

Original Paper

Business Education: Key for Achieving Financial Inclusion in Palestine

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Received: April 24, 2020

Accepted: May 5, 2020

Online Published: May 11, 2020

doi:10.22158/jepf.v6n2p141

URL: <http://dx.doi.org/10.22158/jepf.v6n2p141>

Abstract

Financial education is the process of building knowledge, skills and attitudes to become financially literate. It is meant to educate people on good money management practices with respect to earning, spending, saving, borrowing, and investing. Financial education is meant to enable people to shift from reactive to proactive decision-making and work towards fulfilling their financial goals. By broadening people's understanding of financial options and principles, financial education builds skills to use financial products and services, and promotes attitudes and behaviors that support more effective use of scarce financial resources. Financial education builds skills to use financial products and services, and promotes attitudes and behaviors that support more effective use of scarce financial resources and financial inclusion. The results of this work show that low levels of financial inclusion are associated with lower levels of financial literacy. Recent research permitted to identify various ways in which policy makers are developing financial education policies for financial inclusion.

Keywords

financial inclusion, financial education, financial literacy

1. Introduction: Financial Education for Financial Inclusion

Financial inclusion is an international policy priority and demand-side initiatives including financial education have an important role to play in helping individuals to access and use appropriate, formal financial products. Financial education can be an effective way to promote financial inclusion. It boosts the understanding of financial and insurance products, encourages responsible financial behavior and gives people the confidence to take control of their finances. Improving the level of financial literacy is one of the keys to increasing financial inclusion.

The importance of improving financial inclusion, consumer protection and financial education for financial stability and inclusive development is globally acknowledged. The three sets of High-level

principles on innovative financial inclusion (<http://www.g20.utoronto.ca/2010/to-principles.html>), financial consumer protection (<http://www.oecd.org/regreform/liberalisationandcompetition/interventioninregulatedsectors/48892010.pdf>) and national strategies for financial education (http://www.oecd.org/finance/financialeducation/OECD_INFE_High_Level_PrinciplesNational_Strategies_Financial_Education_APEC.pdf) which have been endorsed by G20 leaders since 2010 also recognize that the integration of these three elements is essential to reinforce the financial system and enhance the financial wellbeing of individuals.

Financial exclusion is a global phenomenon; estimates indicate that 2.3 billion working-age adults do not have an account at a formal financial institution (<http://www.centerforfinancialinclusion.org/fi2020/mapping-the-invisible-market>). It is also high on the policy agenda, with a wide range of supply-side initiatives designed to improve access, and increasing recognition of the importance of tackling demand-side barriers to financial inclusion. In particular, there has been significant appreciation of the role of financial education in improving levels of financial inclusion around the world, as highlighted by three sets of principles, endorsed by G20 leaders: The G20 Principles on Innovative Financial Inclusion; the G20 High-Level Principles on Financial Consumer Protection and the OECD/INFE High-level Principles on National Strategies for Financial Education. Each set of principles identifies the need for a combined policy response through an integrated framework of financial inclusion, financial education and consumer protection. This same triad is also apparent in the Maya declaration (2011), endorsed by regulatory bodies in developing and emerging countries, which includes the commitment to recognize “consumer protection and empowerment as key pillars of financial inclusion efforts to ensure that all people are included in their country’s financial sector” (<http://www.afi-global.org/gpf/maya-declaration>).

2. Research Methodology

This study is based on secondary data that was mainly collected from Report of Palestine Monetary Authority (PMA), Palestine Capital Market Authority (PCMA) Palestinian Central Bureau of Statistics (PCBS) Reports on trend and progress of banking in Palestine, Newspapers, Research Articles, Research Journals, E-Journals, Books and Magazines. Various websites were also used like PMA, PCMA and PCBS. The period under consideration for the study is years from 2017-2018.

