



Supporting Women and Youth

The Importance of Financial Inclusion, Globally and Locally



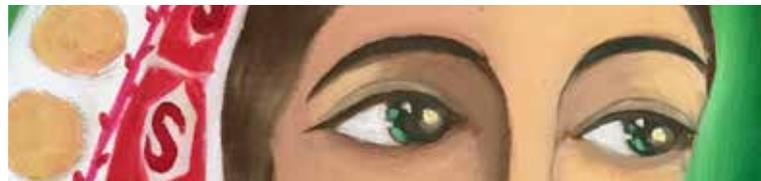
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Financial inclusion has led global economic development trends in recent decades. The concept of financial inclusion refers to “individuals and businesses having access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit, and insurance – delivered in a responsible and sustainable way.”ⁱ

The importance of financial inclusion and the attention it has received internationally is evident in the fact that it has been identified as an enabler for 7 of the 17 Sustainable Development Goals.ⁱⁱ

When the Rwandan government used sex-disaggregated financial services data from surveys to devise strategies, women’s access to formal finances increased from 36 percent to 63 percent in merely four years (2012–2016).ⁱⁱⁱ

The applied strategies ensured that women were included in the development agenda by expanding the reach of savings and credit cooperatives, allowing agent banking, and encouraging women to join associations and cooperatives,



participate in savings groups, start income-generating projects, and take advantage of technological advances such as mobile-phone-based financial services. In many places around the globe, but especially in Africa, mobile money transfer services have been the single most effective addition to global financial inclusion projects, providing access to inexpensive and reliable financial services for a growing formerly unbanked population, especially in developing nations.

Financial inclusion has far-reaching effects. Access to transaction accounts is only the start: not only does it help families and companies plan for long-term objectives and crises, it also helps them access other financial services. Globally, access to mobile transfers has allowed individuals to utilize credit and insurance to establish and develop enterprises, invest in education or health, manage risk, and survive financial shocks, improving their quality of life.

However, while financial inclusion has advanced substantially on a global level, Palestine still suffers from a high rate of financially excluded individuals. A study by the Palestinian Monetary Authority (PMA) in 2016 showed that only 36.4 percent of individuals aged 18 and above were financially included. The World Bank in 2021 estimated that 34 percent of adults held an account, but only 26 percent of adult women. The study also shows that older adults in the West Bank and Gaza are more than twice as likely as younger adults to hold an account.^{iv}

The most recent research of Momentum Labs, a start-up studio, venture builder, and boutique consultancy, shows that approximately 20 percent of financially

1.35 billion mobile money accounts transacted an average of US\$2.89 billion daily in 2021; 69.7 percent of which took place in Sub-Saharan Africa, 15.6 percent in South Asia.

involved people are females, and only 3 percent are individuals aged 20 to 24 years.^v These results show that Palestinians, especially women and youth, lack financial inclusion. Such levels of financial exclusion limit the potential for Palestinian economic growth and development and create further divides and inequalities between different segments of the population.

In the past few years, stakeholders in Palestine from both the public and private sectors have begun to pay more attention to issues of financial inclusion and have attempted to address them. One such example is the program taken up by the European Bank for Reconstruction and Development (EBRD) in cooperation with the Bank of Palestine that aims to empower female entrepreneurs in Palestine under their Women in Business program (Felestinya).^{vi} Also, the PMA recently earned the Global Youth Financial Award 2022 from the Alliance for Financial Inclusion (AFI) for promoting electronic payment services and financial technology.^{vii} While it is important to note that many strides have been made since that 2016 report in terms of financial inclusion in Palestine, this does not necessarily render the work complete.

