

Make financial inclusion a reality

DOHA DATELINE
R. SEETHARAMAN

FINANCIAL INCLUSION represents the proportion of individuals and firms that use financial services. Being able to save, make non-cash payments, send or receive remittances, get credit or get insurance can be instrumental in raising living standards and helping businesses prosper. It helps people to invest more in education or healthcare.

The population's access to basic services such as employment, health, housing or education is necessary. Hence, financial inclusion is also a component of social inclusion.

In the Arab region, only 18 per cent of the population has an account with a financial institution. Thirteen per cent of women in the region have an account with a financial institution. Eight per cent of total bank loans go to small and medium enterprises (SMEs).

Lack of financial inclusion in the region is on account of various factors. The financial infrastructure in many Mena countries is underdeveloped; the credit information is weak compared with other regions. Financial institutions catering to the needs of the poor and to micro-SMEs and SMEs are largely underdeveloped. There is need for a clear and coherent supervisory and regulatory framework for non-bank financial institutions.

Specialised financial products and services are limited. The pace of progress towards accommodating

Islamic finance has also been uneven across countries.

Limited property rights in some countries, high levels of unemployment, low wages and labour force participation often leave women with inadequate personal collateral to obtain credit.

In this region, we have seen financial inclusion developments such as the provision of health micro-insurance in Jordan, insurance-based savings in Egypt and Jordan permitting non-bank e-money issuers. Countries such as Morocco, Tunisia, Yemen and Jordan have financial inclusion on their agenda. They have been active on new regulations such as deposit-taking or consumer protection.

In 2014, the Emirates ID Authority showcased the use of the national identity cards in mainstream financial applications. This is a major step forward in achieving financial inclusion in the UAE by enabling cash withdrawals at ATMs and payments at domestic point of sale (PoS) terminals using the national ID card.

Innovations in technology such as mobile payments, mobile banking and borrower identification using biometric data make it easier and less expensive for people to use fi-

18%

share of Arab
population with
account in a
financial institution

13%

share of Arab
women with
account in a
financial institution

ancial services, while increasing financial security.

Young people in the region account for over 50 per cent of the population, yet only 13 per cent of those aged between 15 and 24 have accounts at a formal financial institution. As young people are tech-savvy and have clear financial need, there is a need for financial inclusion.

Since youth can act as change-

makers, addressing their financial needs is important. Banks and society can work together to make financial inclusion a reality in the region by embracing technology and creating awareness of saving among the younger generation.

The Arab region should work on various measures to improve financial inclusion. Enhance payment systems, strengthen creditor rights, enhance collateral regimes and modernise insolvency laws to improve financial infrastructure. Enable the regulatory environment for micro- and SME financial institutions to flourish.

Postal institutions have well-established physical infrastructure and networks in rural and urban areas. Hence, they are well placed to serve the poor, particularly in remote areas.

Faster expansion of Islamic finance, if properly regulated, would foster financial inclusion. To increase their access to finance, young, micro- and SME entrepreneurs often need support to build capacity in accounting, record keeping and project planning. Hence, develop the capacity of micro- and SME entrepreneurs.

There is a need to remove obstacles and change attitudes that hold back women's access to finance. This would be a step towards allowing women to contribute more fully to their own economic potential and to national economic development.

On the whole, financial inclusion is vital for economic and social development in the Arab region.

The writer is group CEO, Doha Bank. Views expressed by him are his own and do not reflect the newspaper's policy.

“Financial infrastructure in many Mena countries is underdeveloped; credit information is weak

