Financial inclusion in Morocco

Financial inclusion in Morocco

Ben Murphy-Schmehl

In recent years, Morocco has experienced double-digit growth in account ownership at formal financial institutions. Despite this expansion, use of these services is low. This accessibility–usage gap can be attributed to a cash-reliant economy, low levels of financial literacy, and negative perceptions of formal financial institutions. Strategies to address this gap lie in leveraging the familiarity of informal financial systems to introduce financial products in line with the needs of the Moroccan unbanked population.

Introduction

While financial inclusion has become a global priority in countries with significant unbanked populations, Morocco has stood out for its remarkable growth in bank account ownership. This improvement can be attributed to cooperation between important public actors, especially Bank Al-Maghrib (BAM) and the Ministry of Economy and Finance (MEF). Financial inclusion encompasses access to a wide range of formal services from well-regulated, formal institutions, such as checking and savings accounts, insurance, credit, loans, and equity (Demirguc-Kunt et al., 2017). Inclusive finance further extends to ensuring that small and medium-sized enterprises and microfirms enjoy access as well. In addition to potential macrolevel growth derived from formal financial activity and enterprise development, availability of these services at the individual level contributes to creating assets and wealth for poor households, potential for self-employment, improved ability to manage personal financial risks, and possibilities for consumption smoothing. These all may contribute to higher standards of living through eventual investment in education and business and improved nutrition and health (Demirguc-Kunt et al., 2017; World Bank, 2022).

Although more Moroccans are account holders and more services target underserved communities than in the 2010s, use of these financial products is low. Rather than reaping the benefits associated with maintaining personal funds in formal financial institutions, accounts are maintained primarily to withdraw and deposit cash (E. Asmar, interview, October 25, 2023). Even though account ownership rates and the development of mobile money infrastructure are widely used to evaluate the financial inclusivity of a nation, alternative financial mechanisms and systems that fit within the context of the Moroccan economic, social, and cultural circumstances may better serve individuals and households to manage their money and invest in the future.

Background

Like many countries, Morocco has struggled to provide sufficient financial access for its population (Ndoye & Barajas, 2022). Throughout the 2010s, financial inclusion of Moroccans—as evidenced by measures such as prevalence of bank accounts, insurance plans, and bank credit usage—has lagged behind the rest of the Middle East and North Africa (MENA) region. A 2014 assessment revealed sparse usage of formal financial services in Morocco. Only 28% of adults had a checking account; less than 15% received bank credit; and 24% had insurance, the majority of which was mandatory. Additionally, notable gaps were evident for underrepresented groups: women were 20% less likely to be using a financial product than men, and only 19% of rural respondents used a financial product compared to 53% in urban areas (Ruiz Ortega et al., 2014). In 2017, the World Bank Global Findex survey found that 43% of adults across the MENA region owned accounts at a formal financial institution, but just 29% of adults in Morocco did. Similarly, 31% of the MENA population had saved and 43% borrowed money in the past year, with Morocco lower, at 21.4% and 26%, respectively. These metrics suggest that many Moroccan individuals and households miss the benefits of formal finance.

Despite Morocco's underperformance in financial inclusivity throughout the 2010s, the period since 2017 has seen substantial improvement in common measures of financial inclusion. According to the World Bank Global Findex 2021, Morocco has had remarkable success with adult account ownership at formal financial institutions, increasing to 44%, 15 percentage points higher than in 2017 and just below the 48% MENA region average. The World Bank emphasized that Morocco was among only four economies (along with Brazil, Ghana, and Myanmar) that experienced double-digit growth in this area (Demirgüç-Kunt et al., 2022). Reported savings and borrowing rates also increased significantly. As of 2021, 35% of Findex survey respondents had saved money, and more than half of them had borrowed money within the previous year (World Bank, 2021).

The expanded access may seem abrupt, but Moroccan national authorities have been prioritizing the development of an inclusive financial sector for a long period through initiatives of the MEF, Morocco's government arm responsible for addressing financial and monetary issues, and BAM, the country's central bank. Since 2019, BAM and the MEF have jointly adopted the National Financial Inclusion Strategy, a form of governance that has become common in developing countries striving to bolster financial access for low-income populations and enterprises. This strategy prioritizes underserved populations, such as women, rural populations, and young people, focusing on access to mobile payments, accessibility to microfinance, bank penetration into rural areas, enterprise financing, and financial literacy (Ocampos, 2023).

