclusion:

In conclusion, this study highlights the fundamental role that financial inclusion plays in strengthening Islamic investment in Arab countries. Financial inclusion proves to be an essential lever to ensure equitable access to financial services, particularly for marginalized populations and small businesses. Through mechanisms such as microfinance, financial technology (fintech), and

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Islamic bank accounts, it is possible to encourage active participation in the economy, thereby achieving inclusive and sustainable growth.

Moreover, Islamic investment, based on Sharia principles, serves as an important pillar for financing socially impactful projects, offering a fair alternative to traditional financial models. The experiences of countries like Malaysia and Indonesia demonstrate the importance of combining financial inclusion with Islamic investment to stimulate economic growth while ensuring balanced social development.

However, several challenges persist in the implementation of financial inclusion in the Arab world, notably the lack of adequate financial infrastructure, low awareness, and regulatory barriers. These challenges call for concerted action among governments, financial institutions, and private sector actors to develop appropriate policies that will promote both financial inclusion and the expansion of Islamic investment.

Ultimately, this research underscores the importance of an integrated approach to promoting financial inclusion and Islamic investment, with innovative solutions that foster more inclusive and equitable growth. It is crucial to continue developing alternative economic models that adhere to ethical principles in order to build fairer and more prosperous societies.

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