UNIVERSITY OF ORAN 2 MOHAMED BENAHMED
ECONOMICS, BUISNESS AND MANAGEMENT FACULTY
FINANCE AND ACCOUNTING DEPARTMENT

Pedagogical print on :

FINANCIAL INCLUSION

This Course is Addressed to Third-Year Students in Financial Technology license, Financial and Accounting Sciences

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FINANCIAL INCLUSION
Level 3 Licence FINANCIAL TECHNOLOGIE « FIN TECH »
FINANCIAL AND ACCOUNTING SCIENCES DEPARTMENT



This course on **financial inclusion** is designed for third-year students in **financial technology** (FinTech). It aims to provide a deep understanding of how financial inclusion integrates with technological solutions to foster sustainable economic development. Students will explore various **digital financial services**, **regulatory frameworks**, and **innovative technologies** that drive access to financial services for underserved populations. Through case studies and real-world examples, the course will also address the role of financial inclusion in achieving **sustainable development goals (SDGs)**.

This plan is flexible and can be adjusted based on the learners' age, knowledge level, and resources available. The goal is to help them grasp the importance of financial inclusion while encouraging critical thinking and problem-solving skills.

FINANCIAL INCLUSION LESSON PLAN:

1. Lesson 1: Introduction to Financial Inclusion

- What is Financial Inclusion?
- Importance of Financial Inclusion in economic growth
- Barriers to financial inclusion (e.g., geographic, financial literacy, cost, regulatory challenges)

2. Lesson 2: Financial Inclusion and Sustainable Development

- What is sustainable development ?
- What are the goals of sustainable development?
- The relationship between the financial inclusion and sustainable development.

3. Lesson 3: Key Components of Financial Inclusion

- Types of financial services (payments, savings, credit, insurance, pensions)
- Mobile banking and digital financial services
- The role of financial institutions (banks, microfinance institutions, fintech)

4. Lesson 4: Barriers to Financial Inclusion

- Socioeconomic barriers (poverty, gender inequality, geographic location)
- Financial literacy as a barrier
- Regulatory and technological barriers
- The role of governments and institutions in overcoming these barriers

5. Lesson 5: The Role of Technology in Financial Inclusion

- Digital payments and mobile banking
- Blockchain and cryptocurrencies in financial inclusion
- Fintech solutions (peer-to-peer lending, crowdfunding, etc.)

6. Lesson 6: Measuring Financial Inclusion and Its Impact

- Indicators and indices of financial inclusion (e.g., World Bank's Findex)
- The impact of financial inclusion on poverty reduction, economic growth, and social inclusion
- The role of governments, NGOs, and international organizations in promoting financial inclusion

7. Lesson 7: Islamic banking and financial inclusion

- The definition of Islamic finance
- The role of Islamic finance in promoting financial inclusion
- The impact of global policies and trends on financial inclusion

Final Assessment:

- Final Exam: Multiple-choice and short-answer questions covering all lessons.
- Project Presentation: Students present their financial inclusion solution or strategy in front of the class.

1. Lesson 1:

INTRODUCTION TO FINANCIAL INCLUSION

Objective: Understand the basic concept and importance of financial inclusion.

Duration: 3 hours

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Key Topics:

- What is Financial Inclusion?
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- Barriers to financial inclusion (e.g., geographic, financial literacy, cost, regulatory challenges)

Activities:

- *Discussion*: Ask students what financial services they currently use. What challenges do they think others may face in accessing these services?
- *Case Study*: Provide a case study of a country or community with low financial inclusion and discuss its impact on individuals and businesses.
- *Video*: Show a short documentary or video explaining financial inclusion in various regions.

Assessment:

- Short quiz on key terms (financial inclusion, exclusion, access, financial literacy).
- Group discussion to brainstorm solutions for improving financial inclusion in underserved areas.

INTRODUCTION :

The term **"Financial Inclusion"** (as the opposite of **Financial Exclusion**) first appeared in 1993 in a study by **Leishon and Thrift** about financial services in Southeast England. The study explored the impact of closing a bank branch on the ability of the local population to access banking services. Throughout the 1990s, numerous studies emerged highlighting the challenges faced by certain societal groups in accessing banking services.

In **1999**, the term **"financial inclusion"** was used more widely to describe the factors affecting individuals' access to available financial services. It is important to differentiate between voluntary exclusion from financial products and services due to lack of need or for cultural/religious reasons, and exclusion due to unavailability or inability to access them.

DEFINITIONS OF FINANCIAL INCLUSION :

Financial inclusion refers to the availability and accessibility of financial services—such as banking, credit, insurance, and investments—to individuals and businesses, particularly those who are underserved or excluded from traditional financial systems.

It aims to ensure that everyone, regardless of income level, geographic location, or social status, has access to affordable and useful financial products to improve their economic well-being.

The World Bank defines financial inclusion in its 2014 report titled "Global Financial Development Report" as "the percentage of individuals or businesses that use financial services."

According to the joint report by the Arab Monetary Fund and the Consultative Group to Assist the Poor, issued in January 2017 under the title "Measuring Financial Inclusion in the Arab World," financial inclusion is defined as "the ability of individuals, including low-income individuals, and businesses, including the smallest ones, to access and effectively use (at affordable prices) a wide range of high-quality formal financial services (payments, transfers, savings, credit, insurance, etc.), which are provided in a responsible and sustainable manner by a variety of financial service providers operating in an appropriate legal and regulatory environment."

The definition and measures of financial inclusion have evolved from simple classifications of individuals and institutions as either included or excluded, to multidimensional definitions and metrics. The G20 and the Alliance for Financial Inclusion (AFI) define it as "the actions taken by regulatory bodies to enhance the access and use of financial services and products by all segments of society, including marginalized and affluent groups, in a way that is fair, transparent, and affordable to meet their needs."

The focus of financial inclusion advocates is on targeting those who have been **involuntarily excluded** from financial services and finding solutions to overcome the causes of their exclusion, rather than focusing on those who have **chosen** to exclude themselves from financial products and services.

Global interest in financial inclusion grew following the **2007 global financial crisis**, which led to an increased global push for achieving financial inclusion. This was done through policies and actions taken by monetary authorities in various countries to enhance and facilitate the accessibility of financial services for all segments of society. This enabled them to use financial products at low costs.

In **2008**, the **Alliance for Financial Inclusion (AFI)** was established, becoming the first international network for sharing knowledge and experiences among countries in the field of financial inclusion.

It includes **88 developing countries**, represented by **119 institutions**, such as **ministries of finance** and **central banks**. The alliance works on developing tools for implementing financial inclusion, sharing technical and practical experiences, assisting countries in formulating **policies**, **reform strategies**, and **implementation mechanisms**, and organizing **educational visits** in the field of financial inclusion.

ACADEMIC DEFINITION OF FINANCIAL INCLUSION:

Financial inclusion is broadly defined in academic literature as **the process of ensuring access to affordable, appropriate, and timely financial products and services for all individuals and businesses, particularly the underserved and disadvantaged groups, to promote economic well-being and financial stability.**

1-Demirgüç-Kunt & Klapper (2013, World Bank):

"Financial inclusion refers to the proportion of individuals and firms that use financial services. It involves access to useful and affordable financial products and services that meet the needs of individuals and businesses—transactions, payments, savings, credit, and insurance—delivered in a responsible and sustainable way." (Source: Demirgüç-Kunt, A., & Klapper, L. (2013). Measuring financial inclusion: The Global Findex Database. World Bank Economic Review, 28(1), 1-37.)

2-Sarma & Pais (2011):

"Financial inclusion is the process that ensures the ease of access, availability, and usage of the formal financial system for all members of an economy." (Source: Sarma, M., & Pais, J. (2011). Financial inclusion and development. Journal of International Development, 23(5), 613-628.)

3-Chakrabarty (2012, Reserve Bank of India):
"Financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include banking products as well as other financial services such as insurance and equity products."

(Source: Chakrabarty, K. C. (2012). Financial inclusion: Issues in measurement and analysis. RBI Bulletin.)

4-Allen et al. (2016, Journal of Financial Economics):
"Financial inclusion is the ability of individuals and businesses to access financial services and products at affordable costs, which fosters economic participation and reduces income inequality."
(Source: Allen, F., Demirgüç-Kunt, A., Klapper, L., & Peria, M. S. M. (2016). The foundations of financial inclusion: Understanding ownership and use of formal accounts. Journal of Financial Economics, 122(1), 66-81.)

Core Elements of Financial Inclusion in Academic Literature:

- **Access** – The availability of financial services such as banking, credit, insurance, and investments.
- **Affordability** – Services should be reasonably priced to benefit low-income individuals.
- **Usage** – Individuals should be able to effectively use financial products to meet their needs.
- **Financial Literacy** – Knowledge and understanding of financial concepts to make informed decisions.

Academic research extensively examines the relationship between financial inclusion and economic growth, highlighting how improved access to financial services can enhance Gross Domestic Product (GDP) and reduce poverty.

Key Strategies to Improve Access to Financial Inclusion

Enhancing financial inclusion requires a combination of policy measures, digital innovations, and financial literacy programs. Below are the **key strategies** to improve access to financial services for individuals and businesses:

-Expanding Digital Financial Services (DFS) : By mobile banking, digital wallets, and fintech solutions to provide easy access to financial services.

Example: Mobile money platforms like **M-Pesa** in Kenya allow users to send, receive, and save money without a traditional bank account.

- Increasing Bank and Financial Institution Outreach: by encouraging banks to expand operations in underserved areas through:

- Branchless banking (agents, kiosks)

- ATMs and banking correspondents

- Partnerships with local businesses

Example: India's **Jan Dhan Yojana** program opened millions of bank accounts for the unbanked population.

Enhancing Microfinance and Small Loan Programs: It provides microloans, peer-to-peer lending, and small credit facilities for individuals and small businesses.

Example: Grameen Bank in Bangladesh offers small loans to low-income entrepreneurs without requiring collateral.

Strengthening Financial Literacy and Education: Educate individuals on financial management, savings, and investments through:

-Community workshops

-Digital learning tools

-School and workplace programs

Example: The **Better Money Habits** program by Bank of America teaches financial literacy through online courses.

Reducing Transaction Costs and Service Fees: Lower banking fees and simplify processes to encourage more people to use financial services.

Example: Some fintech companies offer **zero-fee accounts** and **low-cost remittance services** to attract unbanked individuals.

Improving Access to Identification and Credit Scoring: Develop digital identity systems and alternative credit scoring methods using:

-Biometrics

-Utility bill payment history

-Mobile phone usage data

Example: India's **Aadhaar system** enables millions to access banking with biometric verification.

Encouraging Government Support & Policies: Governments can drive financial inclusion through:

- Regulatory reforms for fintech and microfinance

- Direct Benefit Transfers (DBT) for social welfare programs

- Tax incentives for financial service providers in rural areas

Example: Brazil's **Bolsa Família** program provides cash transfers directly to bank accounts of low-income families.

THE IMPORTANCE OF FINANCIAL INCLUSION :

The financial inclusion is important because it reduces poverty by enabling people to save, invest, and build financial stability. It also empowers small businesses by providing capital and credit to entrepreneurs.

Economic growth can be promoted by enhancing economic participation and productivity. Finally, the financial inclusion increases Equality, it helps marginalized communities gain financial independence.

Financial inclusion offers to individuals better opportunities to manage money in a safe and efficient way. It provides access to opportunities for saving, investing in education, healthcare, and businesses, managing risks, and coping with financial shocks.

Financial inclusion helps families to manage savings, avoid sudden financial fluctuations, and make better decisions related to consumption, saving, investing, and future planning.

And for society, financial inclusion enables directing savings toward investment opportunities, which helps in starting businesses and creating more job opportunities, thus increasing income levels and promoting economic growth. It also allows everyone to engage with formal financial institutions.

CHALLENGES TO FINANCIAL INCLUSION :

- Lack of financial literacy
- Limited access to banking infrastructure in rural areas
- High costs of financial services
- Regulatory and policy constraints

Governments, financial institutions, and fintech companies are working together to enhance financial inclusion through digital banking, microfinance, and policy reforms.

-As a result, the **G20** has committed to promoting financial inclusion worldwide and has reaffirmed its commitment to implementing the **G20 Principles on Digital Financial Inclusion**.

THE RELATIONSHIP BETWEEN FINANCIAL INCLUSION AND FINANCIAL STABILITY :

Financial inclusion enables individuals and businesses to access financial services through **safe and reliable official channels**, ensuring they do not rely on **informal financial services** that lack regulatory oversight and may expose them to **fraud** or illegal financial transactions. Financial inclusion also helps prevent the leakage of savings outside official financial channels. These factors contribute to ensuring **financial stability**.

THE STEPS TO EXPAND THE IMPLEMENTATION OF FINANCIAL INCLUSION:

The implementation of financial inclusion requires the expansion of a network of financial service providers, including bank branches, exchange companies, and post offices, as well as increasing the number of ATMs. This network should be geographically inclusive, covering rural areas and regions that are underserved by financial services.

Expanding the provision of digital financial services, such as mobile banking, online platforms, and creating comprehensive databases that include credit history records for individuals and micro, small, and medium-sized enterprises (MSMEs). This would help financial institutions assess the repayment capacity of clients and make informed funding decisions.

The Stakeholders in Achieving Financial Inclusion are principally Central banks. They are at the forefront of achieving financial inclusion. They are the main supporters of financial inclusion, working on strategies and policies to ease access for more individuals and businesses to financial services.

They also focus on developing financial infrastructure and setting regulations aimed at increasing financial inclusion, encouraging the use of formal financing channels, and adopting technology to provide financial services.

Banks operating in the country and other financial service providers such as exchange companies, finance companies, post offices, insurance firms, and electronic payment companies all work to reach underserved groups in society. These entities focus on overcoming challenges faced by marginalized groups, such as women, youth, rural residents, and micro and small enterprises.

KEY ASPECTS OF FINANCIAL INCLUSION:

-Access to Banking Services: Ensuring individuals can open and use bank accounts.

-Affordable Credit: Providing small loans, microfinance, or credit facilities to individuals and small businesses.

-Savings & Investment Opportunities: Encouraging financial security through savings and investment products.

-Insurance Services: Offering health, life, and business insurance to protect against financial shocks.

-Digital & Mobile Payments: Promoting digital transactions and mobile banking for greater accessibility.

-Financial Literacy & Education: Teaching individuals how to manage money effectively.

