

# Fintech's Contribution To The Financial Industry In The Maghreb Countries And Achieving Financial Inclusion

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## ARTICLE INFO

## ABSTRACT

**Received: 30/04/2024;** The growth of financial technology in the Maghreb region, including Algeria,

**Accepted: 18/09/2024;** Tunisia, and Morocco, has broken new business models and created more

**Published: 24/10/2024** room for investment and innovation. Still, Fintech faces challenges, including

cyber security and legal issues, including Recommended.

This work aimed to examine Fintech in the broader perspective of financial services in the Maghreb region. The critical question is whether developing such technologies will create more economic growth and inclusion opportunities or potentially threaten stability and the traditional banking system. So, what are the consequences of this digitization for all these stakeholders in financial services and finance? The recent findings in this report show that welfare-first policies have accelerated the growth of the Fintech sector in many countries. There is a need to promote digital finance services, organize more events, support the growth of Fintechs, and enhance people's financial capacity to connect universities and research institutions with the public to grow this industry.

**Keywords:** Financial Technology, Fintech, Maghreb, Digital Transformation.

## Introduction:

Over the past two decades, the world has witnessed rapid technological advances and radical social, social, and economic changes. The introduction of financial technology (FinTech) has dramatically changed the traditional finance landscape. The Maghreb has contributed significantly to this growth, with a phenomenal increase in the use of Fintech across a range of financial sectors, from critical digital payments to complex crowd funding solutions.

These developments have expanded financial services to reach broader segments of society, especially marginalized communities denied access to traditional banking services. This has increased productivity and decreased the cost of financing, benefiting both customers and organizations. Additionally, Fintech has led to the development of new products and business models, increasing the diversity of financial services. (Management, 2024)

This transition proved difficult. In addition to the many benefits offered by Fintech, it has prompted various studies on cyber security, personal data protection, and the need for regulatory and legal frameworks to ensure the sector's sustainability.

Financial technology has created new opportunities for Maghreb countries, facilitating sustainable development and increased economic integration. Achieving this goal requires a concerted effort by governments, businesses, and civil society to create an environment that fosters innovation and sustainable growth in these promising sectors. (Hewag, 2023) .

## The major problem is:

The main challenge this study will address is assessing the impact of Fintech on financial performance across Maghreb countries. Whether this technology is an opportunity for growth and financial inclusion or threatens the stability of traditional banking and financial systems, **how does this digital transformation affect more stakeholders and finance, and what are the ramifications of this transformation?**

There are secondary concerns in:

- What are the most critical obstacles preventing the development of the financial technology sector, especially in the Maghreb?
- Regarding financial inclusion, what are financial technology's positive and negative impacts?
- What role can regulators play in fostering the growth of the financial technology sector and supporting entrepreneurs?
- What role can financial technology play in achieving sustainable development in Maghreb countries?

#### **The hypotheses:**

- Financial technology contributes to increased access to financial services in Maghreb countries.
- Financial technology helps increase efficiency and reduce costs in the economy.
- Fintech faces regulatory and legal barriers in the Maghreb.
- Financial technology can contribute to the sector's sustainable growth.

#### **Objectives of the study:**

The objectives of this study are to:

- Assess the impact of financial technology on the economy in Maghreb countries.
- To identify factors affecting regional financial technology expansion and diffusion.
- Examine financial technology's positive and negative impact on different financial system actors.
- Provide recommendations to improve the role of financial technologies in promoting sustainable development in Maghreb countries.

The study's importance and contribution to a deeper understanding of the recent developments in the economies of the Maghreb countries help formulate the necessary policies to support and guide the sector in achieving the Sustainable Development Goals (SDGs). Developing future strategies can help decision-makers, financial institutions, and startups in the Fintech industry.

#### **Structure of the study:**

The following topics are divided into sections in the research paper that represent the research outline.

What exactly does the term "financial technology" mean?

The second topic for discussion is the development of financial technology in Maghreb countries.

The third factor is the efforts of Maghreb countries to achieve financial industrialization.

#### **1. Technology in Finance:**

Fintech refers to modern technology's innovative and effective use to provide financial services. In other words, it integrates modern technology within traditional economies to create new financial products and services. (Mohamed Sahbuddin, 2019)

Understanding financial technology will help you make informed decisions about your career path. It is the driving force behind the future of the financial industry. Operations, data analytics, marketing, and decision-making are some talents that can be developed by studying financial technology.

This can be done by engaging in creative thinking and developing new ideas.

There are endless opportunities to innovate, grow well, meet the challenges of the future, and contribute to the growth of this vital sector offered by dynamic, modern, and promising financial technology.

The proliferation of smartphones, increased awareness of digital financial transactions, and governments' incentives to innovate in this area are all factors driving the growth of the financial technology (Fintech) sector in the Maghreb region; this is done with the following:

##### **1.1 Digital payments:**

Digital payments include e-wallets and mobile money transfers.

