




The Path of Fintech in Palestine




By Azzam Shawwa

Financial technology (fintech) is the new industry on the block. The term is used to describe technology that seeks to provide, automate, and improve financial services such as mobile banking, online investing, and peer-to-peer payments. Fintech also aims to increase financial inclusion among people with low incomes, including women and youth in particular, as well as for micro, small, and medium enterprises (MSMEs).

The history of financial technology can be traced back to the late nineteenth century, when banks started using telegrams to move money across continents. Since the arrival of the internet, which allowed for faster and more efficient communications between companies and consumers, fintech has taken off.

Since then, fintech has evolved at a rapid pace. This is largely because it offers many benefits over traditional financial services, making traditionally inefficient tasks more efficient. This technology makes it easier than ever for people from every segment of society to manage their money and make transactions. In addition, fintech helps people gain access to credit and investments more easily. All of this contributes to a more cashless, efficient, and secure financial system. Furthermore, financial technology facilitates access to financial and banking services for various segments of society and reduces the time, effort, and cost required to complete financial transactions and create new business prospects, especially in the field of e-commerce and investments.

The COVID-19 pandemic has provided the whole world with a great opening to benefit from technology. It has changed the way we think about finance and forced businesses to seek alternative ways to conduct their business



According to KPMG's "Pulse of Fintech," total investments in fintech topped US\$210 billion in the year 2021, with investments mostly in crypto and blockchain.

and finances. Enormous and transformative opportunities have been unlocked and made possible with the evolution of digital technology, including but not limited to big data, cryptocurrency, artificial intelligence, and blockchain. This growth has given space for fintech start-ups to rise and become the most-funded sector in the last couple of years.

When talking about fintech in Palestine, we must acknowledge that Palestine is still experiencing low levels of access to and limited use of financial services, and that large numbers of adults remain excluded from the formal financial system due to political and/or socio-economic

restrictions. Most noted among the factors and challenges that hinder our progress in financial technology are obstacles resulting from the occupation and the restrictions it places on the Palestinian economy, depriving Palestinians of life essentials such as fourth- and fifth-generation services, noting here that Gaza is not given access even to third-generation services. Likewise, the Palestinian economy must cope with the inexistence of a national currency and the resulting lack of an independent monetary policy. Furthermore, we must develop and enact laws and legislation related to financial technology, create the appropriate infrastructure for



electronic payment systems, and assure that information is secure and that privacy and individual data are protected. We must provide the appropriate ground for the constructive interaction between regulators, entrepreneurs, and innovators of financial products and services.

As banks are planning their future, they must decide whether or not to adopt digital banking. A decision must be made also regarding how to deal with virtual currencies and the involved risk. Economic activities must be restructured to become compatible with technological development, and the information technology sector must be developed to serve the financial and business sectors and foster economic growth. We must attract the competencies of distinguished Palestinians who live abroad and entice them to resettle so that we can benefit from their experiences. Furthermore, we must encourage scientific research related to technology in the financial, business, and trade sectors to serve the local and regional markets, and propose policies and strategies to activate technological systems in the financial and business sectors. Last but not least, we must increase financial awareness and culture among the public.

Despite the prevailing challenges and restrictions, policymakers and

regulators in Palestine have taken an interest in fintech during the last several years. They understand that in order to catch up with the world, they must apply digital transformation in their institutes. They also recognize fintech's impact on the promotion and development of sustainable economic growth. In 2018, the Palestinian government adopted the National Strategy for Financial Inclusion in Palestine 2018–2025. Its goal is to increase the number of citizens who use financial services from 36.4 percent today to 50 percent in 2025. This includes women, youth, and unemployed people. The strategy also targets micro, small, and medium enterprises (MSMEs), especially those operated by women, many of which are home-based businesses.

It is worth recognizing here the vital role that the Palestine Monetary Authority (PMA) and the Palestine Capital Market Authority (PCMA) are playing as they push to advance financial services and reach out to and include the underbanked and financially excluded segments of the population. In 2020, the PMA granted permission for the use of mobile payment services and digital wallets and established the first Fintech Academy in Palestine. In 2021, the PMA created the National Fintech Task Force that aims to develop the financial

technology sector, enhance digital transformation, and improve the infrastructure of payment systems in Palestine while making governance and procedures transparent and avoiding monopolies in this sector. It also recently established the Regulatory SandBoxⁱ to test innovative solutions in a safe and supportive environment.

The PCMA has created an enabling environment to enhance the use of financial technology in the nonbanking financial sector, which includes insurance, financial leasing, mortgage financing, and securities trading. In 2021, the PCMA added the Digital Financial Technology Services and Innovation Directorate to its organizational structure and launched the platform titled Ebtaker (Innovation)ⁱⁱ that aims to encourage innovators to create pioneering ideas related to the nonbanking financial sector.

Fintech in Palestine still has a long way to go, but we are certainly on the right track. All segments of the financial sector have to work together, and we look forward to partnerships among corporates, start-ups, and regulators. History has shown us in so many incidents that real innovation may come from places where it was least expected. We have always found ways to confront difficulties and rise from the ashes. With the ambition and high level of education of its women, youth, and scholars, Palestine will likely witness in the near future a qualitative leap in the field of financial technology. This will positively affect the national economy and all aspects of Palestinian life.

The PMA reports that MSMEs make up nearly 99 percent of the Palestinian economy, 90 percent of which are unable to acquire loans.

In short, if we are given the chance and make the right investments, targeting the financially excluded in Palestine can promote impact-driven and scalable fintech innovation. As Charles Darwin pointed out, “It is not the most intellectual of the species that survives; it is not the strongest that survives; but the species that [...] is able best to adapt and adjust to the changing environment in which it finds itself.”

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ⁱ See “Financial Technology,” Palestine Monetary Authority, available at <https://www.pma.ps/fintech/en/index.html>.

ⁱⁱ See Ebtaker, Palestine Capital Market Authority, available at <http://www.ebtaker.ps/>.