CONCLUSION :

In summary, academic literature supports the view that financial inclusion is a catalyst for economic growth and a tool for poverty alleviation. By ensuring that financial services are accessible to all, especially the underserved and disadvantaged groups, economies can achieve more inclusive and sustainable growth.

By integrating **technology, policy, education, and financial infrastructure**, financial inclusion can be expanded to reach the unbanked and underbanked populations worldwide.

2. Lesson 2:

FINANCIAL INCLUSION AND SUSTAINABLE DEVELOPMENT

Objective: Explore the relationship between Financial Inclusion and Sustainable developement.

Duration: 3 hours

2. Lesson 2: FINANCIAL INCLUSION AND SUSTAINABLE DEVELOPMENT RELATIONSHIP

Objective: Explore the relationship between Financial Inclusion and Sustainable developement.

Duration: 3 hours

Key Topics:

- What is the sustainable developement
- The place of financial inclusion in the sustainable developement

Activities:

- *Group Activity*: Have students research and present the sustainable developement goals
- *Interactive Session*: display a findex data report and discuss about financial technology innovations and its impact the financial inclusion / sustainable development goals.

Assessment:

- Create a diagram or infographic that explains the different financial services that contribute to financial inclusion.
- Group presentations on their researched service.

INTRODUCTION :

In 1987, the Bruntland Commission published its report, Our Common Future, in an effort to link the issues of economic development and environmental stability. In doing so, this report provided the oft-cited definition of sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations General Assembly, 1987, p. 43).

Albeit somewhat vague, this concept of sustainable development aims to maintain economic advancement and progress while protecting the long-term value of the environment; it "provides a framework for the integration of environment policies and development strategies" (United Nations General Assembly, 1987).

However, long before the late 20th century, scholars argued that there need not be a trade-off between environmental sustainability and economic development. Financial inclusion plays a crucial role in achieving Sustainable Development Goals (SDGs) by ensuring equitable access to financial services, which contributes to economic, social, and environmental sustainability.

By improving access to financial services, financial inclusion empowers individuals and businesses to invest in their future, reduces inequalities, and supports a more inclusive global economy.

Financial inclusion has a significant social impact by focusing on **the poor and low-income individuals** and empowering marginalized groups to access financing that helps improve their living standards. For example, it enables them to obtain the necessary funds to **complete their education** or start **businesses that create new job opportunities**. This, in turn, promotes **inclusive and sustainable economic development**, tackles **unemployment challenges**, reduces poverty levels, and contributes to achieving **social justice**.

1-DEFINITION OF SUSTAINABLE DEVELOPMENT :

Sustainable Development, approach to social, economic, and environmental planning that attempts to balance the social and economic needs of present and future human generations with the imperative of preserving, or preventing undue damage to, the natural environment.

Sustainable development lacks a single detailed and widely accepted definition. As a general approach to human development, it is frequently understood to encompass most if not all of the following goals, ideals, and values:

- A global perspective on social, economic, and environmental policies that takes into account the needs of future generations
- A recognition of the instrumental value of a sound natural environment, including the importance of biodiversity
- The protection and appreciation of the needs of Indigenous cultures
- The cultivation of economic and social equity in societies throughout the world
- The responsible and transparent implementation of government policies

The intellectual underpinnings of sustainable development lie in modern natural resource management, the 20th-century conservation and environmentalism movements, and progressive views of economic development.

The first principles of what later became known as sustainable development were laid out at the 1972 United Nations Conference on the Human Environment, also called the Stockholm Conference.

The conference concluded that continued development of industry was inevitable and desirable but also that every citizen of the world has a responsibility to protect the environment. In 1987 the UN-sponsored World Commission on Environment and Development issued the Brundtland Report (also called *Our Common Future*), which introduced the concept of sustainable development—defining it as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs"—and described how it could be achieved.

At the 1992 United Nations Conference on Environment and Development (also called the Earth Summit), more than 178 countries adopted Agenda 21, which outlined global strategies for restoring the environment and encouraging environmentally sound development.

Economics of Sustainability By utilizing economic tools, early theorists offered that policies to protect the environment could also promote innovation and turn a profit. In 1920, Arthur Pigou noted that the presence of incidental, uncharged services act as a barrier to achieving equilibrium in the market. In his work "The Economics of Welfare", Pigou noted that the divergence between marginal private costs and benefits and marginal social costs and benefits create what we now call "externalities" (Pigou, 1920).

These externalities are conceived as transaction spillovers, or costs and benefits unaccounted for in the given price of a good or service. In order to correct the market failure, Pigou proposed a tax on those activities that produce negative externalities at a rate equal to those external costs.

By levying this charge, called a Pigouvian tax, the market price will more accurately reflect the comprehensive costs and benefits of the activity. From this, Michael Porter and Claas van der Linde theorized that pollution is a sign of inefficient resource use. Therefore, win-win opportunities for the environment and economy can be captured through improvements which reduce pollution in production processes (Porter & van der Linde, 1999).

These authors argue that competitive advantages rely on the capacity for innovation; thus, "by stimulating innovation, strict environmental regulations can actually enhance competitiveness" (Porter & van der Linde, 1995, p. 98). As the Porter Hypothesis states, properly designed environmental policies that make use of market incentives can encourage the introduction of new technologies and reduce production waste.

The tests of this theory have yielded mixed results, but scholars generally agree that policy design and public support are crucial elements to the success of these incentives. Nonetheless, market-based environmental tools are generally perceived as more "business friendly" than traditional command and control policies (Cooper & Vargas, 2004).

The appreciation of our natural resource constraints is also in our best interest. Truly rational and "effective governance requires a nation to consider and protect the environment and natural resources on which its current and future development depend. Any other approach is self-defeating. The connections between the environment and development thus provide a powerful rationale for environmental protection: enlightened self-interest" (Dernbach J. C., 1998, p.20).

This inherent interdependence between the long-term stability of the environment and the economy is the foundation of the field of sustainable development. Similar to Porter's winwin hypothesis that a trade-off isn't necessary, sustainable development policies look to tackle the sources of environmental degradation, not just the symptoms, while still providing opportunities and creating incentives for economic advancement (Porter & van der Linde, 1995).

Components of a healthy environment, such as clean air and water, are considered public goods in that they are non-rivalrous and nonexcludable. Thus, it is up to the public sector to maintain the provision of these goods and services. More recently, nations have moved towards the implementation of these market based mechanisms to internalize the complete costs of pollution and ensure long-term stability of the environment; in other words, to ensure sustainable development.

2- SUSTAINABLE DEVELOPMENT PRINCIPLES:

Although many definitions abound, the most often used definition of sustainable development is that proposed by the Brundtland Commission (Cerin, 2006; Dernbach J. C., 1998; Dernbach J. C., 2003; Stoddart, 2011).

This broad definition, which will be used in this dissertation, does not limit the scope of sustainability.

The explanation does, however, touch on the importance of intergenerational equity. This concept of conserving resources for future generations is one of the major features that distinguish sustainable development policy from traditional environmental policy, which also seeks to internalize the externalities of environmental degradation.

The overall goal of sustainable development (SD) is the long-term stability of the economy and environment; this is only achievable through the integration and acknowledgement of economic, environmental, and social concerns throughout the decision making process. In the application of this definition of sustainable development, one issue concerns the substitutability of capital.

There are several types of capital: social, natural, and man-made. The definition of weak sustainable development explains that only the aggregate level of capital matters: man-made, or manufactured, capital is an adequate alternative to natural capital. Strong sustainability, on the other hand, recognizes the unique features of natural resources that cannot be replaced by manufactured capital. Most ecologists and environmentalists are proponents of the strong sustainability definition (Stoddart, 2011) .

In addition to substitutability, this definition of sustainability is also founded on several other important principles. Contained within the common definition of sustainable development, intergenerational equity recognizes the long-term scale of sustainability in order to address the needs of future generations (Dernbach J. C., 1998; Stoddart, 2011).

Also, the polluter pays principle states that “governments should require polluting entities to bear the costs of their pollution rather than impose those costs on others or on the environment” (Dernbach J. C., 1998, p. 58).

Thus, government policy should ensure that environmental costs are internalized wherever possible; this also serves to minimize externalities. The precautionary principle establishes that “where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing costeffective measure to prevent environmental degradation” (United Nations Conference on the Human Environment, 1992).

Therefore, the proponent of an activity bears the burden of proving that this action will not cause significant harm. Explicitly stated in the Rio Declaration, the notion of common but differentiated responsibilities recognizes that each nation must play their part on the issue of sustainable development.

This principle also acknowledges the different contributions to environmental degradation by developed and developing 3 nations, while appreciating the future development needs of these less developed countries (Brodhag & Taliere, 2006; Dernbach J. C., 1998; United Nations Conference on the Human Environment, 1992).

Developed nations, therefore, bear greater responsibility in light of the resources they require and the pressures they exert on the environment. The key principle of sustainable development underlying all others is the integration of environmental, social, and economic concerns into all aspects of decision making.

All other principles in the SD framework have integrated decision making at their core (Dernbach J. C., 2003; Stoddart, 2011). It is this deeply fixed concept of integration that distinguishes sustainability from other forms of policy. Institutionally, government organizations are typically organized into sectoral ministries and departments.

This works fairly well until the system encounters something very comprehensive and highly integrated in nature, such as sustainable development. In practice, sustainable development requires the integration of economic, environmental, and social objectives across sectors, territories, and generations. Therefore, sustainable development requires the elimination of fragmentation; that is, environmental, social, and economic concerns must be integrated throughout decision making processes in order to move towards development that is truly sustainable.

3- SUSTAINABILITY :

The long-term viability of a community, set of social institutions, or societal practice. In general, sustainability is understood as a form of intergenerational ethics in which the environmental and economic actions taken by present persons do not diminish the opportunities of future persons to enjoy similar levels of wealth, utility, or welfare.

The idea of sustainability rose to prominence with the modern environmental movement, which rebuked the unsustainable character of contemporary societies where patterns of resource use, growth, and consumption threatened the integrity of ecosystems and the well-being of future generations. Sustainability is presented as an alternative to short-term, myopic, and wasteful behaviours. It can serve as a standard against which existing institutions are to be judged and as an objective toward which society should move. Sustainability also implies an interrogation of existing modes of social organization to determine the extent to which they encourage destructive practices as well as a conscious effort to transform the status quo so as to promote the development of more-sustainable activities.

4- FORMS OF SUSTAINABILITY:

Sustainability is at the core of concepts such as sustainable yield, sustainable society, and sustainable development. The term *sustainable yield* refers to the harvest of a specific (self-renewing) natural resource—for example, timber or fish. Such a yield is one that can in principle be maintained indefinitely because it can be supported by the regenerative capacities of the underlying natural system. A sustainable society is one that has learned to live within the boundaries established by ecological limits. It can be maintained as a collective and ongoing entity because practices that imposed excessive burdens upon the environment have been reformed or abolished. Sustainable development is a process of social advancement that accommodates the needs of current and future generations and that successfully integrates economic, social, and environmental considerations in decision making.

In contemporary debate, *sustainability* often serves as a synonym for *sustainable development*. On other occasions, it is associated more exclusively with environmental constraints or environmental performance, and the expression *environmental sustainability* is used to emphasize that point. Parallel references can be found to the terms *social sustainability*, *economic sustainability*, and *cultural sustainability*, which allude to threats to long-term well-being in each of those domains. *Local sustainability* emphasizes the importance of place.

Corporate sustainability is another common usage, which relates both to the survivability of the individual corporation and to the contribution that corporations can make to the broader sustainability agenda. Central here is the notion of the so-called triple bottom line—that businesses should pay attention to social performance and environmental performance as well as to financial returns. The notion of corporate sustainability is also connected to debates about reforming corporate governance, encouraging corporate responsibility, and designing alternative (sustainable, green, or ethical) investment vehicles.

5-FINANCIAL INCLUSION AND THE SUSTAINABLE DEVELOPMENT GOALS:

The **United Nations 2030 Agenda for Sustainable Development** emphasizes inclusivity and equal opportunities for all. Several SDGs directly or indirectly benefit from financial inclusion:

5-1 Sustainable Development Goal 1: No Poverty

Financial inclusion helps individuals smooth consumption during difficult times, access credit, and build savings. With better access to financial services, individuals can invest in education, healthcare, and small businesses, all of which are crucial for lifting people out of poverty.

Ensuring usage and development impact

Mobile money accounts are helping millions of women move out of poverty. Pay-as-you-go solar energy is giving rural communities electricity for the first time.

Affordable digital health insurance is allowing children to get medical care when they're sick, not just when their parents have saved enough money.

The active use of financial services in all their variety is driving progress and helping the world tackle a wide range of urgent development challenges.

When 193 countries adopted the ambitious Sustainable Development Goals (SDGs) in 2015, the importance of financial inclusion was highlighted in seven of the 17 goals including those addressing poverty, hunger, health, and gender equality. While the 2030 deadline for achieving the SDGs is years away, financial inclusion is making significant progress, paving the way for better outcomes in a host of areas.

Data from the new Global Findex reveals strong overall progress, with 69 percent of adults now participating in the formal financial system. But the numbers also reveal wide and persistent gaps in access that are undercutting progress on theSDGs, especially among the poor and women. Gaps between those who have accounts and those who are actively using them are also limiting progress.

5-2 Sustainable Development Goal 5: Gender Equality

Financial inclusion offers women opportunities to manage their finances independently, invest in entrepreneurship, and secure loans for business ventures. Women in underserved regions can benefit from mobile banking services, which help overcome barriers like physical bank access and cultural restrictions.

Example: The **Self-Employed Women's Association (SEWA)** in India offers financial products tailored to the needs of low-income women entrepreneurs.

5-3 Sustainable Development Goal 8: Decent Work and Economic Growth

Financial services, such as access to microcredit, empower small businesses and entrepreneurs, fostering job creation and economic growth. Microloans and small-scale credit are essential for businesses in developing countries, where access to traditional credit markets is limited.

Example: In Bangladesh, the **Grameen Bank** provides microloans to the poor, particularly women, which helps promote entrepreneurship and job creation.

5-4 Sustainable Development Goal 10: Reduced Inequality

Financial inclusion reduces income inequality by providing the poor and marginalized groups with the tools to participate in the economy.

Digital financial services, such as mobile money, can provide an inclusive platform for people in remote areas to access financial products.

Example: M-Pesa in Kenya provides financial services to people without access to traditional banking, reducing economic disparity.

5-6 Sustainable Development Goal 12: Responsible Consumption and Production

Financial services like insurance, savings, and loans can help individuals and businesses manage risks related to environmental challenges (e.g., droughts, floods).