Group lending involves financing small and medium-sized businesses through individual contributions. (Histri, 2022, p. 5)

Technology Insurance offers tailored insurance solutions across digital platforms.

Digital banking allows customers to manage their finances through applications and websites.

##### **1.2 Enhancing financial inclusion:**

Fintech is expanding access to financial services for consumers and businesses, especially in remote areas;

##### **Cost reduction:**

Fintech reduces the costs of providing financial services, lowering consumer prices.

Enhanced customer experience: Financial technology provides a simpler, faster, and more scalable customer experience.

**Promoting innovation:**

Fintech encourages the development of innovative financial solutions that meet market requirements, despite finance's tremendous technocratic power in Maghreb countries.

However, it faces several problems, notably:

**Infrastructure:**

To meet the demand for financial technology, some countries need to improve their digital infrastructure.

Fintech is an essential driver of economic and social development in the Maghreb. It facilitates access to financial services, encourages financial inclusion, fosters innovation, and creates new employment opportunities. The FinTech industry needs a distinct and adaptable legal and regulatory framework.

**Trust:**

Consumers need confidence in the security and integrity of digital financial transactions.

**Human Resources:**

Must have the strengths and capabilities of financial technology. Despite many obstacles, the prospects for the financial technology sector in the Maghreb are positive. The industry is expected to expand rapidly in the coming years, driven by increasing government and private investment, increasing internet and smartphone usage, and a growing understanding of the importance of Fintech.

Financial technology is essential to economic and social development in Maghreb countries. By addressing the issues and developing the legal framework, Maghreb countries can fully harness Fintech's potential and achieve the Sustainable Development Goals.

**2. The advancement of financial technology in Maghreb nations:**

Several creative startups are arising in Maghreb countries 's Fintech sector, which is expanding and aims to offer creative financial solutions tailored to the demands of the regional market. These are a few of the most well-known businesses among them: (Baba, 2023)

- **CHARI:** a B2B e-commerce platform that provides extra financial services like financing and payments while catering to small businesses.
- **JumiaPay:** Online and app payments can be made via Jumia's digital payment platform.
- **WAFR:** An investment and savings platform that makes it simple for users to access various financial options and save money.
- **Money transfers,** bill payments, and balance shipping are just a few of the many services the digital financial services platform Mobicash provides.
- **PayPal:** An electronic payment platform that offers businesses and merchants e-payment options.

Additionally, financial technology is applied in areas such as insurance, where startups create sophisticated solutions for new customer segments.

Platforms for crowd funding increase access to capital for small and medium-sized enterprises as well as individuals. Some companies provide financial services to farmers.

Reasons for Maghreb startup growth:

- The Maghreb governments support economic innovation and startups.

Smartphones and the Internet have boosted the use of digital financial services.

The increasing importance of customized financial services is causing startup companies to cater to different groups of customers.

- Maghreb countries have adequate financial technology professionals.

The company's challenges:

- Intense competition: Established companies and banks compete with startups.

- Money is needed for aggressive expansion.

- Digital infrastructure challenges impact in some areas.

- Continue to improve the legal and regulatory framework to keep pace with the sector's rapid development.

Maghreb countries offer great fintech investment opportunities. Specific steps should be taken to promote the business and attract investors:

- Enhance the legal and regulatory framework by creating a special fund to support and finance FinTech startups. Protecting intellectual property and simplifying customary processes are essential for innovation.

- Digital infrastructure enhancements include extending fiber optic networks to facilitate high-speed connectivity across the region, developing cloud services to suit startup needs, and integrating digital payment systems in the countries of the Maghreb.

- Creating key technology hubs in financial technology, fostering innovation and leadership by creating a stimulating work environment. Establish policies that encourage sharing insights and experiences between entrepreneurs and investors between the Maghreb region and developed countries. Optimize procedures for obtaining licenses necessary for business activities in financial technology.

- We promote local expertise through customized educational programs through collaboration between academic institutions and companies, internships in financial technology, and expertise from countries outside the Maghreb region.

- Foster public-private partnerships through regular meetings and seminars to bring decision-makers together and establish dedicated collaborative research centers to explore developments in this area.

Engage in worldwide exhibitions targeted on the monetary era, orchestrate alternate missions to key markets, and propose technological tourism inside the Maghreb nations as attractive locales for startups and buyers.

- we are cultivating an environment conducive to funding by fostering transparency and accountability within the public sector, ensuring legal safeguards for buyers, and streamlining the repatriation of income from distant places.

In pursuit of those objectives, the governments of the Maghreb countries must collaborate and harmonize their tasks with those of the non-public area and civil society.