The World Bank Financial Sector Assessment Program in 2016 highlighted several actions taken by the government to bolster financial accessibility for unbanked Moroccans, including BAM's 2010 formation of Al Barid Bank, a subsidiary of the national postal system, Poste Maroc. The new postal bank succeeded by leveraging the well-developed and extensive infrastructure of the national post in rural areas, opening six million accounts from 2009 to 2014 for not only underserved populations who lacked proximity to financial institutions but also adults in urban and peri-urban areas (*Financial Sector Assessment...*, 2016). Financial inclusion at the individual and household level has been furthered by the 2014 banking law, which involved the MEF declaring 20 different banking services free of charge as of 2017 (United Nations Conference..., 2018). The new banking law also expanded services for the notable segment of the population requiring sharia-compliant[1] banking through the introduction of participative banks, five being active as of 2020 (BAM, 2021a; *Financial Sector Assessment...*, 2016). The 2014 banking law additionally established payment institutions, allowing nonbank entities to offer payment and account transaction services (*Financial Sector Assessment...*, 2016). The regulation implements three tiers of payment accounts with deposit ceilings, rather than minimums, to broaden access to the service. To be opened, tier 1 payment accounts require only a phone number, whereas tier 2 requires ID, and tier 3 proof of address and an interview with the institution (Priollaud & Saudi, 2023). Lack of required documentation was the reason for not opening bank accounts in 20% of the 2021 Findex respondents.

Despite the substantive improvement shown in metrics like account ownership and accessibility of services for underserved communities, issues remain for the advancement of Moroccan financial inclusion. Not only does half of the population remain unbanked and prominent gaps in access still exist for minority and underserved groups but also the high fraction of "underbanked" individuals raises concern (UNSGSA, 2023b). The numbers of adults with bank accounts are increasing, yet regular use of them is slim aside from ATM cash withdrawals. Of the adults with accounts at formal financial institutions, only 31% stored money in them and almost 50% went without making a deposit in 2021 (World Bank, 2021).

Usage rates of mobile money services and broader digital financial tools in Morocco also are low. The Global System for Mobile Communications Association Mobile Money Prevalence Index of 2021 rated Morocco as "very low," the lowest possible grade based on the adoption, activity, and accessibility of services (Andersson-Manjang, 2021). The 2020 Annual Report on Banking Supervision states that of all transactions associated with payment accounts, 91% were cash payments or withdrawals, with only 5% made on mobile phones (BAM, 2021a). The 2021 Findex results showed that only 6% of respondents had mobile money accounts, of which fewer than 20% used their accounts at least two times a month, and just 30% used their accounts without assistance. The low rate is hindering the effectiveness and progress of Morocco's large financial infrastructure investments and means that account ownership statistics alone produce a misleading image of financial inclusion in Morocco.

Growing importance of digital finance

Morocco's journey to constructing financial infrastructure compatible with the needs of its unbanked

[1]Certain qualities of finance, such as interest and excessive uncertainty, are impermissible under Islamic law (*sharia*) (IMF, 2017). In 2021, 19% of Moroccans who did not have a bank account cited religious reasons, higher than the 10% global average (World Bank, 2021).

population cannot be separated from its investments in digital infrastructure. Digital financial services are at the forefront of global efforts to promote financial inclusion (Lauer & Lyman, 2015); among the myriad reasons, the most obvious is removing the need to physically travel to bank branches, a main barrier to access in remote areas or for women with caregiving expectations (Soudi, 2022). Digital services additionally are often less costly than traditional banking services and may better fit the need for affordable small, irregular transactions within the context of volatile incomes of informal work (Lauer & Lyman, 2015).

Mobile money platforms have garnered importance in emerging markets in sub-Saharan Africa, Latin America, and South Asia, and they are now a widely accepted tool for providing services to the financially excluded in locations where financial infrastructure is poor (Murray, 2023). Platforms providing payment services through mobile phones often are started by telecommunications companies that form deals with financial institutions or create their own payment applications. Safaricom's M-Pesa, the flagship Kenyan mobile money application, has been the subject of attention for almost two decades. By 2024, it was serving 51 million users throughout seven African countries (Vodafone Group, n.d.).