Microinsurance products allow vulnerable populations to recover from environmental shocks, promoting sustainable consumption.

Example: The **MicroEnsure** initiative offers affordable insurance products to low-income households in Africa and Asia to mitigate risks from environmental disasters.

6- MECHANISMS LINKING FINANCIAL INCLUSION AND SUSTAINABLE DEVELOPMENT:

6-1 Access to Credit for Green Investments / Financial Inclusion and Environmental Sustainability:

Financial inclusion can enable individuals and businesses to invest in green technologies and renewable energy. By providing access to affordable credit and financing, people can invest in sustainable practices, such as solar energy systems or eco-friendly businesses.

Example: Green bonds and climate-finance mechanisms help fund clean energy projects and environmental sustainability initiatives.

6-2 Digital Financial Services and Sustainability / Mobile Money and Financial Inclusion:

Digital financial services offer opportunities for sustainable development by enhancing accessibility to financial products in areas with poor infrastructure.

Example: In **India**, **Pradhan Mantri Jan Dhan Yojana (PMJDY)** provides digital bank accounts, empowering citizens to access savings, credit, and insurance, fostering both financial and social inclusion.

6-3 Education and Financial Literacy / Empowering Individuals:

Financial education enhances people's understanding of saving, investing, and managing resources. Financially literate individuals are better able to plan for their future and invest in sustainable practices.

Example: Programs promoting **financial literacy** in schools and communities equip people with the skills to manage money, plan for retirement, and invest in sustainable ventures.

7- CHALLENGES OF FINANCIAL INCLUSION IN ACHIEVING SUSTAINABLE DEVELOPMENT:

7-1 Barriers in Developing Regions :

- **Lack of Infrastructure**: Many rural areas still face challenges in accessing banking infrastructure, including digital access, which limits the spread of financial inclusion.
- **Technological Barriers**: In some parts of the world, digital tools like mobile money are not available due to inadequate technology infrastructure, preventing people from accessing financial services.
- **Cultural Barriers**: In certain societies, cultural and gender norms prevent women and marginalized communities from accessing financial products.

7-2 Financial Exclusion of Vulnerable Groups:

- People with low financial literacy, those in informal sectors, and those living in remote areas are often left out of financial inclusion initiatives.
- Vulnerable groups, such as refugees, may lack the necessary identification or legal status to open bank accounts and access financial services.

7-3 Ensuring Fairness and Consumer Protection :

- It’s essential to ensure that financial products are affordable, not exploitative, and that consumer protection laws are in place to avoid predatory lending practices.

DIGITAL FINANCE PAVES THE WAY FOR THE SUSTAINABLE DEVELOPMENT GOALS



Over the past decade, digital innovation shave transformed the financial landscape. A growing body of evidence shows that digital financial inclusion can play a catalytic role in driving progress on many SDGs.

No Poverty (SDG1)

- In Brazil, the government social transfer program, Bolsa Familia, cut transaction costs from nearly 15% in 2001 to below 3% in 2005 by bundling all benefits on to one electronic payment card.The program contributed to a **12–18% reduction in poverty.**[1]

GenderEquality(SDG5)

- In Kenya, access to mobile money in women- headed households led to a **22% reduction in extreme poverty and a 20% increase in savings.**[2]

Affordable and Clean Energy(SDG 7)

- World wide ,690 million mobile money accounts are

Enabling new business models for low-cost energy services.Pay-as-you-go companies have used digital finance **to provide 10 million people with affordable energy.**[3]

Decent Work and Economic Growth(SDG8)

- In ten African countries, an agent network called Baobab employs user-friendly tablets and biometric ID verification technology to provide financial services and drive growth among their 700,000 customers—most of them micro,small,and medium- sized enterprises.[4]

Source: UNSGSA development working group : Digital Financial Inclusion and the SDGs(1.Higgins,2012;2.SuriandJack, 2016; 3. Lighting Global & Dalberg.2018 : 4.www.microcred.com)

8- POLICY RECOMMENDATIONS FOR PROMOTING FINANCIAL INCLUSION AND SUSTAINABLE DEVELOPMENT:

- **Regulatory Reforms**: Governments should implement supportive regulations that promote financial inclusion, including initiatives to encourage the use of digital financial services, improve access to credit, and provide legal frameworks for consumer protection.

- **Public-Private Partnerships**: Collaborations between governments, financial institutions, and technology providers can create more inclusive financial ecosystems that address both financial inclusion and sustainability goals.

- **Incentivizing Green Financing**: Providing incentives for individuals and businesses to invest in sustainable practices through green loans, subsidies for renewable energy projects, and climate-related insurance products.

- **Expanding Digital Financial Services**:

Expanding access to mobile banking and fintech solutions can help overcome geographical and infrastructural barriers, making financial services more accessible to underserved populations.

9- AN ILLUSTRATIVE EXAMPLE OF THE ROLE OF FINANCIAL INSTITUTIONS IN REDUCING POVERTY AND FIGHTING UNEMPLOYMENT:

The Family Bank Experience in Sudan

The **Family Bank** in Sudan specializes in providing financing for micro-enterprises as part of a women's initiative by the **Sudanese Businesswomen's Association**. Several governmental institutions, such as the **Central Bank of Sudan** and the **Ministry of Finance**, contribute to the bank's capital. The bank aims to combat and alleviate poverty by offering financial services and funding to economically active poor individuals, including financing for education at all levels, graduates, small producers, and farmers. The bank also provides funding to microfinance institutions.

When making financing decisions, the bank does not focus solely on profitability but also considers the **social impact**, such as improving **living standards**, **income**, **education**, and **health**.

Among the bank's key success indicators is its **high repayment rate** of approximately **99%**, meaning it experiences very few **non-performing loans**. The bank was selected by the **United Nations** as one of the successful examples in achieving the **Sustainable Development Goals (SDGs)**, particularly due to its focus on **empowering women** and contributing to economic development.

Impact on Economic Growth:

Financial inclusion facilitates economic growth by enabling individuals and businesses to access essential financial services, such as savings, credit, and insurance.his access allows for increased investment in education, entrepreneurship, and health, leading to higher productivity and economic expansion. study analyzing data from 156 countries between 2004 and 2019 found that higher levels of financial inclusion are associated with significant economic growth.

Poverty Reduction:

By providing marginalized populations with access to financial services, financial inclusion helps reduce poverty levels. It enables individuals to manage risks better, smooth consumption, and invest in income-generating activities. Research focusing on developing countries revealed a negative relationship between financial inclusion and poverty rates, indicating that as financial inclusion increases, poverty levels decrease.

Income Inequality:

Financial inclusion also plays a role in reducing income inequality. By offering financial services to underserved communities, it promotes equitable economic opportunities. A study examining the impact of financial inclusion on economic growth concluded that increased financial inclusiveness not only fosters general economic growth but also narrows the income inequality gap.

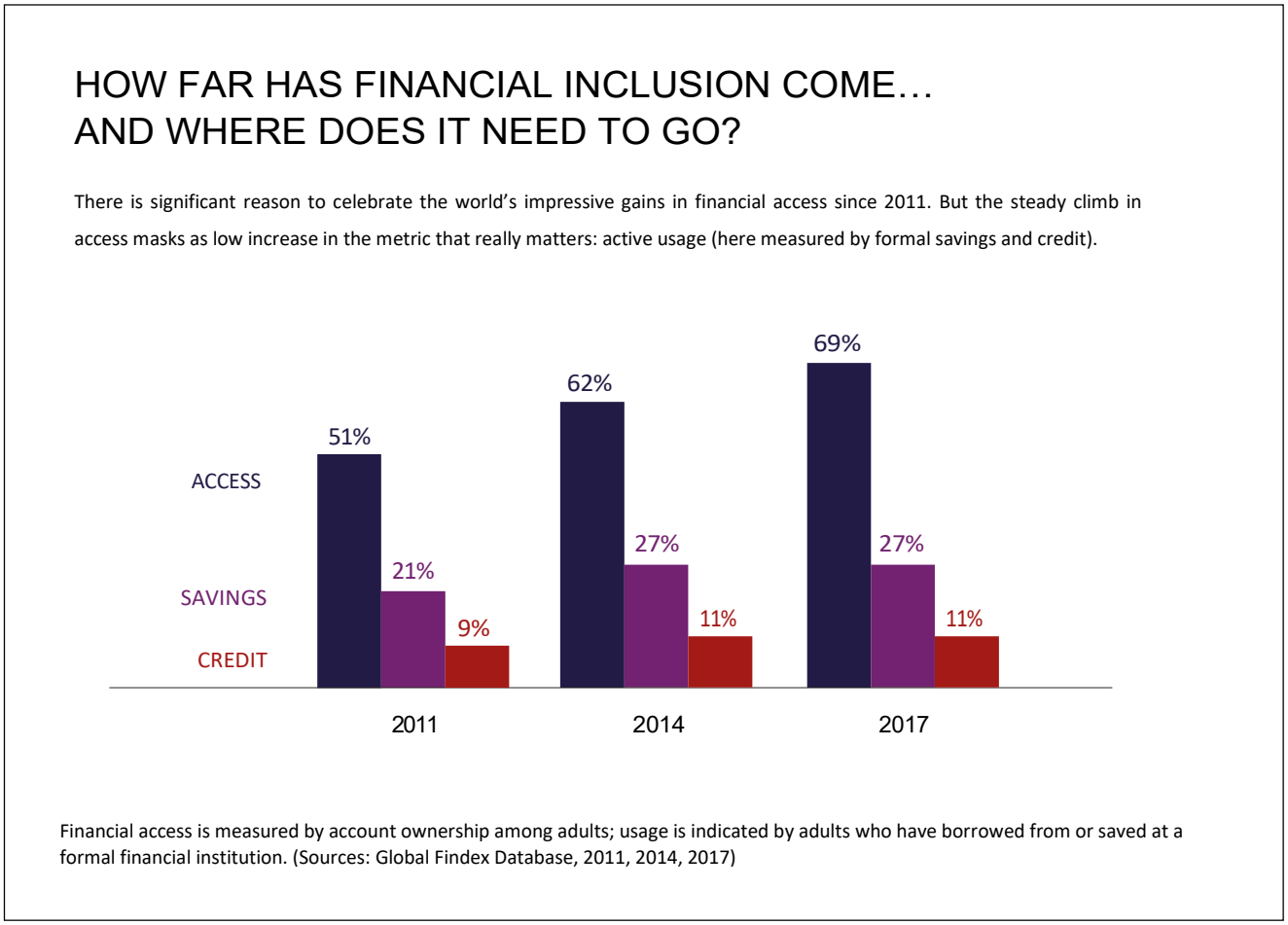
10- FINANCIAL INCLUSION EVOLVE GLOBALLY BETWEEN 2014 AND 2017:

- The percentage of adults with accounts in financial institutions increased from **62% in 2014** to **69% in 2017**.
- **Denmark** was the leading country in financial inclusion, with a financial inclusion rate of **99.9%** for individuals in **2017**.
- The financial inclusion rate in **developing countries** increased from **54% to 63%** between **2014 and 2017**.
- Despite the increase in financial inclusion for **females** in developing countries, the inclusion rate for women remained **9 percentage points lower** than for men.

Source:

Arab Monetary Fund (2019). *"Book on Promoting Micro, Small, and Medium Enterprises in Arab Countries."*

This source discusses the importance of supporting **micro, small, and medium-sized enterprises (MSMEs)** in the Arab world and highlights various initiatives, including those focused on financial inclusion, poverty reduction, and economic empowerment.



CONCLUSION:

Financial inclusion is not just a tool for economic growth, but also a key driver for **sustainable development**. It can reduce poverty, promote gender equality, support green investments, and contribute to more equitable societies.

To fully realize the potential of financial inclusion in achieving the SDGs, policymakers must address infrastructure challenges, ensure financial products are affordable, and create an inclusive financial ecosystem for all.

3. Lesson 3:

KEY COMPONENTS OF FINANCIAL INCLUSION

Objective: Explore the different aspects of financial inclusion.

Duration: 3 hours

3. Lesson 3: KEY COMPONENTS OF FINANCIAL INCLUSION

Objective: Explore the different aspects of financial inclusion.

Duration: 3 hours

Key Topics:

- Types of financial services (payments, savings, credit, insurance, pensions)
- Mobile banking and digital financial services
- The role of financial institutions (banks, microfinance institutions, fintech)

Activities:

- *Group Activity*: Have students research and present one financial service (e.g., mobile banking, microfinance) and discuss how it supports financial inclusion.
- *Interactive Session*: Create a scenario where students have to help a low-income individual or a small business access a loan or savings product.
- *Guest Speaker*: If possible, invite a representative from a financial institution or fintech company to talk about innovations in financial inclusion.

Assessment:

- Create a diagram or infographic that explains the different financial services that contribute to financial inclusion.
- Group presentations on their researched service.

INTRODUCTION :

Finance is simply the way an individual, organization, or government manages the financial resources at their disposal. The three basic types of finance are personal finance, which deals with managing an individual's income, expenses, savings, and investments; corporate finance, which focuses on how businesses manage their financial resources to expand, operate, and create value for shareholders; and public finance, which is concerned with the way governments manage their financial activities through budgeting, taxation, and public spending.

Financial services, on the other hand, refers to services used by individuals and businesses to buy financial goods and manage their financial resources. These services play an important role in making sure that those who need capital to grow can easily access it, which keeps the country's economy growing. The financial sector offers many different types of financial services, such as banking, investment, insurance, tax, accounting, and advisory services.

One cannot expect financial growth without proper money management, whether it be for an individual, a company, or a government. While governments focus on public finance to keep the economy stable, individuals and companies can make use of a variety of financial services to manage their finances, investments, and risks effectively. Let's take a look at different types of finance and financial services, and how they help individuals, businesses, and governments achieve their goals.

1- DEFINITION OF FINANCE:

The word 'finance' is a wide-ranging term that includes all financial activities such as banking, debt, credit, investments, cash, capital markets, and more. Basically, finance is the part of economics that deals with the management, use, and creation of money. When you're assessing your income to create a budget for the next month, you're engaging in personal finance. Similarly, a company planning to acquire another for billions of dollars, or a government managing tax revenue, is also engaging in finance. It deals with how individuals, governments, and organisations manage their financial resources while also managing the uncertainties that come with it.

2- TYPES OF FINANCE:

Finance can be broadly categorized into three types: personal finance, public finance, and business finance. Understanding how money works is crucial for running any business. Without proper financial knowledge, businesses risk not only bankruptcy but also instability and unpredictability—both of which can be detrimental to long-term success.