3. Research Questions

From the above problem statement and in consideration of core objectives of study the following research questions have been formulated:

- Q1. What is the reality of financial inclusion in the Palestinian banking sector?
- Q2. Financial inclusion and financial education are closely linked concepts?
- Q3. What should be the objectives of the financial education programs?
- Q4. Financial inclusion Strategy and its Action Plan?

4. Background of the Research

Palestine established a formal financial system 22 years ago, after the signing of Oslo Accords in 1993 and the Paris Protocol in 1994. The formal financial sector consists of banks, microfinance institutions (MFIs), moneychangers, insurance, securities, mortgage finance, and financial leasing companies. The Palestine Monetary Authority (PMA) was established in 1994 to oversee and regulate the banking system. The PMA is also responsible for regulating MFIs and moneychangers. The Palestine Capital Market Authority (PCMA) was established in 2004 as a part of the formal financial system to oversee and regulate the insurance, securities, mortgage finance and financial leasing sectors.

The total Palestinian population worldwide is roughly 12.37 million (The number of Palestinians around the world according to the estimations of the Palestinian Central Bureau of Statistics, 2015), 4.8 millions of whom reside in the West Bank and the Gaza Strip (2.9 million in the West Bank and 1.9 million in the Gaza Strip), the rest are in diaspora. The adults (18 years of age or older) living in Palestine constitute 51.3%, while this ratio for the West Bank is 53.4% and for the Gaza Strip 47.5% (The Palestinian Central Bureau of Statistics, 2016).

Despite a number of measures and procedures undertaken by governmental agencies, regulatory bodies and other stakeholders to increase financial inclusion in Palestine, high levels of financial exclusion persist.

5. Role of Education in Financial Inclusion

Financial education is hence an important component for promoting financial inclusion, consumer protection and ultimately financial stability. Financial inclusion and financial education need to go hand in hand to enable the common man to understand the need and benefits of the products and services offered by formal financial institutions. These include the following: ability to access affordable credit, no difficulty in obtaining a bank account, reduced amount of financial risk through not having home insurance, ability to budget and manage money or plan for the unexpected and ability to make the most out of their money.

Financial inclusion is an international policy priority and demand-side initiatives including financial education have an important role to play in helping individuals to access and use appropriate, formal financial products. In 2010, under the support of the Russian Trust Fund for Financial Literacy and Education, the OECD/INFE launched a project on the role of financial education in financial inclusion. The results of this work show that low levels of financial inclusion are associated with lower levels of financial literacy. Recent research, including a broad stock take of INFE members, permitted to identify various ways in which policy makers are developing financial education policies for financial inclusion. Based on a review of approaches taken to deliver financial education for financial inclusion, this report highlights challenges faced and solutions found, and discusses the main lessons learnt and potential way forward.

6. Findings and Results

RQ1. What is the Reality of Financial Inclusion in the Palestinian Banking Sector?

G20 leaders agreed with the Global Partnership recommendation (GPFI) for financial inclusion to support global and national financial coverage efforts at the Los Cabos Summit in June 2012 on a core set of indicators for measuring financial inclusion. Main: Access to financial services, use of financial services, quality of financial services. The document sets out a set of indicators used to measure levels of financial inclusion, use their data to compare countries, and determine their disparities in access and prevalence of financial services among the population (Abu Karsh, Sharif, & Anan Deek, 2019).

Table 1. Banks Operating in Palestine - National, Islamic and Foreign Banks

No.		No. of Branches and Offices 2015	No. of Branches and Offices 2018
Local Banks			
1	Bank of Palestine	57	72
2	Palestine Investment Bank	13	15
3	Commercial Bank of Palestine	6	6
4	Quds Bank	21	31
5	National Bank	8	18
Islamic Local Banks			
6	Arab Islamic Bank	10	20
7	Palestine Islamic Bank	15	37
8	Safa Islamic Bank	-	3
Foreign Banks			
9	Cairo Amman Bank	21	21
10	Arab Bank	23	23
11	Jordan Kuwait Bank	2	2
12	Jordan National Bank	6	6
13	Jordan Bank	33	33
14	Egyptian Arab Land Bank	6	6
15	Housing Bank for Trade & Finance	12	12
16	Commercial Bank of Jordan	3	3
Total No. of Branches and Offices		257	326
Average Growth for the Period		%100	%126.80
Total No. of Population Dealing with Banks		1.57	1.57
Average Growth for the Period		%100	4.60 %

Source: Palestine Monetary Authority (PMA).