Morocco is an ideal environment for the uptake of mobile money services, with the country's cell phone penetration rate greater than 100%, meaning that mobile phone subscriptions exceed the population (Soudi, 2022). The UN Development Programme assessment on Morocco's financial ecosystem reveals that connectivity is also wide ranging, with greater than 99% of the population covered by 3G and 4G networks (Priollaud & Saudi, 2023). Morocco has introduced supportive legislation to foster mobile payments, allowing telecommunications companies to enter the financial space independently with payment institution status, through the 2014 banking law and the creation of the nationally regulated M-Wallets platform by BAM and the National Telecommunications Regulatory Agency in 2018 (Business Monitor International, 2022). Mobile wallets provide person-to-person money transfers, merchant payments, and deposit and withdrawal services (*Moroccan central bank…*, 2018). The mobile wallet ecosystem has evolved to encompass competition between purely mobile financial services by telecommunication companies, such as MT Cash and inwi money, new mobile services from existing financial institutions like Banque Populaire and Al Barid Bank, and mobile services connected to traditional transfer companies, such as Cash Plus and Wafacash (Priollaud & Saudi, 2023). The availability of such financial mechanisms leaves open the question of why Moroccans have not adopted them more widely.

Why are financial services underused?

The disconnect between the accessibility and usage of formal financial services in Morocco can be attributed to three phenomena. First, informal economic activity is prominent in the country, perpetuating traditional money-managing habits and norms outside of formal finance. Second, low rates of financial literacy hinder unbanked and underbanked individuals from taking advantage of services that cater to their needs or alternatives that are cheaper than conventionally used ones. Third, public perceptions of formal financial institutions, especially banks, are generally negative in Morocco, fueling an aversion to utilizing the services of or even entering formal institutions.

Endurance of cash reliance and informal finance

One of the main barriers to the use of formal services is Morocco's high informal share of economic activity. Substantial informal economies are common in emerging markets, including North African countries that have economic indicators, such as GDP per capita, similar to Morocco's. In fact, Morocco exceeds its peers in certain aspects of informality. For instance, the informal employment rate in 2023 was 77.3%, compared with Egypt's 62.5% and Tunisia's 42.9% (Mohammad et al., 2023). Involvement in the formal sector is avoided to evade taxes on income, legal requirements related to labor activities, or contributions to social security (Lahlou et al., 2020). The drawbacks of such prevalent informal activity are clear for the welfare of individuals and families: income volatility, lack of social protections, and difficulty in managing risks. Informal workers, on average, are paid five times less than formal laborers and work under harsh conditions not always in line with public regulations (Eljechtimi, 2023). Clear too are macroeconomic hindrances, such as in tax revenue generation for the government (Mohammad et al., 2023). According to Finance Minister Mohamed Benchaaboun in 2020, the informal economy costs the country $3.4B annually in tax revenue (Eljechtimi, 2020). The widespread informality of Morocco's economy steers large population segments to manage their money outside of formal services, depending instead on cash and familial relationships.

A World Bank Findex 2021 survey revealed that over 40% of Moroccan workers received wages strictly in cash and 74% of utility payments were in cash. Storing cash behind walls or under floor tiles is a common household saving habit (Ababou & Goldemberg, 2018). Aside from the inherent risks of keeping piles of cash, Moroccans avoiding taxes and regulations through untraceable cash transactions hinders their taking advantage of interest and risk insurance that come with formal banking. The concept of the underbanked illustrates that high cash usage is prevalent even in formal account holders.

The ways that Moroccans manage their money informally reflect familial and communal connections. Rather than relying on savings or emergency funds to meet unforeseen expenses, Moroccans frequently borrow from family. The 2021 Findex revealed that of the 57% of respondents who borrowed money in 2021, less than 10% did so through a formal financial institution and over 80% borrowed from family or friends (World Bank, 2021). Savings and borrowing clubs are more-organized systems of informal money management dependent on communal trust of members of the groups. In 2014, a World Bank financial capability survey in Morocco observed that 90% of those surveyed were familiar with bank products, and 89% also knew of the products offered by savings and credit self-help groups (Ruiz Ortega et al., 2014). Of those in the 2021 Findex who reported saving money, 36% used informal savings clubs, while only 21% took advantage of savings services at formal financial institutions (World Bank, 2021).