1- PERSONAL FINANCE:

This category of finance focuses on the financial needs of individuals. Every one of us has financial goals that we'd like to achieve in the short, medium, or long term. Personal finance deals with how we manage our resources to achieve these dreams while minimising the risks that threaten us. This field covers areas such as:

- Budgeting: Budgeting includes tracking income and expenses and building a personalised framework that allows us to spend judiciously. The journey to a secure financial future starts by making sure you are living within your means. Budgeting helps you do just that.

- Debt Management: Effectively managing liabilities like mortgages and education loans is vital. Debt management deals with creating repayment strategies and improving credit scores.
- Emergency Planning: This part involves creating an emergency fund, which is a reserve of cash only to be used for unexpected expenses. A sufficient reserve, like six months of your living income, can help you manage unforeseen situations, such as expensive car repairs or loss of employment with ease and without forcing you to take high-interest debt.

- Health and Term Insurance: Insurance coverage is a part of risk planning. Adequate coverage makes sure that hospital bills don't drain one's savings and investments, and that an individual's loved ones can maintain their standard of living in case they pass away prematurely.

- Investment and Retirement Planning: Based on your risk profile and investment horizon, you can invest your money to beat inflation and build wealth.

- Tax Planning: This facet of personal finance focuses on finding ways to legally minimise your tax liabilities, by taking advantage of exemptions and deductions, restructuring salaries, and making investments that offer tax benefits.

- Estate Planning and Wealth Trans: Estate planning or legacy planning is all about creating wills and trusts to make sure that your assets are distributed as per your wishes after your passing. You can clearly specify how your wealth, property, and other assets should be handled, which not only reduces the chances of legal disputes among beneficiaries but also helps save tax.

Personal finance depends heavily on the individual's financial situation, goals, priorities, and risk profile. Since you are unique, your approach to personal finance will differ from someone else's.

2- PUBLIC FINANCE:

The second category of finance deals with how governments manage their financial resources. For them, the source of income includes tax revenue, issuing bonds, and other forms of borrowing. Public finance is all about the government's fiscal policy. How they allocate their resources to provide public goods, services, and infrastructure, and ensure the country or state stays economically stable. Public finance includes :

- Making tax policies.
- Creating budgets.
- Managing national debt.
- Maintaining a stable economy.

3- CORPORATE FINANCE :

Our final subcategory of finance is corporate or business finance, which covers the financial activities related to running a business. Companies have a separate division set up to run these operations, which can include elements such as:

- Budgeting
- Risk management
- Tax management
- Investments, acquisitions, and mergers
- Capital structuring
- Equity and debt financing

Effectively managing the above aspects can help businesses achieve sustainable, long-term growth while creating value for all shareholders.

3- FINANCIAL SERVICES :

The financial services sector provides a broad range of economic services to individuals and organisations like banking, investment, insurance, money lending, financial brokerage, tax advisory, and portfolio management services. Through these services, individuals and organisations can manage their financial affairs and gain financial goods, such as properties or mutual funds. The International Monetary Fund defines financial services as the processes by which consumers and businesses acquire financial goods and manage their resources.

According to the IMF, these services are essential in facilitating the smooth flow of money and supporting a country's economic growth by making sure that individuals and businesses can easily access capital, manage risks, and engage in financial trades. An example of a financial service provider is a financial planner. Such professionals assess your financial situation and risk tolerance to create a holistic, personalised plan that helps you achieve your financial goals.

Some of the most common types of financial services are:

1- BANKING:

The banking industry forms the core of financial services. Banking services are offered by commercial banks, public banks, and similar institutions, and they mainly focus on savings and lending. They provide individuals and organisations with facilities such as loans, fund transfers, savings and current accounts, and e-banking services.

2- INVESTMENT SERVICES:

Individuals and organisations can take part in financial markets and invest in assets such as stocks, bonds, and ETFs. Services such as those provided by stock brokers and mutual fund distributors can help clients grow their wealth.

3- INSURANCE SERVICES:

Insurance is when individuals and organizations transfer the risks they face to a third party. Individuals can buy health and term insurance policies through banks, insurance companies, and agents which offer financial protection in the event of illness, accidents, or loss of life. Businesses can also protect their assets by buying various types of insurance policies, such as property or liability insurance, which help keep their operations safe against any unforeseen situations or losses.

4- PORTFOLIO MANAGEMENT SERVICES AND WEALTH MANAGEMENT:

Both these financial services are aimed at high net worth individuals. As the name suggests, portfolio management services focus mainly on the investment side of things, whereas wealth management includes other areas as well, such as estate planning, tax planning, investment management, and retirement planning.

5- FINANCIAL ADVISORY SERVICES :

These services are much broader in nature and help individuals tackle the many areas of personal finance such as budgeting, debt management, insurance, investment, risk and emergency planning, tax-saving strategies, and retirement planning. Advisors can also provide

a range of services to businesses specifically, such as cash flow management, mergers and acquisitions, tax planning, and securing financing.

4- IMPORTANCE OF FINANCE AND FINANCIAL SERVICES:

Financial services offered to individuals, such as financial planning, can help them realise their financial dreams. Consulting with advisors also promotes financial literacy, which is important for a growing economy.

The financial services sector makes sure that capital flows freely and liquidity is available in the market, which is why it is such a key driver of a nation's economy. When the financial services sector is booming, managing risk becomes easy and the economy grows.

Strong public finance and financial service sector also means that people are earning more and can borrow capital easily to spend or start new ventures.

Healthy finances can help companies to expand, which in turn creates employment.

At the national level, effective financial practices can help create a more stable economy.

5- CHOOSING THE RIGHT FINANCIAL SERVICE:

After you've determined what kind of financial services you want, it's important to check the reputation of the service provider. For example, if you're looking to get an education loan, review the lender's track record, interest rates, and customer service quality. If you want to invest in a particular mutual fund, make sure the distributor is trustworthy and has the relevant certifications. If you're looking to buy health insurance for your family, check if the provider has a good claim settlement ratio and a vast network of hospitals for cashless services.

Next, you should understand all the costs associated with the service. Some service providers can act in bad faith and sell your products that are more beneficial to them. Check for any hidden fees and compare them across different providers.

You need to make sure whatever financial service or product you're buying is aligned with your financial goals, risk tolerance, and investment horizon. You must first assess these factors before making any decisions, which is why it's often recommended for beginners to take advantage of financial advisory services. Financial advisors can offer you a wide range of

services, and they can accurately help you assess the above factors and select the products and strategies that best fit your unique needs and long-term goals.

4- KEY COMPONENTS OF FINANCIAL INCLUSION:

Financial inclusion is a multidimensional concept that ensures individuals and businesses have access to affordable and useful financial services. The following key components define a well-functioning financial inclusion system:

- ACCESS TO FINANCIAL SERVICES:

The ability of individuals and businesses to access financial institutions and services such as bank accounts, credit, savings, and insurance is one of the main components of financial inclusion. Governments encourage expanding banking infrastructure, mobile money services, and agent banking to reach underserved communities by policy and reglementation.

- AFFORDABILITY OF FINANCIAL PRODUCTS:

Financial services should be affordable to low-income populations, ensuring cost is not a barrier to usage. In fact, in developing countries economies, high costs financial services represent a reel barrier for financial inclusion. Microfinance institutions and fintech companies offering low-cost accounts, minimal transaction fees, and interest-free savings programs are welcomed in these situations.

- USAGE OF FINANCIAL SERVICES:

Beyond access, financial services must be actively used to benefit individuals and businesses. Increasing financial literacy encourages people the use of savings accounts, digital payments, and microloans to improve financial stability.

- FINANCIAL LITERACY AND AWARENESS: Educating people on financial management, credit risks, and investment opportunities to make informed decisions. Governments and NGOs conducting financial literacy programs, integrating financial education into school curriculums.

- DIGITAL AND TECHNOLOGICAL INCLUSION : Leveraging technology to expand financial services through mobile banking, fintech solutions, and digital payment platforms.

Mobile money services like **M-Pesa** in Kenya, which allows financial transactions without a bank account.

- CONSUMER PROTECTION AND TRUST: Ensuring financial services are safe, transparent, and regulated to protect consumers from fraud and exploitation. Implementing regulatory frameworks for fair lending practices, data privacy laws, and fraud prevention systems.

- GENDER AND SOCIAL INCLUSION : Providing financial access to marginalized groups, including women, rural populations, and the disabled. Special loan programs for women entrepreneurs and rural banking initiatives.

- GOVERNMENT AND POLICY SUPPORT : Policies and regulations that promote financial inclusion and encourage innovation in financial services. India's **Jan Dhan Yojana**, which facilitated millions of new bank accounts for the unbanked population.

There is a strong correlation between financial inclusion, financial stability, and economic growth. It is difficult to imagine maintaining financial stability while a significant portion of the population or institutions remain financially excluded from the economic system. Furthermore, financial inclusion enhances competition among financial institutions by encouraging product diversification and improving service quality to attract more customers and transactions. It also helps regulate some informal financial channels.

From a social perspective, financial inclusion plays a crucial role in supporting low-income individuals and marginalized groups, with a particular focus on women. It facilitates access to financial services for individuals, small and micro-enterprises, integrating them into the formal financial sector. By making financial services affordable and accessible to these groups, financial inclusion promotes social welfare, creates job opportunities, and drives economic growth. Consequently, it helps reduce poverty rates, improve income distribution, and enhance living standards.

G20 FINANCIAL INCLUSION INDICATORS : Overview

The Group of Twenty (G20) recognizes that financial inclusion is a key enabler in the fight against poverty.The pursuit of inclusive development is leading to agreater focus on financial inclusion policies and initiatives. Reliable data covering the major components of sustainable financial inclusion development is critical to inform these policies and to monitor the effect of initiatives. Data also provides a starting point on which to base ambitious financial inclusion targets. At the Cannes Summit in 2011, G20 leaders agreed to the recommendation by the Global Partnership for Financial Inclusion (GPFI) to support global and national financial inclusion data efforts. Subsequently, G20 leaders endorsed the G20 Basic Set of Financial Inclusion Indicators at Los Cabos Summit in 2012, born out of the work of the GPFI.

As committed at the time of the endorsement of the Basic Set of Financial Inclusion Indicators, and in support of the key focus area of financial literacy under the Russian G20 Presidency, the GPFI developed a more comprehensive set of financial inclusion indicators. Their aim was to deepen the understanding of the financial inclusion landscape. This expanded set – including indicators on financial literacy and the quality of financial service provisioning and consumption–was endorse dat the G20St. Petersburg Summit in 2013. Under the leadership of the Chinese G20 Presidency in 2016, and in consultation with G20 members and GPFI implementing partners, new indicators were introduced to measure the use, availability, and quality of digital financial services.

As part of the current Indian G20 Presidency, new indicators on digital payments and financial health,as well as market regulations and consumer protection, have been added along with an update of several current indicators to include disaggregation by various categories, such as gender.

Newly included indicators, collected by the GSM Association, also cover access to mobile money deployment and regulations around the world. The expansion and revision of the existing set of indicators is driven by the development of new digital models, as well as the availability of new data on both the demand for and supply of digital financial services.

Indicators cover a wide range of payment instruments and access channels. The underlying account used for payments may be held with a bank or other financial institution or ane-money account. Payments include those made on the internet, through a mobile phone or device connected to a Wi-Fi network, or using a point of sale (POS) terminal. These indicators can be collected by government statistical agencies and used tomeasure achievements and disparities in the use of digital financial services and the technology and enabling environment needed to benefit from them. Used in conjunction with additional country-specific indicators, the G20 Financial Inclusion Indicators can inform policy-makers and enable monitoring of financial inclusion development, both at a national and at a global level.

INDICATORS :

Financial inclusion is measured in three dimensions:

- Access to financial services
- Usage of financial services
- Quality of the products and the service delivery

Both supply-side and demand-side data is included to form a comprehensive view. Countries are encouraged to collect their own data and supplement the indicators (tablebelow) with data on areas of specific relevance to the country context. The data sources listed in the table below provide a useful starting point with which to populate the key indicators.

The availability, sustainability and robustness of data were the key criteria, with appropriateness and comprehensiveness, in selecting the G20 Financial Inclusion Indicators. The data sources include the Gallup World Poll, GSMA Mobile Money Deployment Tracker and Mobile Money Regulatory Index, IMF Financial Access Survey, Organization for Economic Cooperation and Development (OECD) International Survey of Adult Financial Literacy, World Bank Enterprise

Although the scope of the G20 Financial Inclusion Indicators is comprehensive enough to provide a holistic assessment, new data collection efforts, as well as evolving technology and business models, may well require additional or adapted indicators in the future.