### **2.1 The social and monetary ramifications of economic generation on Maghreb societies:**

It has converted the monetary zone globally, including in the Maghreb, with repercussions that extend past finance and immediately impact those countries' social and financial material.

The blessings of the economic era are not constrained to affluent strata but encompass marginalized businesses, including women, teenagers, and individuals living in rural regions. It offers entry to vital economic offerings, improving financial autonomy and excellent existence.

- Financial technology complements transparency in monetary transactions, diminishing possibilities for corruption and bolstering trust in economic institutions.

- Financial technology affects patron behavior. It allows swift and effortless bills, selling heightened customer expenditure.

The financial era fosters innovation and entrepreneurship, permitting corporations to secure financing extra correctly and create novel monetary services and products. It aids corporations in enhancing efficiency through streamlining approaches, minimizing administrative costs, and attracting global investments. Fintech's impact extends beyond that of the banking quarter. Moreover, it encompasses extra regions, including agriculture and tourism, where digital economic answers can enhance transactions and offerings.

Despite its numerous blessings, Fintech might also intensify the digital divide among individuals with and without technological access, exacerbating inequality. Cyber security poses considerable trouble for the fintech sector, exposing customers and corporations to hacking and fraud dangers.

Financial generation is profoundly dependent on digital infrastructure; disruptions in this infrastructure can seriously impact economic offerings and compromise customers' financial privateness, particularly with fact collecting and analysis.

Governments, monetary institutions, and entrepreneurs should collaborate carefully to optimize Fintech. The primary capabilities that governments can fulfill are:

- Regulatory frameworks: Develop specific and thorough regulatory frameworks that protect clients and sell innovation.

- Investment in infrastructure: Allocate sources for enhancing virtual infrastructure and making high-speed internet available nationwide.

- Financial literacy: Implement awareness initiatives to inform the public about the advantages of economic technology and its secure utilization.

- Assisting marketers: Offering economic and technical help to FinTech companies.

Fintech catalyzes social and economic transformation within the Maghreb, but understanding its blessings necessitates coordinated efforts to solve its troubles. Through funding in virtual infrastructure, establishing regulatory frameworks, and improving financial literacy, Maghreb can leverage Fintech's capacity to achieve a sustainable and equitable boom.

### **3. The Maghreb countries try to draw in financial technology Algerian endeavors:**

Algeria seeks to safeguard clients and foster innovation by creating a complete and well-described regulatory environment for the fintech industry.

Various government projects, including the "Digital Algeria" program, have been initiated to inspire digital transformation. This approach, which seeks to encourage use generation across numerous industries, including finance, has led to severe financial-era companies in Algeria. It presents cutting-edge solutions for issues like crowd funding and digital bills.

#### **3.1 Challenges dealing with Algeria:**

Algeria's troubles: Despite its improvements (fintechinalgeria, 2024), the US still needs to build its virtual infrastructure, particularly in its more significant faraway areas. A barrier to the vast adoption of digital financial services is elevating public information on money matters and instructing them about the benefits of those services (Kazeoui, 2015).

**Opportunities:**

Fintech, thanks to its youthful populace and density, has the capability to beautify economic inclusion by facilitating the mixing of the informal area into the formal economy. Conversely, monetary generation can accelerate and decrease the price of remittances.

**The primary applications of a monetary era in Algeria:**

Mobile wallets allow customers to execute transactions and oversee their budgets through cell gadgets.

E-trade is increasing in Algeria, advancing secure and rapid payment solutions.

Crowd funding represents a novel technique for financing small and medium-sized companies (SMEs).

Algeria offers a promising market for Fintech; to fully realize its potential, it is crucial to confront present hurdles and capitalize on available possibilities. The sector is anticipated to experience rapid growth in the upcoming years, fostering financial inclusion and advancing the Algerian economy.

**3.2 Tunisia and the Financial Technology Challenge:**

Tunisia has implemented a flexible regulatory framework that promotes the expansion of Fintech while maintaining the integrity of the monetary system (Riadh djafri).

The Tunisian authorities have initiated multiple packages to help Fintech businesses and foster favorable weather for their development.

Tunisia has significantly improved its digital infrastructure, enabling the proliferation of virtual financial services. Numerous companies in various sectors of Fintech, including virtual bills and crowd funding, have sprouted in Tunisia.

Even with the advancements achieved, disparities in Internet access persist in positive regions, especially in rural locales; a large part of the population desires to be more knowledgeable about digital financial offerings, and Tunisian entrepreneurs require assistance in securing the necessary capital for their growth.

**Opportunities include:**

- Fintech can help increase tourism in the region by providing innovative payment solutions; (tunisia, 2024)
- Fintech can increase economic inclusion, particularly in far-off areas;
- Tunisia has a promising fintech market due to its younger populace and robust demand for digital monetary services.

Financial generation packages in Tunisia: • These wallets let customers use their phones to control their budget and make payments.

