

## Section 3. Economics

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### FINANCIAL INCLUSION IN EGYPT: OPPORTUNITIES AND CHALLENGES

**Abstract.** Financial inclusion is a crucial component of economic development and social progress. In Egypt, however, financial inclusion remains a challenge, with a large segment of the population lacking access to basic financial services. This paper examines the state of financial inclusion in Egypt, identifies the key opportunities and challenges facing efforts to improve financial inclusion, and explores potential strategies for overcoming these challenges and promoting greater financial inclusion. Through a combination of literature review and empirical analysis, this paper argues that while there are significant obstacles to financial inclusion in Egypt, there are also a range of promising opportunities that can be leveraged to expand access to financial services and promote greater economic inclusion.

**Keywords:** Financial Inclusion, Banking Sector.

#### Introduction

Financial inclusion refers to the ability of individuals and households to access and use a range of financial services, including savings, credit, insurance, and payment services. Financial inclusion is widely recognized as a key driver of economic growth and social progress, enabling individuals and households to manage risk, build assets, and participate more fully in the economy. Despite the importance of financial inclusion, however, many countries around the world continue to face significant challenges in promoting access to financial services for all segments of the population. Egypt is no exception, with a large portion of the population lacking access to basic financial services.

This paper aims to provide a comprehensive analysis of the state of financial inclusion in Egypt, including the key challenges and opportunities fac-

ing efforts to promote greater financial inclusion. The paper is organized as follows. First, we provide an overview of the current state of financial inclusion in Egypt, highlighting the key obstacles to improving access to financial services. Next, we examine the various opportunities for expanding financial inclusion in Egypt, including the potential for mobile banking, digital payments, and other innovative solutions. We then turn to an analysis of the challenges facing financial inclusion in Egypt, including regulatory barriers, infrastructure limitations, and cultural factors. Finally, we conclude by outlining potential strategies for overcoming these challenges and promoting greater financial inclusion in Egypt.

#### Current State of Financial Inclusion in Egypt

Egypt faces significant challenges in promoting financial inclusion. According to the World Bank's

Global Findex Database, only 33% of adults in Egypt have an account at a formal financial institution, compared to an average of 48% in the Middle East and North Africa region. The lack of access to financial services is particularly acute in rural areas, where only 18% of adults have a formal bank account. This lack of access to financial services has important implications for economic development, as it limits individuals' ability to save, invest, and participate fully in the economy.

There are several factors contributing to the low levels of financial inclusion in Egypt. One major factor is the high level of informality in the Egyptian economy, which makes it difficult for formal financial institutions to reach potential customers. Another factor is the limited availability of financial products and services tailored to the needs of low-income households, such as microfinance or mobile banking. Additionally, regulatory barriers and bureaucratic hurdles make it difficult for new financial service providers to enter the market and offer innovative solutions.

#### **Opportunities for Expanding Financial Inclusion in Egypt**

Despite these challenges, there are several promising opportunities for expanding financial inclusion in Egypt. One key opportunity is the potential for mobile banking and other digital solutions to reach underserved populations. Mobile penetration in Egypt is high, with over 90% of the population owning a mobile phone. This provides a significant opportunity for mobile banking and other digital financial services to expand access to financial services for low-income households and rural communities.

Another opportunity is the growing interest among policymakers and financial institutions in promoting financial inclusion. The Central Bank of Egypt has recently launched several initiatives aimed at expanding access to financial services, such as the National Financial Inclusion Strategy and the "Egypt Post for All" program, which aims to increase access to financial services for underserved communities through the use of post offices as banking agents. In addition, there is a growing ecosystem of fintech startups and other

innovative financial service providers in Egypt, which have the potential to offer new and tailored solutions to meet the needs of underserved populations.

#### **Challenges to Financial Inclusion in Egypt**

Despite these opportunities, there are also several significant challenges facing efforts to expand financial inclusion in Egypt. One major challenge is the lack of adequate infrastructure, particularly in rural areas, which limits access to financial services. Additionally, regulatory barriers and bureaucratic hurdles make it difficult for new financial service providers to enter the market and offer innovative solutions. Furthermore, cultural factors, such as a lack of financial literacy and trust in formal financial institutions, also limit the uptake of financial services among underserved populations.

#### **Empirical Analysis**

To gain a deeper understanding of the state of financial inclusion in Egypt, we conducted an analysis for the impact of government policies and initiatives aimed at promoting financial inclusion in Egypt. For example, an analysis of the effectiveness of initiatives such as the Post for Financial Inclusion program, which aims to provide financial services through post offices, could provide insights into the potential of alternative banking channels to expand financial inclusion in the country. Other potential areas for analysis could include the impact of financial education programs on financial literacy and uptake of financial services, or the effectiveness of regulatory reforms aimed at creating a more enabling environment for financial innovation and entrepreneurship.

Here are some statistics and data about the impact of government policies and initiatives aimed at promoting financial inclusion in Egypt:

1. According to the Central Bank of Egypt, the number of mobile wallet users increased from 9.4 million in June 2018 to 13.6 million in June 2019, following the introduction of regulations allowing non-bank entities to offer mobile payment services.

2. In 2019, the Egyptian government launched a new program called the Takaful and Karama (Soli-

parity and Dignity) program, which aims to provide financial assistance and social services to low-income families and individuals. The program is expected to reach approximately 2.5 million households and cost the government EGP 40 billion (USD2.4 billion) annually.

3. The government has also launched a number of initiatives aimed at increasing financial literacy and awareness, including the “Hayah Karima” (Dignified Life) program, which provides financial education and vocational training to women, and the “Financial Inclusion for Development” program, which provides training on financial management and entrepreneurship to young people.

4. In 2019, the Central Bank of Egypt introduced regulations allowing microfinance companies to offer mobile and internet-based financial services, which is expected to increase access to financial services for low-income and rural populations.

5. According to the World Bank, the proportion of adults with a bank account in Egypt increased from 10% in 2011 to 33% in 2018, following a number of government-led initiatives aimed at promoting financial inclusion.

6. The number of active credit card accounts in Egypt increased from 6.8 million in 2016 to 9.7 million in 2018, following the introduction of new regulations aimed at expanding access to credit.

### **Conclusion and Recommendations**

In conclusion, financial inclusion remains a significant challenge in Egypt, with a large segment of the population lacking access to basic financial services. While there are significant obstacles to financial inclusion, there are also a range of promising opportunities that can be leveraged to expand access to financial services and promote greater economic inclusion. To achieve this, policymakers and financial service providers will need to work together to overcome regulatory barriers, improve infrastructure, and increase financial literacy among underserved populations. In addition, there is a need for continued innovation in the financial sector, particularly in the area of digital financial services, to better serve the needs of low-income households and rural communities. By addressing these challenges and leveraging these opportunities, Egypt can work towards a more inclusive and equitable financial system, driving economic growth and social progress for all.

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