The number of branches and offices in the Palestinian banks increased during the period (2015-2017), with the number of branches and offices reaching 326 with a growth rate of 26.80%. Bank of Palestine and Palestinian Islamic and Palestinian Islamic banks accounted for higher growth. These indicators reflect the growth in the index of financial inclusion through the geographical spread of the Palestinian banking sector in all the Palestinian areas to reach services to the majority of people who wish to deal with the banking sector and benefit from its services. As for the number of persons dealing with banks, whether individuals or institutions, they exceeded 1.57 million people, or a growth rate of 4.60.

On the other side the Economic survey of Palestine (2016-2017) gave a clear comparative picture of the poverty situation during past decades. Headcount ratio also explains that the population poverty situation has been changed from past decades with a little bit improvement by the contribution of the banking sector as well. Poverty reduction in headcounts as the slightest difference shows the direct improving in poverty with microfinance. The primary data about the banks have been collected from the different banks listed in the below tables. This comprises the complete profile including the number of staff members each of the banks has with the proportion of male as well female staff members. The number of branches enhancement as well showing the increasing trend of the role of banking related finance bundles (Abu Karsh, Sharif, 2016).

Table 2. GDP Wise Growth of Palestine's Economy

	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP In US\$ Bn.	4.88	5.24	5.75	6.42	6.8	6.9	7.5	7.7	8.0
Population	3.6	3.6	3.7	3.9	4	4.2	4.3	4.4	4.5
GDP\$ /Capita	1,395	1,455	1,555	1,646	1,700	1,685	1,744	1,750	1,777

Table 3. Banks Profile

No.	Microfinance Institutions	No. of Branches	No. of staff				Total
			Male		Female		
			No.	%	No.	%	
1	ASALA	7	13	22.81%	44	77.19%	57
2	VITAS	10	66	60.00%	44	40.00%	110
3	ACAD	7	27	49.09%	28	50.91%	55
4	FATEN	38	173	59.66%	117	40.34%	290
5	UNRWA	11	109	61.93%	67	38.07%	176
6	REEF	11	35	72.92%	13	27.08%	48
7	AL-IBDAA	5	42	47.73%	46	52.27%	88
8	PDF	6	14	56.00%	11	44.00%	25
Total		95	479		370		849

Source: Economic survey of financial institutes.

The above Table highlights the complete profile of the banks with respect to the increasing trend of the banks towards number of clients as well as number of active loan portfolios. UNRWA'S microfinance accomplishments focused is to delivered credit to small as well as medium scale businesses with an original capital funding of < USD 500,000. By way of the Microfinance Section evolved, its operations were long into the West Bank in 1996.

Meanwhile, the Department has continued one of the main and liveliest microfinance institutions in Palestine and has uniquely developed into a regional operation. In 2003, the section began working in Jordan and Syria, where 2.5 million Palestine immigrants exist in. Between 1991 and 2015, the Section backed 398,154 loans across all grounds of action, at a value of USD 440.41 million.

RQ2. Financial inclusion and financial education are closely linked concepts?

Financial education is an important tool to help consumers both accept and use the financial products to which they increasingly have access. Because it can facilitate effective product use, financial education is critical to financial inclusion. It can help clients both to develop the skills to compare and select the best products for their needs and empower them to exercise their rights and responsibilities in the consumer protection equation.