Low levels of financial literacy

A second central barrier that hinders usage of formal financial institutions in Morocco's population, despite the increase in accessible services, is lack of financial literacy. There is a prevailing sense that it is still taking time for Moroccans to shift from familiar informal habits to new systems and tools. For example, evidence from the 2021 Greenback Initiative, a program initiated by BAM and the World Bank to reduce costs of remittance payments, shows knowledge gaps about banking services persist. Remittances in Morocco have a high capacity to be financially formalized; in-bound remittances accounted for 6.5% of Morocco's GDP in 2020, and one in five Moroccans received or sent domestic remittances in 2017. Of international remittances, 97% were cash-based, over-the-counter transactions via payment institutions, including Wafacash, Cash Plus, and Tasshilat, which are more expensive than bank account or mobile wallet transactions. For example, a remittance sent from France via an account-backed payment card has a 2% fee versus a cash-based transfer, which costs 8% or more. Most respondents had multiple financial service providers in walkable proximity yet preferred remittance handling through payment institutions rather than banks or mobile wallets. Even those who have bank accounts prefer cash-based remittance services. The survey revealed that individuals with bank accounts were typically not sure of the features of their accounts, including the associated services, fees, and even type of account (De Vaan & Delort, 2021). Data from the International Telecommunication Union show that financial usage gaps in Morocco extend financial literacy to low digital literacy rates. The union reported that just 36% of Moroccans held basic digital skills in 2021, contributing to the explanation of low mobile money uptake event with investments in and regulatory support of digital financial infrastructure (Soudi, 2021).

The substantial fraction of Moroccans who maintain accounts solely for deposits and withdrawals, thereby missing their fuller potential, for example, lower fees for remittances, raises questions about the effectiveness of how banks market and cater services to the unbanked. In 2021, a National Financial Inclusion Strategy working group concerned with the barriers and ways private sector banks interact with underserved populations simulated the customer experience at 158 institutions around Casablanca, Marrakech, Tangier, and Fez. This investigation revealed that while receptionist services were generally positive and of high quality, the bank branches were vague and not transparent about pricing, service types, and fees (BAM & MEF, 2021).

Perceptions of private sector services

The third usage-inhibiting phenomenon, closely linked to low financial literacy in Morocco, is the negative public perception of formal financial institutions. The unbanked perceive the services these institutions provide to be irrelevant, not meeting their needs, or unaligned with cultural or societal norms, attitudes that have been slow to adjust. Over 25% of 2021 Findex respondents attributed their lack of account ownership to having no need for the services, reflecting a common failure to recognize how formal financial services might support their livelihoods. Other reported barriers were services considered too expensive, despite cheap options, such as mobile money; payment accounts with balance ceilings rather than floors; and more traditional services being available from large financial institutions subsidized for underserved groups (World Bank, 2021).

In a 2015 article from *The Guardian*, a director of Attijariwafa Bank, Morocco's largest bank, reflected on working on products catered toward low-income populations. Customers who live near bank branches had never entered them due to their "fancy appearances," at the same time having desires for savings products for lifecycle events like children's education and for insurance (Douiri, 2015). Unbanked Moroccans appear to perceive formal financial institutions as not offering products that fit their needs; instead, they perceive the services as meant for higher class individuals.

Furthermore, Moroccan cultural and societal norms fuel negative perceptions. The same Attijariwafa Bank director added that Moroccans value privacy of their finances, reflective of traditions to refrain from the display of personal wealth. Practical desires for financial privacy consist of women hiding savings from husbands and households keeping accounts quiet for fear neighbors might ask to borrow money (Douiri, 2015). Greenback Initiative responses revealed that remittance-receivers favor non–account-backed payment services over banks due to confidentiality and simple, transparent services. Banks are intimidating, are associated with transfers requiring long processing times, and lack transparency about fees (De Vaan & Delort, 2021). Monthly bank statements sent to residences also raise privacy concerns for the unbanked, as postal problems may enable others to see account histories (Douiri, 2015).

Negative public perceptions of financial institutions clearly hinder use of formal services, even if products catered toward underserved groups are easily available. Responsibility is not completely one-sided, however. The 2014 financial capability survey showed that 25% of those surveyed experienced a conflict with a financial service provider that year, but only 43% of those sought to address it due to feelings that financial providers were too powerful, beliefs that government authorities did not work properly, or lack of awareness of appropriate authorities to approach (Ruiz Ortega et al., 2014).

Policy efforts addressing low financial service usage

Rampant informality and cash reliance, low financial literacy, and negative perceptions of formal financial institutions are complex social and economic issues. They are troublesome to address with singular policies and will take time to improve. Nonetheless, systemic policy action is being taken to improve opportunities for the unbanked and underbanked to manage, borrow, and invest their money.

Public authorities have been encouraging formalization of the large, informal, small and medium-sized enterprise population and self-employed individuals by simplifying tax regimes, incorporating social protections within them, and exempting underserved groups from tax and social contributions, as have other MENA countries (Cardarelli, 2022). Gradually formalizing businesses that pay labor under the table in cash provides opportunity for account-backed or mobile wage payments, at the same time supporting transferring the personal financial activities of the large share of informal workers to formal institutions.

