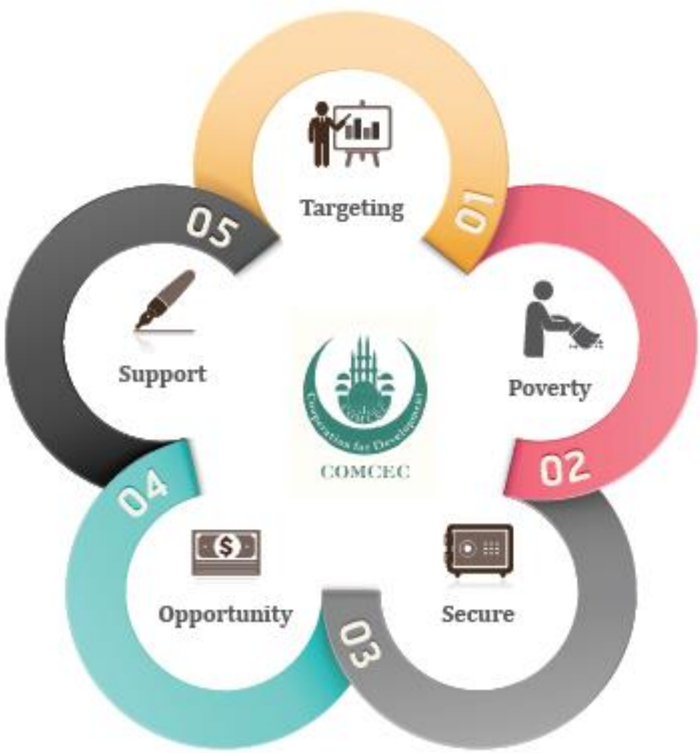
Standing Committee
for Economic and Commercial Cooperation
of the Organization of Islamic Cooperation (the COMCEC)

Enhancing Financial Inclusion In the COMCEC Countries



COMCEC Coordination Office
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ENHANCING FINANCIAL INCLUSION IN THE COMCEC COUNTRIES

The analytical study titled *"Enhancing Financial Inclusion in the COMCEC Countries"* has been prepared specifically for the 2nd Meeting of the COMCEC Financial Cooperation Working Group, to be held on March 27th, 2014 in Ankara, with a view to enriching the discussions during the aforementioned Meeting.

The study aims to identify best-practice financial inclusion strategies around the world and to provide detailed analysis of main barriers regarding financial inclusion in the COMCEC Region as well as the strategies/recommendations that could be undertaken towards increasing financial inclusion in the member states.

In **Chapter 1**, the study defines the main purpose of financial inclusion strategies as involving all individuals, households and small and medium size enterprises (SMEs) that are now either fully or partially excluded from financial industry into the financial system. The study suggests that, as people become more financially included, they gain power to use financial services to improve their life and that of their families.

The study starts with defining the financial inclusion concepts and major reasons for financial exclusion around the world while looking into various literatures on the topic. The study categorizes the reasons of financial exclusion into two:

- Demand-side reasons (using of financial services)
- Supply-side reasons (accessing to financial services)

The study highlights the importance of income level of a particular geography on the barriers to financial inclusion and therefore the initiatives planned. . It also argues that, most basic initiatives seem to be increasing the financial literacy and establishing the legal infrastructure to manage involuntary exclusion concerning data, measurement and innovative technologies.

The study suggests that there is a list of alternatives for the COMCEC member states to increase their financial inclusion levels. However, it is important to note that not all of the policy alternatives are applicable to all of the COMCEC member states, and there is no single strategy that could be applicable to all of them. The study considers below hypothesises as a basis for the clustering methodology of the COMCEC countries that is introduced in **Chapter 2** of the study:

- The COMCEC member states are experiencing different levels on their financial inclusion and/or,
- The COMCEC member states face different barriers against financial inclusion and/or,
- The COMCEC member states need different financial inclusion frameworks and strategies
- The COMCEC member states clustering methodology herein this report is based on different selected criteria such as credit penetration (Domestic credit to private sector as % of GDP), wealth per capita (Gross national income per capita) as well as account penetration (Account at a formal financial institution (%age

15+))until a regression analysis has been performed with different financial inclusion criteria.

Each of the clustered countries represents a set of barriers to financial inclusion and a roadmap to address those barriers. Cluster 1 countries represent the “birth” stage of the financial inclusion concept, with more learning and infrastructural needs arising. Cluster 2 countries are at their “youth” phase, where more investment and consumption would be considered to grow further. Cluster 3 countries, are more at their maturity phases, with more needs towards saving. It is not implied that all of the countries within the same cluster experience the same stages for financial inclusion, but show similar patterns within their common criteria.

In **Chapter 2**, below countries from each cluster are selected for the case study current snapshot analysis of financial inclusion and reviewed based on selected performance criteria from demand-side and supply-side point of view:

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