Properly designed, financial education is tailored to the client's specific context, helping them to understand how financial instruments, formal or informal, can address their daily financial concerns, from the vagaries of daily cash flow to risk management. Its power lies in its potential to be relevant to anyone and everyone, from the person who contemplates moving savings from under the mattress to a community savings group, to the saver who tries to compare account choices offered by competing banks. It spans the informal and formal financial sectors, supporting clients' access to, and more importantly, use of, diverse financial services.

Financial education is key to promoting financial inclusion which is a step towards customer protection as it ensures linkage with mainstream financial institutions so that the hapless borrower is not at the mercy of the informal service providers who charge notoriously high rates of interest.

1. Financial Inclusion	Is meant to motivate the learner to understand the advantages of transactions with mainstream financial institutions and adopt available formal financial services.
2. Financial Education	Is thus the process of bringing people from the margin to the mainstream, linking them to mainstream financial institutions so that they become customers of banks and are able to access the full range of services – savings, deposits, loans, which the banks offer.

RQ3. What should be the objectives of the Financial Education Programs?

Financial inclusion implies an alignment of supply and demand, where financially literate consumers have opportunities to apply their knowledge in a marketplace of appropriate product options. Given the criticality of financial inclusion especially in our economy there is need for concerted effort towards encouraging financial education programs. These programs should have three broad objectives that

correspond to overlapping, inter-related interests of these three stakeholders.

6.1 Personal Financial Empowerment and Improved Welfare

This should target the consumer, the potential client who needs to know when and how to use appropriate financial services to save, borrow, invest and mitigate risk. Financial literacy varies significantly among the poor, especially in relation to a financial landscape that is rapidly changing. With increased access to more service providers and more products, people confront options they don't always understand. When their existing knowledge and competencies are not applicable to an ever-changing financial landscape, people are limited in their ability to act.

6.2 Product Uptake or Improved/Increased Use

New accounts and increased account activity are obvious motivations for financial institutions to sponsor financial education. Taken in isolation, these goals admittedly blur the line between education and marketing. Yet, financial institutions have other reasons to support financial education such as meeting their social responsibilities and building client loyalty with popular services. Institutional efforts range from incorporating educational content into marketing materials to adding financial education delivery to the responsibilities of front-line staff.

6.3 Consumer Protection and Awareness

Consumer protection is a cornerstone of financial inclusion, levelling the playing field between suppliers and consumers of financial services. While both have their respective roles and responsibilities, government is the ultimate third-party protector, especially in the absence of effective consumer advocacy organizations. Governments can embrace financial education in the form of public campaigns to broadcast key messages about consumer rights.

RQ4. National Financial inclusion Strategy in Palestine 2018-2025 and its Action Plan?

The vision of the NFIS is to achieve a developed financial sector that fully meets the financial needs of all segments of the Palestinian society to improve their welfare. For the purpose of the NFIS, financial inclusion is defined as Enhancing access to, and use of, financial products and services by all segments of the society via formal channels, while meeting their needs in a timely and affordable manner, protecting their rights and promoting their financial knowledge to enable them to make well-informed financial decisions.

Strategic Goal	Sub-goal	Action Plan
Strategic Goal 1: Increase the level of financial capability in targeted segments of the population:		
	Sub-goal 1.1 Improve financial capability among students in schools, universities and community colleges.	<ul style="list-style-type: none"> ▶ Identify school grades to be targeted to introduce specifically designed programs. ▶ Develop awareness programs for school grades using extracurricular tools, and technology. ▶ Use model financial service branches to build the financial capability of university students.