BAM also has long prioritized financial education, creating the Moroccan Foundation for Financial Education (FMEF) in 2013. FMEF works to maximize financial literacy for children and young adults, women, the rural population, and entrepreneurs (FMEF, n.d.). Education regarding banking offers is one of FMEF's primary levers, through digital training, radio, and social media campaigns. A large step FMEF and BAM took in 2022 was introducing a National Financial Capability Barometer, a benchmark system encouraged by the World Bank, Organisation for Economic Co-operation and Development, and Alliance for Financial Inclusion to measure financial capacity and behavior of Moroccans to drive financial education policy (BAM & MEF, 2021).

FMEF has also worked with private firms to improve public views of financial institutions. In 2021, BAM and FEMF's City-Tour program offered guided tours of banks and other financial institutions in Casablanca and Settat for underserved communities. Feedback from these trial tours was overwhelmingly positive, with participants expressing newfound feelings of ease and control when making decisions in banks and payment institutions (BAM, 2022). Recent agreements, including the 2021 partnerships between FMEF and Banque Centrale Populaire targeting entrepreneurs, FMEF and Al Barid Bank facilitating support programs for underserved groups, and the annual Global Money Week that aims to connect millions of Moroccans with financial educational programs all demonstrate a commitment to enhance perceptions of formal institutions (BAM, 2021b; BAM & MEF, 2021).

These programs have been catered toward the right issues and populations, but their reach is uncertain and implementation expensive. For example, the City-Tour model directly brings the underserved to financial institutions to enhance their knowledge and perception of financial products yet faces the tradeoff of high effectiveness for low coverage; only

40 individuals were involved in its first instance. Also, even though mass media campaigns reach larger audiences, they lose capacity for details in the financial information provided.

Fostering inclusion via formalizing the informal

Aside from high-level public solutions limited in reach and funding, the financial sector can also be made more inclusive by leveraging the comfort the unbanked have with informal financial mechanisms and systems through two mechanisms. The first involves digital formalization of widely used informal mechanisms like rotating savings and credit associations (ROSCAs), which take inspiration from how ROSCAs were formalized to create the booming microfinance industry. Second, the small retail shops economically critical for Moroccan daily commerce may be formalized to perpetuate inclusion on a large, familiar scale. A key to both these informal financial systems to bolster inclusion is leveraging Morocco's extensive yet underutilized mobile financial infrastructure. The European Bank for Reconstruction and Development (2021) reports that Morocco's financial sector "lacks strong diversification in instruments and products." That market narrowness provides fintechs and other firms the opportunity to diversify the mix of available financial services by offering digital products rooted in these informal systems. The UN Development Programme also states that while the innovation environment for Moroccan fintech has improved, with an escalating number of players and increased access to financing, fintech services are almost entirely limited to payments services (Priollaud & Saudi, 2023). Presenting financial products to the unbanked that appeal to their comfort and familiarity with informal systems has higher potential for enabling individuals to see how formal services can fit into their livelihoods and facilitate meaningful usage of these services.

Digital ROSCA platforms

The formalization of informal financial mechanisms contributing to the expansion of financial inclusion is best exemplified by the rise of the modern microfinance industry. The lending model at the center of many microfinance institutions is the ROSCA, an informal financial mechanism that has thrived in variations across the world for thousands of years (BNP Paribas, 2017; Cull & Moruch, 2017; Krieger, n.d.). ROSCAs, known as *Daret* in Morocco, are traditional savings clubs for saving money for education or life cycle events, which can be readily digitized (World Savings and Retail Banking Institute, 2020). Microfinance institutions have exploded in global presence since pioneers of the modern service, Accion founder Joseph Blatchford and Bangladeshi economist Muhammad Yunus, began to formalize the solidarity group lending model for microloans in the 1970s (Krieger, n.d.). These strides have led to 140 million borrowers served by microfinance institutions globally in 2018 (Stephens and Khemar, 2018). Although microfinance relies on "consistent, on-the-ground programs" for loan officers to oversee payments and educate participants, digital ROSCA platforms have potential to leverage the low-cost, low-travel benefits associated with mobile money for the unbanked (Krieger, n.d.).