Indicator Name	Code Name	Definition	Source	Years
1. ACCESS TO FINANCIAL SERVICES				
1.1 ACCESS TOPHYSICALPOINTS OFSERVICE				
ATMs per 100,000 adults	*i_ATMs_pop*	The total number of ATMs for every 100,000 adults in the reporting country. Automated teller machines are computerized telecommunications devices that provide clients of a financial institution with access to financial transactions in a Public place.	IMF Financial Access Survey	2011-2021
Branches per 100,000 adults	*i_branches_A1_pop*	The number of branches of commercial banks for every 100,000 adults in the reporting country. Calculated as number of institutions+ number of branches.	IMF Financial Access Survey	2011-2021
Registered mobile money agents per 100,000adults	*i_mob_agent_registered_pop*	The number of registered mobile money agent outlets per 100,000 adults.	IMF Financial Access Survey	2011-2021
1.2 ACCESS TO TECHNOLOGY				
Access to a mobile phone (%age15+)*	*gwp1_n*	The percentage of adults, who report Having access to a mobile phone (%age 15+)	Gallup World Poll	2017-2021
Access to internet (% age15+)*	*gwp2_n*	The percentage of adults, who report having a ccess to the internet in the home (%age15+)	Gallup World Poll	2017-2021

Mobile Money Deployment (#of active services)	*gsma_service_count*	Number of mobile money services existing in a country. Calculated by adding the number of active services listed in a Country for a given year.	GSMA ,MobileMoneyDeployment Tracker	2011-2021
1.3 ACCESS TO IDENTIFICATION				
Adults with identification (%age 15+)*	*has_id*	The percentage of adults with identification. "Official" ID is provided by, on behalf of, or recognized by governments, and can include both "legal" ID (which provides proof of legal identity) and "functional" ID required for a specific sector or purpose (e.g., voting, travel, social security, etc.) (% age 15+)	ID4D-FindexDatabase	2017,2021
2.USAGE OF FINANCIAL SERVICES				
2.1 BY ADULTS				
Account(%age15+)*	*account_t_d*	The percentage of adults, who report having an account (by themselves or together with someone else) at a bank or another type of financial institution or personally using a mobile money service in The past 12 months (%age15+)	GlobalFindexDatabase2021	2011,2014, 2017,2021
Borrowed from a formal financial institution (%age 15+)*	*fin22a_m_c_t_d*	The percentage of adults who report borrowing any money from a bank or an other type of financial institution, or using a credit card, or using a mobile money account in the past year (%age 15+)	GlobalFindexDatabase2021	2014,2017, 2021
Debit cards per 1,000 adults	*i_cards_debit_pop*	The number of debit cards per 1,000 adults.	IMF FinancialAccessSurvey	2011-2021

Deposit accounts per 1,000 adults	*i_deposit_acc_A1_pop*	The total number of deposit accounts that are held by resident non financial corporations (public and private) and house holds in commercial banks for every 1,000 adults in the reporting country. For several countries, however, data covers thetotaldepositaccountsbyallclients.	IMF Financial Access Survey	2011-2021
Insurance policy holders per1,000 adults (life)	*s_policy holders_B2* *_life*	The total number of life insurance policy holders (resident) that are resident non financial corporations (public and private)and house holds for every 1,000 Adults in the reporting country.	IMF Financial Access Survey	2011-2021
Insurance policy holders per 1,000 adults (non-life)	*s_policyholders_B2* *_nonlife*	The total number of non-life insurance policy holders (resident) that are resident non financial corporations (public and private) and house holds for every 1,000 adults in the reporting country. Calculated as (number of non-life insurance policy holders)*1,000/adult population in the reporting country.	IMF Financial Access Survey	2011-2021
Made a digital payment (%age 15+)*	*g20_made_t_d*	The percentage of adults age 15+, who report using mobile money, a debit or credit card, or a mobile phone to make a payment from an account; or who report using the internet to pay bills or to buy something online or in a store in the past year. This includes adults who report payingbillsorsendingremittancesdirectly from a financial institution account or through a mobile money account in the pastyear.(%age15+)	Global Findex Data base 2021	2014,2017, 2021

Made a utility payment: using an account(%age15+)	*fin30_acc_t*	The percentage of adults who report personally making regular payments for water, electricity, or trash collection directly from a financial institution account Or by using a mobile phone (%age15+)	GlobalFindex Database2021	2014,2017, 2021
Made digital merchant payments Online or in store (% age15+)*	*merchant_pay*	The percentage of adults who report using a debit or credit card, or a mobile phone, to make a purchase in-store, or to pay online for an internet purchase (%age15+)	GlobalFindex Database2021	2021

ENHANCING FINANCIAL INCLUSION THROUGH REDUCED FEES AND IMPROVED BANKING SERVICES IN ALGERIA :

To **promote financial inclusion**, Algeria has implemented significant reforms to make **basic banking services free of charge**. According to **Article 14 of Regulation No. 01-20 (March 15, 2020)** issued by the **Bank of Algeria**, financial institutions must provide the following **services free of charge**:

1. **Opening and closing** bank accounts in Algerian dinars.
2. Issuance of **checkbooks**.
3. Issuance of **savings passbooks**.
4. Issuance of **domestic bank cards**.
5. **Cash deposit transactions** at the account-holding bank.
6. Preparation, issuance, or electronic delivery of **annual account statements**.
7. **Online account access**.
8. **Money transfers between individuals within the same bank**.

These **free banking services** represent a **major step forward** for customers, making financial services more **affordable and accessible**, thereby **expanding financial inclusion in Algeria**.

Additional Measures to Strengthen Financial Inclusion:

- **Ethical Lending Practices**: Financial service providers should **consider customers' financial conditions** and **avoid predatory lending** that burdens individuals with unnecessary debt.
- **Regulatory Reforms**: Supervisory authorities should **review and adjust** existing financing requirements to **ease access to credit**.
- **Capacity Building**: Specialized training programs should be provided to **financial service employees** to enhance their ability to **support underserved populations**.

These measures collectively **improve accessibility, affordability, and financial literacy**, ensuring **greater financial inclusion** across Algeria.

CONCLUSION:

A successful financial inclusion framework must combine **accessibility, affordability, education, technology, and policy support** to create an inclusive financial ecosystem.

4. Lesson 4:

BARRIERS TO FINANCIAL INCLUSION

Objective: Identify and analyze the challenges to achieving financial inclusion globally.

Duration: 3 hours

4. Lesson 4: BARRIERS TO FINANCIAL INCLUSION

Objective: Identify and analyze the challenges to achieving financial inclusion globally.

Duration: 3 hours

Key Topics:

- Socioeconomic barriers (poverty, gender inequality, geographic location)
- Financial literacy as a barrier
- Regulatory and technological barriers
- The role of governments and institutions in overcoming these barriers

Activities:

- *Debate*: Split the class into two groups. One argues that lack of financial literacy is the biggest barrier to financial inclusion, while the other argues that regulatory barriers are the most significant.
- *Case Study*: Examine a real-world example of a country that faced significant barriers and discuss how they overcame them (e.g., Kenya and M-Pesa).
- *Interactive Quiz*: Use an online quiz tool (like Kahoot) to assess knowledge of the barriers and solutions for financial inclusion.

Assessment:

A written reflection on how a specific barrier affects financial inclusion in a particular region or country. Group project to propose a solution to one of the identified barriers.

INTRODUCTION :

Despite the significant progress made in recent years, millions of people worldwide still lack access to basic financial services, which hampers their ability to build assets, and achieve economic stability. There are over 800 million people in the MEA region alone without access to basic banking facilities. Financial inclusion is the process of ensuring that these individuals have access to affordable and appropriate financial products and services, including savings, credit, insurance, and payment systems.

Today, we'll take a look at the main challenges and barriers to financial inclusion, and discuss potential solutions to overcome these hurdles, so we can promote greater financial access for everyone.

BARRIERS TO FINANCIAL INCLUSION :

Despite efforts to improve financial inclusion worldwide, several obstacles prevent individuals and businesses especially in developing economies from accessing and utilizing financial services. Below are the key barriers to financial inclusion :

Consequences of economic exclusion	Review of perverse effects
Social and societal exclusion	• **Racial segregation** • **Social stigmatization** • **Social stratification and hierarchy** • **Gender inequality and parity** • **Extreme poverty** • **Precariousness** • **Vulnerability** • **Unemployment** • **Widening inequalities in access to**

	basic needs (health, education, etc.)
Spatial exclusion	• **Chronic rural underemployment** • **Rural exodus** • **Clandestine and illegal immigration** • **Asylum seeking** • **Illicit migrant trafficking**
Institutional and political exclusion	• **Increase in corruption** • **Abstention from voting and democratic/civic participation** • **Embezzlement of funds** • **Illegal appropriation of public property**
Financial and banking exclusion.	• **Rise of the underground economy** • **Money laundering** • **Terrorism financing** • **Growth of the informal sector**

1- Lack of Access to Financial Institutions :

One of the main barriers to financial inclusion is the lack of banking infrastructure in many rural and remote areas. In these regions, physical banks and ATMs are scarce, making it difficult for individuals to access basic financial services.

Many rural and underserved areas lack physical bank branches, ATMs, or financial service providers. In sub-Saharan Africa, millions of people live in remote areas where banks are inaccessible.

Solution: The expansion of digital financial services, such as mobile banking and online payment platforms such as Pyypl can help bridge the gap in access to banking infrastructure. By leveraging technology, financial service providers can reach individuals in remote areas without the need for costly physical branches.

2- High Costs of Financial Services:

Banking fees, high minimum balance requirements, and expensive transaction costs discourage low-income individuals from using financial services.
High remittance fees for international money transfers make it costly for migrant workers to send money home.

In many cases, the fees associated with basic banking services, such as account maintenance, transactions, and withdrawals, are prohibitively expensive for low-income individuals.

Solution: Encouraging competition among financial service providers and promoting innovative, low-cost financial products can help reduce the cost of financial services. Additionally, governments can implement policies that incentivise financial institutions to offer more affordable products and services to underserved populations.

3- Low Financial Literacy and Awareness:

Many individuals lack knowledge about financial services, leading to poor financial decision-making and distrust in banks. A World Bank study found that a significant percentage of adults in developing countries do not understand basic financial concepts like interest rates and savings.

Many people, particularly in developing countries, lack the knowledge and understanding of financial products and services, which can be a significant barrier to financial inclusion. Low financial literacy can result in individuals being unable to make informed decisions about their finances, and may even lead to them falling prey to scams or predatory lending practices.

Solution: Implementing financial education programs and raising awareness about financial products and services can help improve financial literacy. Governments, NGOs, and financial institutions can collaborate to develop targeted education initiatives that provide individuals with the tools and knowledge necessary to manage their finances responsibly.

4- Lack of Identification Documents:

Many people, especially in developing regions, do not have official identification (e.g., passports, national IDs), which is required to open bank accounts. Refugees and informal workers often struggle to access financial services due to a lack of recognized documentation.

5- Gender Inequality in Financial Access:

Women often face cultural, legal, and economic barriers that limit their ability to open bank accounts or obtain credit. In some countries, women need a male relative's permission to access financial services, restricting their financial independence.

In some societies, cultural and social norms can hinder financial inclusion. For example, women in certain regions may face discrimination or be discouraged from participating in financial activities due to traditional gender roles.

Solution: Addressing cultural and social barriers to financial inclusion requires targeted interventions that promote awareness, challenge stereotypes, and empower marginalised groups to take control of their financial futures. This may involve working with community leaders and local organizations to advocate for change and encourage greater financial participation among all members of society.

6- Limited Availability of Credit and Collateral Requirements

Many financial institutions require collateral (e.g., land, assets) for loans, which low-income individuals and small businesses may not have. Small farmers and informal entrepreneurs struggle to secure loans due to a lack of formal credit history.

7- Digital and Technological Barriers:

Limited access to smartphones, internet connectivity, and digital literacy prevents people from using mobile banking and fintech solutions. In rural areas, poor internet coverage and low smartphone penetration hinder mobile banking adoption.

8- Regulatory and Legal Barriers:

Strict banking regulations, complex paperwork, and bureaucracy make it difficult for marginalized groups to access financial services. In some developing countries, opening a bank account requires multiple documents, making the process cumbersome for low-income individuals.

Strict regulations and identification requirements can make it difficult for individuals, particularly those without formal identification, to access financial services. This is particularly true for marginalised populations, such as refugees, migrants, and individuals living in poverty.

Solution: Governments can work to streamline regulatory processes and adopt more flexible identification requirements to facilitate greater access to financial services. This could include implementing digital identification systems or accepting alternative forms of identification, such as community-issued documents.

9- Trust Issues with Financial Institutions:

Many people in developing economies do not trust formal banking systems due to past experiences with fraud, corruption, or financial instability. In regions with histories of banking failures, people prefer informal savings methods like rotating savings and credit associations (ROSCAs).

Many individuals, particularly those who have been historically excluded from the formal financial system, may harbour mistrust towards financial institutions. This lack of trust can be a significant barrier to financial inclusion, as individuals may be hesitant to engage with formal financial services.

Solution: Building trust in financial institutions requires transparency, accountability, and a strong focus on customer service. Financial service providers should prioritize efforts to understand and address the unique needs and concerns of underserved populations, while also working to improve their public image through community engagement and corporate social responsibility initiatives.

10- Inadequate Government Support and Policies:

Weak financial inclusion policies, lack of incentives for financial institutions, and poor enforcement of financial consumer protection laws. Some governments fail to provide tax incentives or subsidies to encourage financial institutions to serve low-income populations.

CONCLUSION :

Overcoming these barriers requires a combination of **policy reforms, financial education, digital innovations, and targeted financial products** that cater to underserved populations.

What is the Importance of Financial Literacy in Achieving Financial Inclusion?

Financial literacy is a cornerstone for achieving financial inclusion and is crucial for making **sound financial decisions**. The absence of financial literacy can lead to **debt accumulation**, **loan defaults**, and other financial risks, or even to **insolvency and bankruptcy**. This is especially true for **women**, **the poor**, **youth**, and those with **lower education levels**.

Therefore, **financial education programs** should target all groups of society, particularly **women**, **youth**, and **micro, small, and medium enterprises (MSMEs)**, as well as **low-income** individuals, including those living in **rural and remote areas**. Additionally, focusing on **enhancing financial literacy among school students** will help raise a **financially aware generation** that understands both their **rights** and **responsibilities**.

5. Lesson 5:

THE ROLE OF TECHNOLOGY IN FINANCIAL INCLUSION

Objective: Understand the impact of technological innovations on financial inclusion.

Duration: 3 hours

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Objective: Understand the impact of technological innovations on financial inclusion.

Duration: 3 hours

Key Topics:

- Digital payments and mobile banking
- Blockchain and cryptocurrencies in financial inclusion
- Fintech solutions (peer-to-peer lending, crowdfunding, etc.)

Activities:

- *Discussion*: What technological advancements have made the biggest impact on financial inclusion in the last decade?
- *Group Research*: Each group explores one fintech solution and presents how it contributes to financial inclusion.
- *Hands-On Demo*: Show how a mobile wallet works (e.g., Google Pay, PayPal, or M-Pesa) and how it helps bridge financial gaps.

Assessment:

- Write a short essay on the role of mobile money in increasing financial inclusion in developing countries.
- Group presentations on their fintech solution findings.

CONCEPT OF FINANCIAL TECHNOLOGY (FINTECH) :

The term **financial technology** originates from the English word **"Fintech"**, which is a combination of **"Financial"** and **"Technology"**. The beginning of both words was merged to form the single term **Fintech**.

According to the **Institute of Digital Research** in **Dublin, Poland**, financial technology refers to **"modern technological inventions and innovations in the financial and banking sector. These inventions include a set of digital programs used in banking transactions, including customer transactions, financial services such as money transfers, currency exchange, and other financial and banking operations."**

The **Financial Stability Board (FSB)** defines financial technology as **"financial innovations that use technology to create new business models, applications, processes, or products, which have a material and tangible impact on financial markets, institutions, and service delivery."**

Meanwhile, the **Basel Committee on Banking Supervision (BCBS)** defines financial technology as **"any technology or financial innovation that results in a new business model, process, or product that affects financial markets and institutions."**

Characteristics of Financial Technology (Fintech):

- **Accessibility for All Users:** Startups target all social classes and continuously enhance their capabilities through partnerships or by redesigning products tailored for low-income customers.
- **Flexibility and Cost-Effectiveness:** Fintech startups offer various plans and pricing models for goods and services, making them more affordable.
- **Customer-Centric Design:** Fintech companies focus on user needs by designing simple and easy-to-use products.
- **Speed:** Advanced analytics allow fintech firms to operate quickly, completing transactions in minutes by leveraging big data and algorithms.