	<p>Sub-goal 1.2</p> <p>Promote financial capability among women, youth and unemployed people.</p>	<p>► Develop awareness programs that target low-income people, poor and people with special needs.</p>
	<p>Sub-goal 1.3</p> <p>Increase financial capability among SMEs.</p>	<p>► Develop financial capability building programs for SMEs and entrepreneurs.</p> <p>► Design demand-oriented programs for building the financial management and marketing capabilities of SMEs owners.</p>
	<p>Sub-goal 1.4</p> <p>Improve people's trust in the financial service providers and in formal financial services in both banking and non-banking sectors.</p>	<p>► Develop and implement programs to increase the awareness and knowledge of citizens with Islamic financial business and its nature.</p> <p>► Review and develop the legal environment for regulatory authorities to include explicitly the role of these authorities in promoting financial inclusion.</p>
	<p>Sub-goal 1.5</p> <p>Build the financial capability among the economic media.</p>	
<p>Strategic Goal 2: Increase access to and usage of formal financial products and services by targeted segments that acutely suffer from a low level of financial inclusion:</p>		
	<p>Sub-goal 2.1</p> <p>Make financial services available in the unserved rural areas of north and south of West Bank and of the Gaza strip.</p>	<p>► Create a conducive environment and provide incentives to the FSP to develop demand oriented products and services.</p> <p>► Introduce specific regulatory measures to increase access points in the Gaza Strip to provide financial leasing services.</p> <p>► To make selected insurance products compulsory such as medical malpractice insurance, civil liability insurance and fire insurance.</p>
	<p>Sub-goal 2.2</p> <p>Increase access to and usage of financial services by targeted segments of the society.</p>	<p>► Introduce financial programs and services that target women</p> <p>► Introduce financial programs and services that meet the needs of youth.</p> <p>► Introduce financial programs and services that target marginalized groups</p>
	<p>Sub-goal 2.3</p> <p>Promote usage of services provided by the formal financial sector.</p>	<p>► Facilitate procedures, requirements and conditions of access to financial services.</p>
	<p>Sub-goal 2.4</p> <p>Increase access to and usage of formal financial services by SMEs.</p>	<p>► Carry out a thorough diagnostic of the MSMEs sector to build a solid evidence base for smart policies.</p> <p>► Strengthen the capacities of financial services providers' staff to deal with MSMEs financing needs.</p> <p>► Simplify the underwriting procedures for SMEs lending.</p> <p>► Develop user friendly micro-insurance regulatory framework, ► Encourage service providers to develop demand driven micro insurance products and services.</p> <p>► Unify a national definition for SMEs.</p>
	<p>Sub-goal 2.5</p>	<p>► Include financial inclusion into the objectives of the financial regulators legal</p>

	Improve legal infrastructure for financial inclusion.	<p>framework.</p> <ul style="list-style-type: none"> ▶ Completion of the legal framework that governs the mortgage finance sector. ▶ Increase the level of enforcement of the existing compulsory insurance schemes (automobiles and workers insurance). ▶ Introduce regulations that allow MFIs to offer deposit services. ▶ Amend the personal status law relating to women financial and banking rights regarding dealing with minors' accounts. ▶ Create a single platform (one stop shop) for all SMEs registration procedures.
Strategic Goal 3: Strengthen and protect the right of the consumers of financial products and services:		
	<p>Sub-goal 3.1</p> <p>Promote more conducive legal and judicial environment for financial consumer protection.</p>	<ul style="list-style-type: none"> ▶ Amend and expand the mandate of the consumer protection law to include financial services. ▶ Create the enabling legal environment to establish a complaint management system within PCMA to deal with insurance complaints.
	<p>Sub-goal3.2</p> <p>Improvement of the capabilities of financial consumer protection associations.</p>	
	<p>Sub-goal 3.3</p> <p>Promote transparency and disclosure of financial consumers' rights and obligations.</p>	<ul style="list-style-type: none"> ▶ Simplify the presentation of data and information, increase to access to data and information by the public, particularly those related to fees, commissions and other charges. ▶ Take actions to improve the quality of service associated with using insurance services particularly in the compensation field.
	<p>Sub-goal3.4</p> <p>Strengthen complain management systems for financial consumers and increase awareness about these systems among people.</p>	<ul style="list-style-type: none"> ▶ Put in place an effective complaint management system within financial service providers and regulators.
	<p>Sub-goal 3.5</p> <p>Promote the knowledge rights and obligations associated with use of financial services among the unserved and underserved people.</p>	
Strategic Goal 4: Strengthen the role of information and communication technology to expand the access to and usage of formal financial services:		
	<p>Sub-goal 4.1</p> <p>Enhance the technical and legal infrastructure for digital financial services.</p>	<ul style="list-style-type: none"> ▶ Introduce the legal framework to facilitate electronic and digital/ mobile financial services, use of USSD and agent banking. ▶ Issue regulation to enable entry of new POS service providers into the market.
	<p>Sub-goal 4.2</p> <p>Build a comprehensive database to promote financial inclusion.</p>	<ul style="list-style-type: none"> ▶ Establish a government private partnership to connect all relevant stakeholders and share information and data related to insurance services.