Digital ROSCA platforms address all three phenomena discussed that hinder the usage of formal financial services in Morocco. Informality and cash reliance are addressed because the ROSCA is supported by a digital platform managed by a fintech or financial institution. Outside of digital possibilities, Abadou and Goldemberg (2018) also designed a formal ROSCA model to be adopted by banks that allows those with free accounts to make payments and withdrawals via prepaid bank cards, while allowing the ROSCA organizer to collect and manage payments. Formality is further enhanced through the potential for credit histories based on ROSCA payments, making participants more bankable for other financial products (Murray, 2023). Financial literacy gaps may also be narrowed because the Moroccan population has a strong familiarity with ROSCA mechanisms. The 2014 financial capability survey indicated that 89% of Moroccans are familiar with informal savings groups, and in 2021, the Findex reported that of those who saved money, 36% used informal savings clubs and a lesser 21% saved at formal financial institutions (World Bank, 2021). Conveying how ROSCA products fit into the livelihoods of the unbanked is more straightforward than for standard bank accounts, which are generally unfamiliar and less used in this population. Although offered by private financial institutions often negatively perceived by the unbanked in Morocco, formal ROSCA products may improve perceptions due the communal trust in the informal versions. Abadou and Goldemberg (2018) explain that a primary reason Moroccans join ROSCAs is to assist family members and friends in need, combined with high personal trust in the organizer of the group. Formal institutions giving trusted groups the platform to host their own ROSCAs and enabling the organizer to maintain control over the money may instill confidence in the process. Mobile options also allow for family and friends who live far away to participate in ROSCAs.

These conditions suggest market potential in Morocco for formal mobile ROSCA products that could bolster financial inclusion while serving as potential gateways for further involvement in the formal financial sector. In fact, formalizing ROSCAs in this way has proven successful in other African countries. Money Fellows is an Egyptian start-up that provides a mobile platform for savings circles has crossed four million users. MaTontine from Senegal and Tontine Plus in Cameroon are additional mobile ROSCA-management platforms that have gained traction, further suggesting room for formalized informal financial mechanisms in Morocco (E. Asmar, interview, February 14, 2024).

Financially formalizing independent retail shops

An additional opportunity for fostering usage of formal financial products in Morocco lies in a financial transaction system crucial to the livelihoods of the unbanked. Independent retail shops, known as *hanouts* in Morocco, are integral to household consumption across Morocco, responsible for 82% of retail sales in the country (Ivers et al., 2022). As this system evolves to become more financially included itself, the uptake of formal financial services among individuals and households will follow.

Independent retail shops share their importance throughout Africa. Innovative business-to-business (B2B) e-commerce products have emerged to assist these shops in managing operations and financial transactions. According to Briter Intelligence (2022), 28 B2B e-commerce fintech startups throughout Africa have raised almost $500M since 2008, 90% of which occurred in 2021 and 2022. These platforms generally offer services, such as procurement, payments, inventory management, credit, and bookkeeping (Ivers et al., 2022). These services fit the needs of independent retailers who face issues such as complex and disjointed supply chains, difficulties in recording transactions, and gaps in providing varieties of payment methods (Briter Intelligence, 2022). Moroccan start-up Chari, founded in 2020, has seen rapid growth. Chari's platform allows independent retailers to purchase goods online or through a mobile app and receive orders within 24 hours rather than closing their shops and physically traveling to wholesalers. As of 2023, Chari is working with 25,000 independent retailers and has begun to expand further, acquiring the platform Karny to provide credit to retailers and transaction-recording solutions (UNSGSA, 2023a).

Due to the success of B2B platforms, Moroccan hanouts are becoming efficient vehicles for financial inclusion, helping mitigate the three phenomena hindering usage (E. Asmar, interview, February 14, 2024). These platforms address informality and cash reliance, as hanouts are entrenched in the informal economy and retail makes up half of Morocco's informal sector (Oxford Business Group, n.d.). Notably, 97% of Kenyan convenience stores accept mobile payments, but just 1% do in Morocco (Ivers et al., 2022). Despite roots of informality, independent retail shops play an important role in digital financial infrastructure globally, acting as agents for banks and mobile money operators where customers can convert cash into digital currency outside of physical branches (Priollaud & Saudi, 2023). Panamax Inc. (2023) reports that agents facilitate more than 25% of banking transactions in Asia, the Middle East, and Africa. The UN Development Programme, however, explains that agency banking is "relatively underdeveloped" in Morocco due to stringent regulation, with many hanouts fearing that participation will reveal their informal status and result in taxation or legal penalties (Priollaud & Saudi, 2023). Mobile B2B platforms, however, are digitizing the ways in which independent retailers operate and accept payments, encouraging customers to follow their lead and use payment methods other than cash. The financial formalization of independent retailers is also bridging financial knowledge gaps and bypassing negative perceptions of formal financial services. Hanouts serve not only a critical economic purpose for Moroccans who purchase most of their consumer goods at these shops but also a cultural purpose; they are broadly considered the "cornerstone of socioeconomic systems across Africa." Moroccan hanouts are open extensive hours; 90% offer informal credit; and most offer options for customers to pay utility bills at their locations (Ivers et al., 2022). Because hanouts are major socioeconomic resources for the banked and unbanked alike, Moroccans' familiarity with these shops makes them ideal locations to educate customers about formal finance products. The unbanked also trust these shops as they are so culturally important to how they manage their consumption and perform other household functions.