Despite these attempts, the participation of women in the employment market, the number of women-owned SMEs, and women's rates of access to finance in Palestine are among the lowest in the world. Only seven nations have a female labor force participation rate that is lower than that of Palestine (17 percent in 2021).^{viii} Furthermore, the gap in the unemployment rate between males and females in Palestine is substantial, with 42.8 percent of females in the labor force currently unemployed, as opposed to 22.4 percent of males.^{ix} In 2017, it was reported that only 26 percent of SMEs in Palestine were owned by women, and the majority of these existed in the informal economy.^x

The latest labor force survey reveals that young graduates (aged 19–29) had a 53 percent unemployment rate (50 percent of all jobless youth and 27 percent of all unemployed individuals).^{xi} This has prompted Palestinian youth to create their own possibilities, which has led to a rise in start-ups and entrepreneurship. A 2018 World Bank research study indicated that Palestine has over 250 businesses, with 19 new enterprises launched yearly.^{xii}

There are a number of cultural barriers that hinder Palestinian women's ability to access finance and increase their role in the Palestinian economy. Many people who live in marginalized communities are unwilling to send their female children to workshops and training sessions or offer other opportunities to expand their financial literacy and, consequently, their resources. This is especially true if such gatherings bring together both men and women or are held far from the participants' homes.^{xiii}

Furthermore, the role of women in their homes tends to be far removed from financial responsibilities that are usually placed upon the males in the household. This has created a number of potential problems for programs that aim to increase financial access for women, one of which is the difficulty of ensuring that the money is actually going to the women and not to their husbands/fathers/etc. Another problem lies in the small number of female role models in the Palestinian private sector that can provide a clear pathway for younger women to achieve financial independence and create their own companies and jobs.

Building on the cultural barriers, another critical issue that hinders financial access for women and youth in Palestine is their lack of access to collateral. Women rarely have access to assets that can be used as collateral, as they tend not to have any control over such assets and would therefore need a male family member to act as their guarantor. Unfortunately, this is far from ideal for women, as in many cases the male family member would not allow them to get a loan.

The prevailing gender employment and salary inequality and the high level of youth unemployment in Palestine also contribute to the lack of collateral. Momentum Labs research has shown that many depend on income as collateral for loans. Personal guarantees of fixed income, bank checks, and promissory notes are all highly dependent on employment and income and largely preferred by Palestinians as a type of collateral, with approximately 25 percent of survey respondents choosing at least one of the above-mentioned three types. Furthermore, Momentum Labs research shows that 23.8 percent of female respondents had nothing to offer as collateral, compared to only 14 percent of males.

Due to the lack of employment opportunities, youth and women are forced to start their own businesses to create some sort of income. As such, many of the start-ups in Palestine are created out of a necessity for income rather than as opportunities for innovation. Furthermore, the small number of angel investors, venture capitalists, and other forms of supportive financial services for start-ups proves to be another challenge that

Women and youth remain excluded from the Palestinian economy due partly to cultural barriers and partly to difficulties in obtaining collateral.

entrepreneurs face in Palestine. This has led to a reality where many entrepreneurs have to compete for the small number of available local investment opportunities, leaving others to rely on foreign sources of income.

Moreover, banks tend to give a very low rank to youth, youth-led SMEs, and start-ups and do not provide services for this segment of the population. Coupled with the lack of representation in government, the financial ecosystem thus remains inaccessible for most Palestinian youth. In-house research confirms this, as it shows that younger groups are most likely to desire a loan for the purpose of starting a business, followed by educational purposes.^{xiv}

Lastly, Momentum Labs research shows that logistical and procedural barriers are the main reported obstacles for women who have attempted to access financial services. Long procedures, a lack of female-friendly working hours, locations, and other practical obstacles hinder Palestinian women's access to financial services. This is because women are busy during the day, do not have access to automobiles when their



Palestinian Woman by Malak Mattar, Gaza, Palestine.

husbands or fathers are at work, and may not be allowed to go out alone. Long lines discourage women who have other commitments.

The best solutions are derived from a deep understanding of the context and through comprehensive market intelligence. Thus, the design of any program, project, or any form of intervention should be based on extensive data, and decisions should be data-driven. Momentum Labs is therefore working to change Palestine's lack of socioeconomic statistics. In this context, two

fundamental strategies lead to sustainable solutions. First, the contextualization of global solutions has proven to be efficient in other countries. Frequently, international organizations and NGOs make the mistake of copying programs that were successful in other contexts, assuming that they would bring about similar results in the Palestinian context. However, detailed contextualization is necessary to warrant the prolonged success of any intervention – and here, data and intelligence is required.