- **Data-Driven or Mobile-Based Policies:** This strategy improves products and services for customers while enabling business owners to make better decisions and seize opportunities.

FIELDS AND SECTORS OF FINANCIAL TECHNOLOGY:

Fintech provides a wide range of financial services across various sectors, the most notable being:

- **Payments Sector:** This is the most advanced area in fintech. Startups offer bill payment services, online and mobile payment solutions, and e-wallets. As a result, payment services are among the most popular fintech offerings, attracting customers quickly and at a lower cost compared to other financial products and services.

Fields and Sectors of Financial Technology (Fintech):

- **Digital Financing and Lending Sector:**
  This sector primarily includes **crowdfunding**, which enables networks of individuals to fund new products, media, and ideas. It involves three key parties:

1. **Entrepreneurs** seeking funding.
2. **Investors** interested in financing these projects.
3. **Intermediary platforms** that provide information and connect funders with opportunities to develop services and products.
   Another growing trend in this sector is **peer-to-peer (P2P) lending**, where platforms facilitate direct lending between individuals and businesses at lower interest rates and with fewer bureaucratic hurdles.

- **Wealth Management Sector:**
  This includes **financial planning**, **investment portfolio management**, and bundled financial services tailored for **high-net-worth individuals, small business owners, and families**. It offers professional financial consulting in

banking services, estate planning, legal resources, and tax management to optimize wealth management.

- **Insurance Sector:**

  Technological advancements have introduced new ways to **deliver insurance services** and **enhance risk assessment** through advanced data collection techniques. This emerging field, known as **InsurTech (Insurance**

  Technology), focuses on improving **customer experience** and developing more precise risk evaluation models with effective mitigation strategies.

- **Regulatory Technology (RegTech) Sector:**
  RegTech is used to **streamline regulatory processes** within the financial industry by leveraging innovative technologies. It encompasses several functions, such as:

  - **Regulatory compliance and reporting**
  - **Disclosure and transparency management**
  - **Data protection and cybersecurity**
  - **Preventing financial crimes, such as money laundering and fraud**

This sector plays a crucial role in **enhancing security**, **reducing regulatory breaches**, and **ensuring compliance** with financial laws.

Key Factors Driving the Adoption and Expansion of Financial Technology (Fintech) Worldwide:

1. **Technological Advancements:**
   - One of the defining features of fintech is the **absence of regulatory constraints** that could hinder its progress.
   - Rapid technological advancements have **accelerated fintech innovation and adoption**, allowing it to adapt quickly.

- The **declining cost of technology** has further facilitated its expansion and scalability.

2. **Availability of Funding:**

   - Easier access to funding has **enabled entrepreneurs and startups to launch new fintech ventures**.

   - In **2016, global venture capital investments in fintech reached $13.6 billion**, underscoring the sector's attractiveness.

3. **Changing Consumer Expectations and Demand for Digital Services:**

   - Shifting consumer preferences have **driven the need for innovative digital financial solutions**.

   - Approximately **63% of consumers worldwide** actively use fintech products and services.

   - Traditional financial institutions are responding by partnering with or integrating fintech solutions to meet evolving demands.

4. **Regulatory Support:**

   - Governments and regulatory bodies play a **crucial role in reducing barriers to entry** for fintech investors.

   - Some governments have **officially recognized fintech companies** as essential players that complement traditional financial service providers.

   - Supportive policies and regulatory frameworks **facilitate fintech adoption** and ensure compliance while fostering innovation.

Financial Technology as a Strategic Choice for Achieving Financial Inclusion

3.1 Key Features of Fintech that Contribute to Financial Inclusion

1. **Simple and Practical Solutions:**
    - Fintech offers user-friendly solutions tailored to consumers' needs.
    - It **enhances traditional financial tools**, such as **money transfers and credit cards**, making them more accessible.
    - Example: **TransferWise (now Wise)** has significantly reduced the cost of financial transactions compared to traditional banks.
2. **Global Reach:**
    - Fintech services are available **worldwide** and can be accessed via the **internet and mobile devices**.
    - Users can **conduct financial transactions anywhere and anytime** with just an internet connection.
3. **Cost-Effective Solutions:**
    - Compared to traditional banks and financial services, **fintech provides lower-cost alternatives**, making financial services more affordable.
4. **Enhanced Security:**
    - Fintech services prioritize **security** through **blockchain technology** and **cryptocurrencies like Bitcoin**.
    - Blockchain ensures **secure and transparent transactions**, minimizing fraud risks.
5. **Continuous Improvement & High-Quality Services:**
    - Fintech companies **continuously upgrade their financial services** to meet customer demands.

- The industry evolves with **technological advancements in information and communication technology (ICT).**

3.2 Prerequisites for Fintech Adoption to Enhance Financial Inclusion

1. **Service Coverage:**
    - **Digital channels** provided by banks and financial institutions have **enabled millions of mobile users** to access financial services.
    - These services extend beyond payments to **insurance, investment, and savings solutions**.
2. **Customer Information & Identity Verification:**
    - To comply with **Know Your Customer (KYC) regulations** and **risk management policies**, fintech providers require **identity verification**.
    - **Digital identities and data footprints** from mobile banking, e-payments, and e-commerce platforms help verify customers efficiently.
3. **Commercial Safety & Tailored Services for Marginalized Groups:**
    - Financial inclusion efforts must include **customized financial products** such as:
        - **Microloans**,
        - **Micro-insurance**, and
        - **Low-value deposit and payment solutions** for underserved populations.

FINANCIAL TECHNOLOGY AND DIGITAL DEVELOPMENT: KEY PILLARS OF FINANCIAL SYSTEM RESILIENCE:

Financial technology (Fintech) and digital development play a crucial role **in strengthening the financial and banking system, particularly in enhancing** financial inclusion**.**

According to the **2017 Fintech Report** by **Wamda** and **Payfort**, the **fintech sector in Algeria remains underdeveloped**. The country had only **two fintech startups** at that time, a **significantly lower** figure compared to the leading four countries in the **MENA (Middle East and North Africa) region**.

Challenges Hindering Fintech Growth in Algeria:

- **Lack of a supportive ecosystem** for fintech startups.
- **Weak integration** between the **financial sector and modern technologies**.
- Existing **fintech companies in Algeria** are **limited to developing digital solutions** for banks and **Algeria Post** rather than providing direct financial services.

Algeria's Share of Fintech Companies in the MENA Region:



(Refer to Figure 02 for a visual representation.)

Source:

- Hamdouche Wafa & Oumani Lamia, *Prospects for Bridging Algeria's Digital Gap to Achieve Financial Inclusion*, *North African Economics Journal*, University of Oum El Bouaghi, **Vol. 17, Issue 25, Algeria, 2021, p. 116**.

LEGAL AND REGULATORY LANDSCAPE:

Despite being **one of seven MENA countries** with **cybercrime and cybersecurity regulations** (as per the **IMF**), this has **not been sufficient** to foster fintech growth.

Currently, **EsrefPay** is **Algeria's only fintech startup** specializing in **online business transactions**. However, the **fintech ecosystem is expected to expand**, particularly after the establishment of a dedicated **Ministry for SMEs, Startups, and the Knowledge Economy**.

This initiative aims to:

- **Develop a legal and regulatory framework** for startups.
- **Define a legal status** for startups and incubators.
- **Establish performance assessment criteria** for fintech firms.

With these measures, **Algeria is taking steps toward fostering a more dynamic fintech ecosystem** and **bridging its digital gap to enhance financial inclusion**.

6. Lesson 6:

MEASURING FINANCIAL INCLUSION AND ITS IMPACT

Objective: Learn how financial inclusion is measured and evaluate its impact on individuals and economies.

Duration: 3 hours

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Objective: Learn how financial inclusion is measured and evaluate its impact on individuals and economies.

Duration: 3 hours

Key Topics:

- Indicators and indices of financial inclusion (e.g., World Bank's Findex)
- The impact of financial inclusion on poverty reduction, economic growth, and social inclusion
- The role of governments, NGOs, and international organizations in promoting financial inclusion

Activities:

- *Data Analysis*: Provide students with financial inclusion data (e.g., Findex or Global Financial Inclusion Index) and ask them to interpret and discuss the data.
- *Case Study*: Explore a country or region where financial inclusion has improved and analyze the outcomes.
- *Role Play*: Simulate a policy-making process where students must create a financial inclusion strategy for a developing nation.

Assessment:

- Create a report analyzing a country’s financial inclusion levels and suggesting ways to improve them.
- Group discussion on how financial inclusion can affect long-term social and economic outcomes.

FINANCIAL INCLUSION INDICATORS:

In 2011, the **World Bank** established indicators to measure financial inclusion, which serve as a **database** and have become key reference indicators for assessing the level of financial inclusion in different countries. These indicators include:

- **Indicator of adult ownership of bank accounts in formal financial institutions:** This is the **general financial inclusion indicator**, used to compare countries based on the **global financial inclusion rate** of adults aged **15 and above** who own bank accounts in formal financial institutions.

- **Indicator of access to accounts in formal financial institutions:** This indicator measures the ability of adults aged **15 and above** to access financial services in **formal financial institutions**, such as **credit cards and ATMs**.

- **Indicator of bank account usage:** This is one of the financial inclusion indicators that measures how **adults aged 15 and above** utilize financial services, such as using bank accounts for **wage payments and purchasing bills**.

- **Indicator of savings in formal financial institutions:** This indicator assesses the extent to which **adults aged 15 and above** save money in **formal financial institutions**.

- **Indicator of borrowing from formal financial institutions:** This indicator evaluates the extent to which **adults** borrow money from **formal financial institutions**.

INTRODUCTION:

Financial inclusion has become a central pillar in the global development agenda. It refers to ensuring that individuals and businesses have access to useful and affordable financial products and services that meet their needs—such as payments, savings, credit, and insurance—delivered in a responsible and sustainable way.

The significance of financial inclusion extends beyond individual empowerment. It is increasingly viewed as a means to support broader economic development, reduce poverty, and promote inclusive growth. However, understanding and enhancing financial inclusion require tools to measure it effectively and assess its impact. This lesson explores how financial inclusion is measured, why it matters, and what its implications are for economic and social progress.

1. UNDERSTANDING FINANCIAL INCLUSION

Financial inclusion is not just about having a bank account. It involves the **access**, **use**, and **quality** of financial services across all segments of society, especially the poor, women, and rural populations.

Key Components:

- **Access**: The physical and economic ability to reach financial services.
- **Usage**: How often and in what ways people use financial services.
- **Quality**: Whether financial services are delivered in a way that is efficient, ethical, and tailored to client needs.

A financially inclusive system should:

- Provide individuals with secure ways to save.
- Allow access to affordable credit.
- Enable people to send and receive payments.

- Offer insurance mechanisms to manage risks.

2. MEASURING FINANCIAL INCLUSION

Measuring financial inclusion helps policymakers and researchers understand the state of financial systems, identify gaps, and monitor progress. It also enables targeted interventions to promote inclusion in underserved areas.

A. Key Indicators

To assess financial inclusion, researchers and institutions use a mix of **quantitative indicators**:

a. Access Indicators:

- Number of bank branches or ATMs per 100,000 adults.
- Share of the adult population with an account at a formal financial institution.
- Percentage of rural population with access to financial services.

b. Usage Indicators:

- Frequency of deposits, withdrawals, or payments through formal financial channels.
- Number of transactions per user (debit/credit/mobile).
- Proportion of adults using credit or insurance services.

c. Quality Indicators:

- Consumer trust and satisfaction.
- Transparency in product information and pricing.
- Effectiveness of grievance redressal mechanisms.

These indicators are often collected through **household surveys**, **financial institution reports**, or **regulatory data**.

B. Global Tools and Data Sources

Several global platforms collect and publish financial inclusion data:

- **The Global Findex Database (World Bank)**: The most comprehensive demand-side database, surveying over 140 countries on financial behavior.
- **Financial Access Survey (IMF)**: Supply-side data including the number of branches, ATMs, and credit/deposit information.
- **GSMA Mobile Money Metrics**: Focuses on digital financial services, especially in low-income countries.

3. THE IMPACT OF FINANCIAL INCLUSION

Financial inclusion is a powerful enabler of development. Its impact can be seen across multiple levels:

A. Economic Impacts:

- **Poverty reduction**: Access to savings and credit enables families to manage cash flow and invest in their future.
- **Business development**: Micro and small enterprises rely on inclusive financial systems to access working capital.
- **Formalization of the economy**: As more people use formal banking, the economy becomes more traceable and stable.

B. Social Impacts:

- **Women's empowerment**: Access to financial services enhances women's ability to control resources and make decisions.
- **Improved education and health**: Households with access to credit and savings are better equipped to invest in education and healthcare.
- **Resilience to shocks**: Insurance and savings help mitigate the effects of job loss, illness, or climate events.

C. Examples:

- In **Kenya**, the rise of mobile money services (like M-Pesa) significantly increased financial inclusion and reduced poverty rates in rural areas.
- In **India**, the Jan Dhan Yojana scheme opened millions of bank accounts for low-income individuals, leading to better access to welfare payments and credit.

4. CHALLENGES IN MEASURING FINANCIAL INCLUSION:

While measuring financial inclusion is crucial, several challenges persist:

- **Overemphasis on account ownership**: Merely having a bank account doesn't mean the service is actively used or beneficial.
- **Data gaps in rural or informal economies**: Surveys may not fully capture financial behavior in remote or undocumented communities.
- **Gender and cultural dynamics**: Women's access may be underreported due to accounts held in male names or restricted social mobility.
- **Digital exclusion**: Reliance on digital tools can exclude those without smartphones or internet access.

Moreover, there is often a lack of **qualitative data** that reveals why people do not use financial services, such as trust issues, cultural barriers, or product mismatch.

5. Strengthening Financial Inclusion Measurement

To address these issues and improve measurement practices:

- Combine **quantitative and qualitative** approaches for a fuller picture.
- Track **longitudinal data** to understand usage over time.
- Focus on **segmented analysis** (by gender, region, age) to identify disparities.
- Incorporate new data sources such as **mobile usage patterns**, **fintech adoption**, and **social indicators**.