The upsurge of digital B2B platforms for independent retailers in Morocco not only is a solution for financial inclusion of the independent retail industry but also holds potential to facilitate formal service usage by individuals and households. As hanouts gain access to digitized tools to better manage their businesses while maintaining their role as cultural pillars, unbanked individuals are exposed, through their normal shopping, to the everyday utility of formal financial products.

Conclusion

After decades of international focus on financial infrastructure and accessibility of financial services in developing countries, evidence from Morocco shows that after establishing a diverse set of formal institutions and services and national policies prioritizing financial inclusion for the unbanked, efforts should shift to fostering the meaningful use of financial services. Rather than evaluating Morocco's financial inclusion at a flagship level based on counting bank accounts, measures of use, such as how frequently these accounts are accessed, how often they are used to actually store money, and whether people can operate these products without assistance, should be more salient. Although informality, financial education levels, and negative perceptions of formal institutions preventing financial service usage can be difficult to measure, there is high potential for products and services created within the context of these constraints to accelerate the inclusion of Moroccans. Moroccan authorities have worked to produce a regulatory ecosystem supportive of innovation of private sector financial products. Financial innovation centered around traditions of how the unbanked in Morocco manage their money and the financial or socioeconomic systems used in their daily lives is proving advantageous in bolstering inclusion when paired with the new capabilities of the digital financial landscape.

References

Ababou, A., & Goldemberg, D. (2018). Whose turn? Sparking formal savings through ROSCAs in Morocco. *Paterson Review of International Affairs, 18*, 1–38.

Andersson-Manjang, S. (2021). *The Mobile Money Prevalence Index (MMPI): A country-level indicator for assessing the adoption, activity and accessibility of mobile money*. Global System for Mobile Communications.

Bank Al-Maghrib. (2021a). *Annual report on banking supervision - 2020.*

Bank Al-Maghrib. (2021b). *The Moroccan Foundation for Financial Education (FMEF) signs three new partnership agreements*.

Bank Al-Maghrib. (2022). *Greenback Initiative in Morocco* [Press release].

Bank Al-Maghrib & Ministry of Economy and Finance. (2021). *Stratégie nationale d'inclusion financière.*

BNP Paribas. (2017, August 17). *History of microfinance: Small loans, big revolution.*

Briter Intelligence. (2022, September 26). *B2B commerce landscape in Africa.*

Business Monitor International. (2022, August 23). *Morocco fintech: Financial inclusion drives regulation, distrust hampers adoption.*

Cardarelli, R. (2022). *Informality, development, and the business cycle in North Africa*. International Monetary Fund.

Cull, R., & Morduch, J. (2017). *Microfinance and economic development* (Policy Research Working Paper 8252). World Bank Group.

De Vaan, T., & Delort, D. (2021). *Morocco - rapport des resultats des groupes de discussions sur les transferts de fonds: Etude greenback* (Report of the Results of the Discussion Groups on Remittances: Greenback Study). World Bank Group.

Demirguc-Kunt, A., Klapper, L., & Singer, D. (2017). *Financial inclusion and inclusive growth: A review of recent empirical evidence* (Policy Research Working Paper 8040). World Bank Group.

Demirgüç-Kunt, A., Klapper, L., Singer, D., & Ansar, S. (2022). *The Global Findex Database 2021: Financial inclusion, digital payments, and resilience in the age of COVID-19*. World Bank Group.

Douiri, I. (2015, August 20). 'I don't want a bank account because my neighbours will think I'm rich.' *The Guardian*.

Eljechtimi, A. (2020, July 14). *Crisis-hit Moroccans join 'informal economy' as job market shrinks.* Reuters.