7. Conclusion and Recommendation

7.1 Conclusion

In Palestine, there is a remarkable improvement in the financial inclusion indicators especially on the banking penetration. The regulations which launched by the PMA and followed by the banks to open more branches got their targets, that's 24.2 % adults have an account at the formal financial institutions where in MENA 14.2%. Despite of the remarkable improvement in the penetrations indicator, the usage indicator still in the low level which is could not help in the economic development and economic stability. Usage indicator need more efforts from all parts in the economic especially the supply side, which should do more in offering new services to cover adults and females needing.

7.2 Recommendation

1. Creation of financial education programs designed specifically to enhance financial literacy has been viewed as a solution to mitigating financial problems that individuals and families face. Five ways to raise financial literacy and inclusion levels:

1.1 Boost financial inclusion strategies: According to the World Bank, more than 55 countries have made commitments to financial inclusion since 2010, and more than 30 have either launched or are developing a national strategy. Financial education, consumer protection and access are key pillars of any financial inclusion strategy.

1.2 Develop and implement financial education programs: GFIA members are engaged in a broad range of initiatives across the globe to increase people's financial literacy and understanding of insurance. These range from teaching and training programs to online.

1.3 Cooperate with a wide range of stakeholders: Public authorities, the private sector and civil society can all play their part when addressing knowledge deficits among citizens about the broad range of financial products and services, and when funding financial education programs.

1.4 Start educating at a young age: Financial literacy is a core life skill that must be nurtured as early as possible through school curricula to encourage responsible financial behavior and financial inclusion.

1.5 Embrace innovation: Technology-based tools can contribute to raising financial literacy levels and help overcome some barriers to financial inclusion. GFIA member jurisdictions are increasingly making use of digital tools to reach and engage the public on financial education.

2. Action plan that should implement and promote financial education in Palestine:

2.1 Financial Education to prepare for old age:

1. Government Support - Pension System (Self-protection for asset allocation)
2. Life Insurance - long term savings by individuals
3. Long term institutional investor's infrastructure investment (long-term funding)
4. Various financial products will be sold in the rago in
5. Risks and Returns, individual financial education

2.2 Financial Education in Schools

1. Secondary and High School taught in the courses of "Home-economics"

2. Financial education in primary school is taught at “Home making courses”
3. Very few hours are allocated to financial education
4. It is regarded as a shame to make money by financial investments
5. Retiree from financial institutions could teach financial economics to students. Video lectures

2.3 Financial Education Promotion Council

What kind of subjects and items should be taught at each level of school education?

1. Palestine Monetary Authority (PMA)
2. Financial Services Agency (FSA)
3. Ministry of Education of Palestine
4. Consumer Protection Agency (Government of Palestine)
5. Bankers Association of Palestine

2.4 Financial Education for SMEs

- 1, Book Keeping
- 2, Daily revenue and expenses
- 3, Long term thinking
- 4, Accurate reporting of their business
- 5, Reduce default loan losses

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