CONCLUSION

Financial inclusion is a multidimensional concept with profound implications for economic development and social justice. Measuring it effectively is essential for designing informed policies, allocating resources, and ensuring that progress reaches the most marginalized. As the financial landscape evolves, especially with the rise of digital tools, our methods for measuring inclusion must adapt to capture new forms of access, usage, and impact.

By understanding both the metrics and the lived realities behind them, we can better leverage financial inclusion as a driver of equitable and sustainable growth.

Suggested Discussion Questions

1. What does financial inclusion look like in your country? What are the main barriers?
2. How can mobile technology help improve financial inclusion?
3. What are some ethical concerns in pushing for greater financial inclusion?

Suggested Activities

- **Case Study Review**: Analyze the impact of M-Pesa in Kenya using data and interviews.
- **Data Exploration**: Use the World Bank's Global Findex database to compare financial inclusion levels in two countries.
- **Simulation Exercise**: Design a basic survey to measure financial inclusion in a rural village.

7. Lesson 7:

ISLAMIC BANKING AND FINANCIAL INCLUSION

Objective: Explore the place of financial inclusion in the Islamic finance and banking.

Duration: 3 hour

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Objective: Explore the place of financial inclusion in the Islamic finance and banking.

Duration: 3 hour

Key Topics:

I- INTRODUCTION:

In a global context marked by the pursuit of greater financial inclusion, developing countries continue to face persistent challenges in ensuring equitable access to financial services.

In 2023, the global microfinance sector reached an estimated total market size of USD 195.3 billion in gross loan portfolio. This figure reflects an 8.4% increase in the number of borrowers who benefited from microfinance services, particularly microcredit, compared to 2022.

In the same year, the total global assets of Islamic finance reached USD 3,380 billion, up from USD 3,250 billion in 2022, representing a 4% increase. This growth is primarily driven by the continued expansion of the Islamic banking sector worldwide. These figures clearly demonstrate that financial inclusion is a major challenge for countries striving to improve access to financial services for disadvantaged or impoverished populations.

For developing countries, microfinance and Islamic finance can serve as essential tools to promote financial inclusion and, thereby, reduce both the weight of the informal economy and the level of poverty.

Promoting access to financial services for vulnerable individuals or those excluded from the banking sector, in order to build a more inclusive society—one that embraces diversity, new technologies, and local outreach—has thus become a crucial priority for financial inclusion.

Financial inclusion can therefore be defined as "the ability of individuals and businesses to access useful and affordable financial products and services (such as bank accounts, credit, savings, and insurance)," and is considered a key lever for poverty reduction and economic development.

Yet in many Muslim-majority countries, a significant portion of the population remains excluded from the formal financial system, often due to cultural or religious reasons or distrust toward conventional banking products based on interest.

In the Middle East and North Africa (MENA) region, during the 2022–2023 period, the microfinance market size remained very limited, representing only 1.9% of the global gross loan portfolio—approximately USD 3.7 billion.

As for the Islamic finance sector, in 2023, the Gulf Cooperation Council (GCC) countries saw the total value of their assets reach USD 795 billion, up from USD 770 billion in 2022, which represents an increase of 3.3%.

Therefore, the estimated total value of Islamic finance assets across all MENA countries in 2022 and 2023 is likely significantly higher than that observed in the GCC countries alone.

This suggests that both microfinance and Islamic finance offer real potential for the region, depending on the development level of each segment and the goals set by each country in the region.

In Algeria, several initiatives have been implemented to support unemployed youth and artisans without requiring banking guarantees, notably through programs such as ANSEJ (now Anade), CNAC, and ANGEM, as well as through the use of Islamic finance and investment in new financial technologies. This strategy contributes to fostering financial inclusion and, consequently, to reducing informality, exclusion, and poverty.

It is in this context that Islamic finance, based on Sharia principles, positions itself as a credible and inclusive alternative. It prohibits excessive speculation, rent-seeking, and interest (riba), and favors profit-and-loss sharing as well as the financing of real and ethical activities. Through instruments such as Murabaha, Mudaraba, Ijara, and Islamic microfinance, this form of finance can help attract segments of the population historically reluctant to use conventional banking services.

In Algeria, the rationale for turning to Islamic finance is based on the following arguments:

1. Islamic finance offers real alternatives with specific solutions for those who are:

    - Reluctant to use conventional financial services based on the payment or receipt of interest;
    - Supportive of transparency, communication, and ethics in managing the bank-client relationship;
    - In favor of Islamic financial products based on participation or the payment of gross margins rather than interest charges.

2. Islamic finance has paved the way for other types of financial intermediaries.

3. Considering Algeria's specific social context, Islamic finance has contributed to the creation of public guarantee funds such as CGCI-PME and FGAR.

Despite Algeria's relatively developed banking system, financial inclusion remains limited. According to data from the World Bank and the Bank of Algeria, a large portion of the population remains unbanked. For instance, the Algerian banking network comprised 1,747 bank branches by the end of 2023, up from 1,721 in 2022. This corresponds to one bank branch for every 26,690 inhabitants in 2023, compared to 26,628 in 2022—whereas the international standard is one branch for every 10,000 inhabitants.

Aware of this gap, Algeria has initiated, in recent years, a series of reforms aimed at introducing and promoting Islamic finance through both public and private banks. The stated objectives are threefold: gradually transition toward a hybrid banking system, mobilize significant informal savings, and improve financial inclusion—particularly in rural areas and among populations sensitive to religious considerations.

However, despite legislative and regulatory progress and the gradual emergence of new Islamic products, it remains difficult to precisely assess the real impact of adopting Islamic finance on improving financial inclusion in Algeria. Nonetheless, it is possible to provide some figures, legal developments, and technical advancements that illustrate the potential impact of Islamic finance on financial inclusion in the country.

Developed Problem Statement:

In this course, our primary objective is to assess the impact of Islamic finance on financial inclusion in Algeria and to explore the resulting prospects.

Methodology to Structure the course:

To address this issue, our course is structured as follows:

1. It begins with an **introduction** highlighting the rise of Islamic finance and its links to the level of financial inclusion;

2. Secondly, it aims to provide an **overview of Islamic finance in Algeria** and the challenges to be overcome in order to foster financial inclusion;

3. Finally, it seeks to **examine the future prospects** for Islamic finance in Algeria, considering whether the evolution toward a mature market for Islamic financial products will have a significant impact on financial inclusion.

In this spirit, the design of our article is based on the idea that the development of Islamic finance in Algeria is generating increasing interest in relation to financial inclusion, which justifies the need to provide theoretical insight and empirical observations that support our perspective.

II- Overview of Islamic Finance in Algeria and Its Impact on Financial Inclusion

The conceptual framework of this study is based on the relationship between two fundamental concepts: Islamic finance and financial inclusion. Understanding their interdependence helps to identify the mechanisms through which the introduction of Sharia-compliant products can enhance access to financial services in a context like Algeria's.

1. Financial Inclusion: Definition and Stakes

Financial inclusion refers to the effective access to and use of financial services by the entire population, particularly the most vulnerable groups. According to the World Bank (2018), it describes a system where "individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit, and insurance – delivered in a responsible and sustainable way."

Key indicators of financial inclusion include:

- The banking penetration rate or percentage of individuals with a bank account;
- The number of active accounts;
- Access to formal credit;
- Ownership of payment instruments or access to basic banking services (e.g., cards, mobile banking);
- The geographic coverage of financial institutions (e.g., ATMs, banking windows, microfinance agencies, etc.).

Generally, the larger the economy, the greater the need for a large and dynamic banking sector. An active banking sector is characterized by the coexistence of various financial players, including Islamic banks, payment service providers, and brokerage intermediaries. A dynamic sector also implies diverse financial instruments and segments that simultaneously encourage financial inclusion, savings mobility, investment, and profitability.

Financial inclusion is widely recognized for its positive impacts on:

- Poverty reduction;
- Strengthening economic resilience;
- Development of small businesses;
- Empowerment of women and rural populations;
- Ensuring regional equity in the provision of financial services.

2. ISLAMIC FINANCE: FUNDAMENTAL PRINCIPLES

Islamic finance is grounded in Sharia principles, which prohibit:

- *Riba* (usurious interest);
- *Gharar* (excessive uncertainty);
- *Maysir* (gambling and speculation);
- The financing of illicit activities or those not compliant with Sharia principles;
- And require that losses and profits be shared when both parties are involved in a business venture, transaction, or risk;
- All transactions must be backed by tangible assets.

It relies on specific financial instruments, such as:

- **Murabaha**: sale with a disclosed profit margin;
- **Mudaraba**: partnership between an investor and a manager;
- **Musharaka**: joint participation in capital and profits;
- **Ijara**: leasing contract;

- **Ordinary deposits**: funds held with the obligation to be returned to the depositor;
- **Investment deposits**: term placements entrusted to the bank for investment and profit generation;
- **Takaful**: Islamic insurance based on risk sharing.

These instruments are considered more inclusive in Muslim societies because they align with religious beliefs while addressing economic needs. The geographic outreach of Islamic and conventional financial actors, the popularization of Islamic finance products, local accessibility, and digitalization are essential for promoting access to Islamic financial services.

3. ISLAMIC FINANCE AND FINANCIAL INCLUSION: A POTENTIAL LINK

Several empirical studies have explored the relationship between Islamic finance and financial inclusion (Demirgüç-Kunt et al., 2013; Beck et al., 2013; Abduh et al., 2012). These studies reveal that in countries with large Muslim populations:

- Islamic finance reduces cultural and religious barriers to banking;
- It attracts a significant amount of informal savings;
- It facilitates access to financing for SMEs, which are often excluded from traditional financial circuits.

However, this potential inclusion is conditional on several factors:

- **Regulation**: an appropriate legal framework is essential to establish the credibility of Islamic financial institutions;
- **Awareness**: the public's knowledge of Islamic financial products remains limited;
- **Innovation**: the products must be simple, accessible, and tailored to customer needs.

4. SPECIFICITIES OF THE ALGERIAN CONTEXT

In Algeria, the banking system suffers from a structural mistrust among parts of the population, due to the absence of Sharia-compliant products as well as a lack of modernization and proximity. Islamic finance was officially introduced in public banks starting in 2020.

The regulatory framework designed to promote Islamic finance in Algeria aims primarily to distinguish Islamic banks from conventional ones through the following elements:

1. The nature of the banking operations offered by the banks;
2. Whether interest is charged or paid on these operations;
3. The presence or absence of a Sharia supervisory board within the bank's organizational structure;
4. The marketing method and/or distribution channels used by the bank (Islamic windows or conventional banking networks).

The introduction of Islamic finance in Algeria aims to:

- **Reduce the monetary mass circulating in the informal sector**. By the end of 2023, the informal economy accounted for over 32.9% of the total money supply, amounting to 8,030.76 billion dinars, or approximately 59 billion US dollars. For foreign investors, particularly foreign banks, the informal economy represents a form of unfair competition that hampers savings mobility, investment pace, and financial inclusion.
- **Stimulate national savings**. To achieve this, the Bank of Algeria modified and supplemented the framework for determining excessive interest rates via Instruction No. 10-2021, updating the terms established in Instruction No. 08/2016. Since 2021, the setting of excessive interest rates has enabled the Bank of Algeria to maintain interest rate policies at levels that do not penalize businesses and investment. The total effective interest rate for loans granted must not exceed, at the time of granting, more than one-tenth (10%) of the average effective rate applied in the previous semester.

In terms of collected resources, in 2023, total bank deposits increased by 2.7% compared to 2022, rising from 14,530 billion dinars to 14,917 billion dinars.
Looking at household deposits specifically, they rose from 4,952 billion dinars in 2022 to 5,551 billion dinars in 2023, marking a 12% increase.
Focusing on Islamic banking, in 2023, total deposits related to Islamic banking products reached 680 billion dinars, compared to 554 billion in 2022.
In terms of Islamic financing, for example, the amount of *murabaha* financing for various types of goods reached 130 billion dinars in 2023, compared to 140 billion in 2022.

- **Promote banking among rural or conservative populations**. In this regard, it is worth noting that the number of Islamic banking branches rose from 75 in 2022 to 89 by the end of 2023. As for fully Islamic banks, their branches increased from 65 in 2022 to 71 in 2023.

In this sense, the impact of Islamic finance on financial inclusion will depend on its ability to integrate, organize, and gain public trust, which implies a comprehensive strategic vision focused on several key areas:

1. Modernization of payment systems;
2. Use of advanced financial technologies;
3. Diversification of banking and financial actors.

REVIEW OF THE EMPIRICAL LITERATURE:

Several empirical studies have examined the role of Islamic finance in enhancing financial inclusion, highlighting both its potential and its contextual limitations.

1. Link between Islamic Finance and Financial Inclusion
Studies conducted in different contexts show that Islamic finance can broaden access to banking services, particularly in regions where the population is reluctant to use conventional financial products for religious reasons.

- *Demirgüç-Kunt et al.* (2013), in a study on countries of the Organisation of Islamic Cooperation (OIC), found that nearly 30% of unbanked adults cite religious reasons

for not having a bank account. Islamic finance thus emerges as a relevant lever to address this gap.

- *Mohieldin et al.* (2012) emphasize that Islamic financial instruments—such as Islamic microfinance, sukuk, or profit-sharing products—offer suitable solutions for populations excluded from traditional credit circuits.

2. Country Case Studies

- **Malaysia**: Malaysia is frequently cited as a model. The study by *Abdullah et al.* (2017) shows that the diverse offering of Islamic products (savings, financing, takaful insurance) has enabled a broad segment of the population, including women and young entrepreneurs, to be integrated into the financial system.

- **Indonesia**: *Lestari et al.* (2019) demonstrate that Islamic microfinance institutions (BMT – *Baitul Maal wat Tamwil*) have played a key role in the inclusion of informal small traders. The study also finds that trust in the Islamic system is a decisive factor in its usage.

- **Sudan**: In a context of fully Islamized finance, *Elhiraika* (2007) observes that the geographic expansion of banking services remains a challenge. The lack of financial education is a major obstacle to effective inclusion, despite the availability of Islamic offerings.

- **Pakistan**: *Uddin et al.* (2021) find that Islamic products contribute to increased financial inclusion, but their real impact depends on service quality and institutional transparency.

3. Key Determinants of Impact

- **Level of Islamic Financial Literacy**: Several studies (e.g., *Abduh & Omar*, 2012) show that understanding the principles of Islamic finance greatly influences its adoption, particularly in rural and less-educated settings.