Eljechtimi, A. (2023, May 30). *Informal labour accounts for two-thirds of Morocco jobs, statistics agency reports*. Reuters.

European Bank for Reconstruction and Development. (2021). *The EBRD in Morocco: results snapshot, 2015-2021*.

Financial Sector Assessment Program - Kingdom of Morocco: Financial inclusion technical note. (2016). World Bank Group.

International Monetary Fund. (2022). *Islamic finance and the role of the IMF*.

Ivers, L., Niavas, S., Mitchell, C., Sqalli, Z. & Frikha, O. (2022, June 30). *The future of traditional retail in Africa.* Boston Consulting Group.

Krieger, R. (n.d.). *The evolution of microfinance.* Frontline World.

Lahlou, K., Doghmi, H., & Schneider, F. (2020). *The size and development of the shadow economy in Morocco*. Bank Al-Maghrib.

Lauer, K., & Lyman, T. (2015). *Digital financial inclusion: Implications for customers, regulators, supervisors, and standard-setting bodies*. Consultative Group to Assist the Poor.

Mohammed, N., Gatti, R., Ranzani, M., Lopez-Acevedo, G., Sinha, N. & Elsheikhi, A. (2023, June 21). *Informal employment in Egypt, Morocco, & Tunisia: What can we learn to boost inclusive growth*? World Bank Blogs.

Moroccan central bank and regulator launch M-wallet mobile payment platform (2018, November 15). Telecompaper.

Moroccan Foundation for Financial Education. (n.d.). *Mission et stratégie* [*Mission and strategy*].

Murray, S. (2023, December 15). *How mobile money fosters financial inclusion.* Knowledge at Wharton.

Ndoye, A., & Barajas, A. (2022). Financial inclusion. In R. Cardarelli, M. Vera-Martín & S. Lall (Eds.), *Promoting inclusive growth in the Middle East and North Africa: Challenges and opportunities in a post-pandemic world,* pp. 103–117. International Monetary Fund.

Ocampos, L. (2023). Financial inclusion in Morocco. In R. Cardarelli, & T. Koranchelian (Eds.), *Morocco's quest for stronger and inclusive growth,* pp. 183–195. International Monetary Fund.

Oxford Business Group. (n.d.). *Morocco's retail sector driven by urbanisation and rising household consumption.*

Panamax Inc. (2023, June 12). *The current scenario of agency banking in developing nations: A catalyst for financial inclusion.*

Priollaud, S., & Soudi, N. (2022). *SDG Digital Finance Ecosystem (SDFE) assessment for Morocco*. United Nations Development Programme.

Ruiz Ortega, C., Randall, D., Sarah Yan Xu, & Zottel, S. (2014). *Enhancing financial capability and inclusion in Morocco: A demand-side assessment*. World Bank Group.

Soudi, N. (2022). *Financial inclusion refresh – 2022*. United Nations Development Programme and Bank Al-Maghrib.

Stephens, B., & Khemar, M. *Global microfinance figures: What are the trends?* Convergences.

United Nations Conference on Trade and Development. (2018). *Voluntary peer review of consumer protection law and policy: Morocco*. United Nations.

UNSGSA. (2023a, April 5). *Moroccan start-up Chari facilitating digital transformation and financial inclusion for mom-and-pop shop owners.* United Nations.

UNSGSA. (2023b, April 12). *Morocco has opportunity to harness digital payments, fintech, and green finance to expand financial inclusion*. United Nations.

Vodafone Group. (n.d.). *What is M-PESA?*

World Bank. (2017). *The Global Findex Database 2017*. World Bank Data.

World Bank. (2021). *The Global Findex Database 2021*. World Bank Data.

World Bank. (2022). *Financial inclusion: Overview.* World Bank Group.

World Savings and Retail Banking Institute. (2020). *An opportunity for the banking sector to work with informal savings groups in Morocco.*

BEN MURPHY-SCHMEHL graduated with a B.S. in economics and a minor in global studies with highest honors from Lehigh University in 2024. At Lehigh, Ben worked as a peer tutor and tour guide and for the Office of Sustainability. As an Eckardt Scholar, Ben completed an honors thesis in experimental economics. Professionally, Ben has interned for PennEnvironment, Juno Capital Partners, and Bethlehem's Rising Tide Community Loan Fund, an experience that cemented his interests in inclusive finance. Ben is currently working as an associate product analyst at Moody's Analytics and has ambitions to pursue higher education in economics.