- Tunisia has a booming e-trade industry, propelling the advent of short and safe charge strategies.

- One creative method for funding small and medium-sized agencies is crowd funding.

Tunisia is an Arab country with massive potential for economic growth. Ongoing governmental projects and company zone assistance are expected to catalyze a large increase in this sector within the imminent years, enhancing citizens' financial offerings and fostering financial improvement.

**3.3. Financial Technology in Morocco:**

Morocco, the foremost fintech state in the region, has set up bendy regulatory surroundings that foster innovation amongst companies. He also initiated diverse packages to enhance this area, inclusive of:

The Digital Morocco Platform is an in-depth initiative designed to transform Morocco into a virtual nation, encompassing many digital economic services (Dehbi, 2021).

- Technological incubators, shown by the Big Swoosh incubator, assist fintech corporations.

Many conferences and events centered on Fintech are organized, promoting the exchange of narratives and fostering collaborations.

Critical challenges facing Morocco and other nations:

A significant portion of the population should gather virtual abilities to utilize virtual monetary offerings effectively. Despite improvements, in addition, investment in digital infrastructure is crucial, especially in rural areas; cultivating consideration in digital financial offerings necessitates effort and time, especially regarding protection, amid privacy and safety apprehensions; the Maghreb affords numerous opportunities for growth inside the monetary technology area:

- Digital financial technology and offerings are attractive to teenagers, a significant demographic.
- Fintech can assimilate the informal zone into the formal economic system.
- Blockchain technology facilitates expedited, steady, and fee-powerful remittances.
- Fintech enhances the accessibility and affordability of coverage merchandise.

**Table 01: A comparison of FinTech in Algeria, Tunisia, and Morocco:**

Standard	Algeria	Morocco	Tunisia
<b>Regulatory framework.</b>	In the process of development, it faces some challenges in flexibility and clarity	. A more sophisticated and flexible regulatory framework that promotes innovation	A flexible regulatory framework which supports the growth of startups.

<b>infrastructure</b>	Rural areas need more digital infrastructure.	The digital infrastructure is relatively sophisticated, but it still needs more investment.	Good digital infrastructure supports the spread of digital financial services.
<b>startups</b>	The number of startups facing funding challenges is on the rise.	Startups can benefit from an incubating environment backed by government and private enterprises.	The environment is conducive to startups, and there is much support from investors.
<b>financial inclusion</b>	Financial inclusion can still be improved significantly, particularly in remote areas.	Financial inclusion has been achieved despite significant efforts, but challenges persist.	Compared to other Arab countries, there is a high level of financial inclusion.
<b>Investment</b>	Attracting investments is proving to be a challenge for the fintech sector.	Attracts a significant amount of investment from both domestic and foreign investors.	Attracts more investment, especially from European investors.

Source: Researcher based on: pension system generosity and reform in Algeria, Morocco and Tunisia, Mehdi Ben Braham, 2009, *Int Social Security Review*

### 3.4 Results of the examination of the three states under consideration:

Algeria is a full-size and complete capacity market, but it wishes to help develop virtual infrastructure and a more accommodating regulatory framework. Thanks to its supportive legislative surroundings and massive infrastructure expenses, Morocco has made remarkable strides inside the Fintech zone.

While Tunisia has many businesses and an imaginative environment, financing and service expansion to rural areas nonetheless require help.

### 4. Conclusion:

Algeria, Morocco, and Tunisia are distinguished Arab nations with full potential within the Fintech area. Nonetheless, significant disparities exist across these nations concerning improvements and obstacles. This enterprise is anticipated to proliferate within the coming years, enhancing citizens' monetary services and fostering economic improvement in those international locations.

Algeria, Tunisia, and Morocco are gradually advancing in Fintech development; figuring out their complete capability necessitates tackling numerous difficulties, including infrastructure, virtual trust, cyber security, and regulatory frameworks. Nevertheless, potentialities remain beneficial, mainly in the geographical regions of economic inclusion and innovation. To expedite this transformation, governments ought to optimize strategies and foster a conducive weather for aggressive innovation, necessitating non-public region investment in the era and the establishment of partnerships.

Scholars have to facilitate the development of essential talents. These countries can grow to be leaders in Fintech within Africa, fostering the development of more inclusive, adaptable, and advanced economies that align with those of evolved nations.

Financial inclusion is the most important element of fintech for sustainable development

### 5. Recommendations:

- Government guidelines have been essential in fostering the growth of the Fintech quarter.
- Recognize digital infrastructure as a crucial detail in improving this area.
- Attracting home and foreign traders is essential for financing startups and advancing the sector.
- Enhancing citizens' economic literacy is critical for fostering the uptake of digital financial offerings.
- It facilitates Fintech meetings and events while linking universities and research laboratories to society to strengthen this region.

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