Second, to guarantee a degree of success, local and informal solutions should be institutionalized. This can prove to be more difficult than data provision; however, it has the potential to make a sustainable positive impact because such solutions already work within the context of Palestine. In order to institutionalize solutions, however, it is important to gain further insights into the way that these informal solutions work, and to that end, data and intelligence are required as well.

Greater understanding of the existing cultural barriers for women could be gained through a survey that would analyze the exact challenges, needs, and opportunities that females face as they strive to access information, training, and more. These findings could be supplemented by another survey that analyzes how women who were able to access financial services managed to do so, how they overcame barriers, and what happened with the funds they received. Using such data, better policies could be designed and implemented, and detailed awareness campaigns, workshops on financial literacy, and other training programs could be created to accommodate the needs of women in Palestine.

Regarding women's access to collateral, it is crucial to conduct a study to examine what assets they own and are willing to utilize as collateral. Initial research has shown that women largely prefer the use of jewelry items as collateral. This knowledge provides an opportunity to institutionalize a pre-existing solution for women's access to finance through the use of gold as collateral. Further research is required, however, to understand exactly how gold and other forms

of jewelry are currently being used as collateral, and what challenges and opportunities are available to formalize this process. Furthermore, the solutions applied in Rwanda, as mentioned above, can be contextualized in Palestine.

Lastly, it would be important to conduct a survey to better understand the logistical and procedural barriers that females face when trying to access financial services. It should focus on the exact challenges and opportunities for women, especially in terms of e-services, and examine what methods they currently use to circumvent existing barriers. Such information is key to solving this problem. E-services have decreased the difference between male and female access to financial services globally, as nations with mobile banking have better female financial inclusion rates. With the required insights into the Palestinian context, such a solution that has been successful globally can be contextualized for Palestinian needs.

Youth face similar problems regarding their access to collateral in Palestine. While unemployment is widespread, Palestinian youth do not own assets that could be used as collateral. Efforts to gain more information regarding the assets of youth, their income, and other types of potential collateral would allow policy makers to better understand the opportunities that might be available to this segment of society. Moreover, the programs and initiatives that are currently offered by local and international organizations in Palestine should be complemented by measures that empower youth, such as a greater representation of youth in policy making and government, and their

increased presence in decision-making positions.

Furthermore, there is the need for a wider net of alternative funding sources, such as angel investors and venture capital, to create a healthier entrepreneurial ecosystem. One possible way to address this issue is the venture-building model employed by Momentum Labs that already proudly supports a number of start-ups and entrepreneurs in Palestine.

Overall, gathering the necessary data will facilitate sound decisions and policy making that take the Palestinian financial ecosystem to a new level of equality, while at the same time promoting economic growth and development. Financial exclusion is not the most prominent issue facing Palestinian women or youth today, and increasing financial inclusion – for individuals and businesses who truly need it – is not a solution that will solve the core problems facing the Palestinian economy. However, it is important to note that this issue must be addressed to create a more equitable economy that serves all Palestinian citizens equally.

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ⁱ <https://www.worldbank.org/en/topic/financialinclusion/overview>.

ⁱⁱ Ibid.

ⁱⁱⁱ <https://data2x.org/wp-content/uploads/2019/09/WFID-Rwanda-Case-Study-v14-digital.pdf>.

^{iv} World Bank, The Global Findex Database, 2021.

^v Internal team analysis, Momentum Labs, 2022.

^{vi} <https://bop.ps/en/about/news/696>.

^{vii} www.pma.ps.

^{viii} <https://data.worldbank.org/indicator/SL.UEM.TOTL.MA.NE.ZS?locations=PS>.

^{ix} Ibid.

^x <https://cherieblairfoundation.org/what-we-do/projects/advancing-palestinian-women-entrepreneurs/>.

^{xi} PCBS, 2021.

^{xii} <https://www.menacatalyst.ps/featured/3371.html>.

^{xiii} Internal team analysis, Momentum Labs, 2021.

^{xiv} Internal team analysis, Momentum Labs, 2022.