- **Trust in Banking Institutions**: Mistrust of the conventional banking system encourages the use of Islamic products, but this dynamic remains fragile if Islamic banks fail to sufficiently differentiate themselves (cf. *Kassim & Majid*, 2010).

- **Perceived Sharia Compliance**: The study by *Amin et al.* (2014) indicates that the perceived authenticity of financial products (true absence of *riba*, transparency, ethics) is crucial for attracting unbanked populations.

- TABLEC.1Organization of islamic cooperation (OIC) member countries, Account penetration rates, and islamic financial Institutions 2011

	Religiosityandfinancialinclusion				Islamicfinancialinstitutions(IFIs)			
Economy	Religiosity(%)	Accountata formalfinancial institution (%,age15+)	Adultswithno accountdue toreligious reasons (%,age15+)	Adultswithno accountdueto religiousreasons (thousands, age 15+)	Numbero fIFIs	Islamicassets peradult (US$)	Numberof IFIsper 10millionadults	Number ofIFIsper 10,000km^2
Afghanistan	97	9.0	33.6	5,830	2		1.1	0.03
Albania	39	28.3	8.3	150	1		4.0	0.36
Algeria	95	33.3	7.6	1,330	2		0.8	0.01
Azerbaijan	50	14.9	5.8	355	1		1.4	0.12
Bahrain	94	64.5	0.0	0	32	29,194	301.6	421.05
Bangladesh	99	39.6	4.5	2,840	12	14	1.2	0.92
Benin		10.5	1.7	77	0	0	0.0	0.00
BurkinaFaso		13.4	1.2	98	1		1.1	0.04
Cameroon	96	14.8	1.1	114	2		1.7	0.04
Chad	95	9.0	10.0	573	0	0	0.0	0.00
Comoros	97	21.7	5.8	20	0	0	0.0	0.00
Djibouti	98	12.3	22.8	117	0	0	0.0	0.00
Egypt,ArabRep.	97	9.7	2.9	1,480	11	146	1.9	0.11
Gabon		18.9	1.5	12	0	0	0.0	0.00
Guinea		3.7	5.0	279	0	0	0.0	0.00
Indonesia	99	19.6	1.5	2,110	23	30	1.3	0.13
Iraq	84	10.6	25.6	4,310	14	98	7.4	0.32
Jordan		25.5	11.3	329	6	1,583	15.4	0.68

Kazakhstan	43	42.1	1.7	126	0	0	0.0	0.00
Kuwait	91	86.8	2.6	7	18	28,102	87.2	10.10
KyrgyzRepublic	72	3.8	7.3	272	0	0	0.0	0.00
Lebanon	87	37.0	7.6	155	4		12.4	3.91
Malaysia	96	66.2	0.1	8	34	4,949	16.8	1.03
Mali	95	8.2	2.8	218	0	0	0.0	0.00
Mauritania	98	17.5	17.7	312	1	76	4.7	0.01
Morocco	97	39.1	26.8	3,810	0	0	0.0	0.00
Mozambique		39.9	2.3	189	0	0	0.0	0.00
Niger	99	1.5	23.6	1,910	0	0	0.0	0.00
Nigeria	96	29.7	3.9	2,520	0	0	0.0	0.00
Oman		73.6	14.2	78	3		14.4	0.10
Pakistan	92	10.3	7.2	7,400	29	40	2.5	0.38
Qatar	95	65.9	11.6	64	14	13,851	86.5	12.08
SaudiArabia	93	46.4	24.1	2,540	18	1,685	9.2	0.08
Senegal	96	5.8	6.0	411	0	0	0.0	0.00
Sierra Leone		15.3	9.9	287	0	0	0.0	0.00

- **Religiosity (%):** Percentage of adults in a given country who responded affirmatively to the question, “Is religion an important part of your daily life?” in a 2010 Gallup poll.

- Account at a formal financial institution (%,age15+): Percentage of adults with a account (self or together with someone else) at a bank, credit union, another financial institution (such as a cooperative or microfinance institution), or the post office (if applicable) including adults who reported having a debit card to total adults. The data are from Global Findex (Demirgüç-Kunt and Klapper 2012).

- Adults with no account due to religious reasons (%, age 15+): Percentage of those adults who point to a religious reason for not having an account at a formal financial institution. The data are from Global Findex (Demirgüç- Kunt and Klapper 2012).
- Adults with no account due to religious reasons (thousands, age 15+): Number of adults that point to a religious reason for not having an account at a formal financial institution. The data are from Global Findex (Demirgüç- Kunt and Klapper 2012).
- Number of IFIs (Islamic financial institutions): Number of banks in a country that offer Shari‘a-compliant financial services to their clients. The data are compiled by the Global Financial Development Report team members.
- Islamic assets per adult (US$): Size of the Islamic assets in the banking sector of an economy perits adult population. The size of the Islamic assets is taken from Bank Scope. Adult population is taken from World Development Indicators.
- Number of Islamic financial institutions per 10 million adults: Number of banks in a country that offer Shari‘a compliant financial services to their clients per 10 million adults. The data are compiled by the Global Financial Development Report team members.
- **Number of Islamic financial institutions per 10,000 km^2:** Number of banks in a country that offer Shari‘a- compliant financial services to their clients per 10,000 km^2. The data are compiled by the *Global Financial Development Report* team members.

4. THE SPECIFIC CASE OF ALGERIA:

Empirical literature on Algeria remains limited, but recent research indicates growing interest in Islamic financial products.

- *Bouchareb et al.* (2020) note that the introduction of Islamic windows in public banks since 2020 has generated significant interest, particularly in the southern regions of the country.
- *Meziane & Bensalem* (2021) show that while there is strong potential demand for Islamic products, it is hindered by a lack of information, accessibility, and clarity regarding Sharia compliance.

5. CURRENT STATE OF ISLAMIC BANKING: CONSTRAINTS AND OPPORTUNITIES

Compared to the period before 2017, Islamic banking has, since the promulgation of Regulation No. 2020-02, become more or less regulated by legal provisions that define its status, purpose, mission, and operations.

Legally, Law 23-09 of June 21, 2023, defines Islamic banking as a "legal entity that conducts, as a regular and exclusive professional activity, banking operations related to Islamic finance."

These legislative and regulatory banking provisions support the idea of building a dual banking sector where conventional and Islamic segments can coexist, offering a genuine opportunity for savers, businesses, and institutional investors.

Currently, the Algerian banking sector is composed of 28 banking and financial institutions, divided as follows:

1. 20 banks, including 7 public and 13 private;
2. 8 financial institutions, including 6 public and 2 private.

However, the ratio of working-age population to bank branches can be considered a good indicator for assessing access to banking services—especially basic banking services—along with customer base growth and investment in technological infrastructure.

In Algeria, in 2022, this ratio stood at 8,238 working-age individuals per branch, compared to 8,141 in 2023, reflecting a slight improvement of 2%. This modest growth is attributed to several factors: a moderately acceptable economic growth rate, limited and insufficiently diversified infrastructure, inadequate banking coverage in rural areas, and slow adoption of digital technologies.

Islamic banking also faces the constraint of operating in an environment where accounting, prudential, tax, and financial regulations largely favor conventional banks. This situation unfortunately limits the opportunity to significantly improve financial inclusion.

6- FUTURE PROSPECTS AND INITIATIVES:

If legal, tax, accounting, prudential, financial, and cultural measures are thoughtfully and coordinately implemented, the Islamic finance ecosystem could become more attractive—greatly impacting the growth of the Islamic financial products market.

Likewise, if both Islamic and conventional banks tailor their commercial offerings to meet the needs and capacities of the population seeking Islamic banking products and services, the growing demand for Islamic products will positively influence the level of financial inclusion.

Legal, economic, financial, cultural, and technological aspects will strongly shape the future of Islamic finance in Algeria. If meaningful investments are made in these areas, the prospects for Islamic finance in the country appear promising.

For example:

1. Between 2019 and 2023, the number of bank branches increased from 1,568 to 1,649, a growth of 5%.

2. Over the same period, the number of active bank accounts in Algerian dinars rose from 11,286,720 to 12,818,657, an increase of 13%.

3. The total amount of demand and term deposits grew from 10,639 billion dinars to 14,917 billion, representing a 40% increase.

4. From 2019 to 2023, branch network density changed slightly from one branch per 26,817 inhabitants to one per 26,690, a marginal evolution of just 1%.

For some observers, these developments merely reflect a redistribution of resources between the conventional and Islamic segments, since the share of Islamic banking resources in total resources remains low.

For others, the independence of Islamic windows and the expertise of Islamic banks will gradually contribute to improving the volume of collected resources and, consequently, increasing the level of financial inclusion.

If both public and private actions converge effectively and in a coordinated manner, Islamic finance has a promising future—a future that will depend on the speed and depth of the measures put in place.

CONCLUSION

The objective of this study was to analyze the potential contribution of Islamic finance to financial inclusion in Algeria. Through a theoretical and empirical review, as well as an analysis of perceptions, it emerges that Islamic finance represents a strategic opportunity to expand access to financial services—particularly for populations excluded from the conventional banking system, especially in rural and low-income areas.

The findings show that Islamic finance enjoys strong symbolic and cultural appeal; however, its actual effectiveness in promoting inclusion remains limited by several constraints: a still limited product offering, communication issues, lack of financial literacy, insufficient investment in digital technological infrastructure, mistrust regarding Sharia compliance, and the absence of a coherent public strategy.

Thus, while Islamic finance is not a miracle solution, it can, provided there is a well-adapted institutional, educational, and operational framework, become a complementary and sustainable lever for financial inclusion in Algeria.

RECOMMENDATIONS :

1. **Develop a clear, supportive, and evolving legal framework**
   • Establish regulations, guidelines, and circulars to promote Islamic banking products.
   • Use compliance as a lever to implement specific fiscal, accounting, prudential, and financial resolutions tailored to Islamic banking products.

2. **Strengthen Islamic economic and financial literacy**
   • Implement public awareness programs on the principles and products of Islamic finance.
   • Integrate Islamic finance modules into university curricula in economics and law.

3. **Expand product offerings and improve accessibility**
   • Encourage Islamic banks to open branches in rural and peri-urban areas.
   • Promote digital Islamic finance (mobile banking, Islamic fintech) to reach a younger, more connected population.

4. **Enhance regulation, ethics, and transparency**
   • Establish an independent national Sharia supervisory authority to ensure product compliance.
   • Encourage audits and publications of Islamic banking practices to strengthen public trust.

5. **Formulate a national financial inclusion strategy**
   • Integrate Islamic finance into a comprehensive national financial inclusion plan, in coordination with the Bank of Algeria, religious institutions, and development partners.
   • Develop expertise by investing in human capital through academic and professional training to meet the sector's needs and eliminate cultural or technical barriers.

6. **Foster innovation and Islamic microfinance**
   • Support the creation of public and private Islamic microfinance institutions (e.g., takaful, qard al-hassan).

• Promote innovative solutions to finance micro-entrepreneurs and informal economy actors in compliance with Islamic principles.

Voici la traduction en anglais de votre section **"Résultats et discussion"** :

RESULTS AND DISCUSSION :

1. **Positive but cautious perception of Islamic finance**
   The survey results show that a majority of respondents (around 65%) perceive Islamic finance as a credible and ethical alternative to conventional financial services. This finding aligns with studies by Amin et al. (2014) and Kassim & Majid (2010), which highlight that perceived compliance with Sharia principles plays a central role in the adoption of Islamic financial products.
   However, several participants expressed doubts regarding the actual transparency of the products offered, with some suspecting a mere "Islamization" of conventional offerings. This skepticism could hinder effective inclusion, despite the declared interest.

2. **Strong potential demand in low-banking areas**
   Regional data analysis indicates that interest in Islamic finance products is particularly high in rural and southern Algerian areas, where banking penetration has historically been low. These results are consistent with the findings of Bouchareb et al. (2020), who noted that the opening of Islamic windows in public banks has helped reach a new audience.
   This suggests that Islamic finance can play a strategic role in reducing regional disparities in access to financial services. However, this potential impact depends on physical accessibility and service quality.

3. **Low level of Islamic financial literacy**
   One of the main barriers identified is the lack of understanding of Islamic finance principles and mechanisms. Nearly 70% of respondents reported not knowing the fundamental differences between Islamic products (e.g., mudarabah, murabaha, ijara) and conventional products.
   This result is consistent with the findings of Abduh & Omar (2012), who state that financial education is a critical factor in promoting inclusion. This highlights the

urgent need for information campaigns and awareness programs tailored to different population segments.

4. **Limited impact due to restricted product offerings and banking infrastructure**
   Despite the demand, many respondents lamented the still limited availability of Islamic products and banking windows. This issue is particularly evident in rural areas, where banking infrastructure remains underdeveloped.

5. **Leveraging new financial technologies (FinTech)**
   Investing in digital solutions can reduce the transaction costs associated with Islamic contracts, improve accessibility, and reach a broader customer base, particularly in remote regions.
   The absence of a clear national strategy for financial inclusion through Islamic finance is also cited as a key limiting factor.

SUMMARY :

The results indicate that Islamic finance represents a promising yet underutilized lever for financial inclusion in Algeria. Its future development will depend on several key conditions:

- Strengthening transparency and the perceived authenticity of Islamic financial products.
- Expanding the offering both geographically and technologically.
- Promoting financial education that is adapted to the local culture.
- Implementing integrated public policies in collaboration with Islamic banks and social actors.

GLOSSARY OF TERMS :

- **Sustainability** refers to continuity and renewal, requiring a balance between social, environmental, and economic demands.
- **Sustainable Development**: Improving living conditions for all individuals, contributing to **inclusive and sustainable economic growth**.
- **Financial Inclusion Strategies**: Governments designing and implementing action plans to achieve the goals of **financial inclusion**.
- **Financial Literacy**: The ability of an individual to understand basic financial principles (e.g., **simple and compound interest**, **time value of money**).
- **Financial Knowledge**: The ability to know what one needs and understand the features of the **financial products** offered to them.
- **Payment Systems**: Any system used to settle financial transactions by transferring **monetary value**.
- **Digital Technologies**: The use of advanced technology in providing **financial services**.
- **Non-Banking Financial Institutions**: These include **investment banks**, **leasing companies**, **insurance firms**, **investment funds**, and others.
- **Consumer Financial Protection**: Laws and policies that ensure consumers are not exposed to fraud or deception when accessing financial services.

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