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Capital Market Authority



الشمول المالي في فلسطين
Financial Inclusion in Palestine



سلطة النقد الفلسطينية
PALESTINE MONETARY AUTHORITY

Financial Inclusion Diagnostic Report

A Summary



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Financial Inclusion Diagnostic Report – A Summary

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This study was prepared by the Palestine Economic Policy Research Institute (MAS) at the request of the National Committee for Financial Inclusion in Palestine led by the Palestine Monetary Authority (PMA) and the Palestine Capital Market Authority (PCMA) under the "Financial Inclusion Field Survey and Related Studies" project, which was implemented by MAS based on the data of the field surveys carried by the Palestinian Central Bureau of Statistics (PCBS). Note that the National Committee for Financial Inclusion is the sole owner of the intellectual property and publishing rights of the studies. Note that the National Committee for Financial Inclusion retains sole ownership of the intellectual property and publishing rights of the studies.

Preface

The Palestine Monetary Authority (PMA) and the Palestinian Capital Market Authority (PCMA) have been working with determination to enhance financial inclusion in Palestine, as part of clear strategies and goals and with the broad participation of relevant actors. In recent years, these efforts have been translated into an ambitious national project based on a comprehensive survey (the 2016 Financial Inclusion Survey), giving rise to the development of the National Strategy for Financial Inclusion 2018-2025. Accordingly, in 2022, a comprehensive re-assessment of financial inclusion was carried out in order to measure developments since 2016 and the progress made in the implementation of the National Strategy of Financial Inclusion, as well as to determine the reasons, obstacles, and gaps preventing the attainment of higher levels of financial inclusion. It is hoped that the re-assessment will contribute to supporting the PMA and PCMA's endeavors to develop and update the strategic action plan.

This study provides a comprehensive diagnosis of the case and development of financial inclusion in Palestine on the demand and supply side as well as on the ecosystem side, including a comprehensive and an in-depth analysis of marginalized groups that suffer from low proportions of financial inclusion. It examines the extent to which the formal financial sector is capable and willing to provide services to financially excluded groups, and it makes urgent recommendations and suggests necessary interventions to promote financial inclusion and achieve the goals of the National Strategy of Financial Inclusion within a specific timeframe. It covers the formal Palestinian financial sector, both banking and non-banking, and presents some indicators of the proliferation of the informal financial sector.

In addition to the main diagnostic study, two separate technical studies were prepared. The first addressed the analysis of digital financial inclusion in Palestine, which was aimed at understanding the extent to which Palestinian individual citizens were willing to adopt digital financial services as a means of promoting financial inclusion. It also assesses the extent to which financial institutions were willing in terms of supply to provide digital financial services that could facilitate access to the financially underserved segments of individuals. The second study tackles the reality of financial inclusion from the perspective of gender in Palestine. It offers a comprehensive and detailed analysis of gendered financial inclusion, focusing on how it is shaped by the many systemic, cultural and social barriers and proposing a set of policy interventions in order to accelerate the transformation in the gendered financial sector.

We, at PMA and PCMA, are pleased to take this opportunity to express our gratitude to the Palestine Economic Policy Research Institute (MAS), the Palestinian Central Bureau of Statistics (PCBS) and the Financial Inclusion Assessment Project Management Unit for their efforts to prepare this informative and comprehensive study, as well as to all relevant actors from the private sector, the government, the civil society organizations (CSOs), and partner international institutions that supported the National Strategy of Financial Inclusion Building Project, particularly Alliance for Financial Inclusion (AFI).

Chairmanship of the National Financial Inclusion Committee

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Chairman of the Board of Directors of PCMA

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1. Introduction

When the concept of financial inclusion was first introduced and later popularised by the World Bank, it focused on issues of access to financial products and services. While this is an extremely limited understanding of financial inclusion, access nevertheless remains one key aspect of financial inclusion. This section outlines the supply of financial products and services, and the extent to which people can access them. It shows that the provision of financial products and services is concentrated in the West Bank, particularly in the Ramallah governorate. However, residents of the Gaza Strip report easier access to providers, given the dense geography of the Strip. While banking services (including ATMs) are widely considered easy to access, other financial institutions - such as brokerage and leasing firms - are considered less easy to access. This may indicate a lack of awareness about such firms. For many, the key issue shaping access to commercial, financial products and services (including Islamic finance) is a lack of income.

Geographical coverage of the financial system

In 2016, when financial inclusion was first measured in Palestine, there were 309 bank branches. The majority – 252 branches or 81.5% – were located in the West Bank. There was also a disproportionate concentration in the Ramallah-Al Bireh governorate, when population is taken into consideration. It should be noted that in 2016, Hebron's recorded population was twice that of Ramallah, however, the total number of bank branches in the Hebron governorate amounted to only three-quarters of that in Ramallah. In 2016, the Nablus governorate had 55,000 more residents than the Ramallah governorate, but only 38 bank branches, compared with 60 in Ramallah. The Gaza City governorate (the most populous in Palestine and twice the size of the Ramallah governorate according to PCBS statistics) had less than half the number of bank branches. However, it is widely known that population statistics undercount people who have migrated to the Ramallah metropolis for work. If Ramallah's migrant population was more accurately counted, then the concentration of banks would be more proportionate. It may also be the case that many residents of Jerusalem who live in the J2 area (the eastern side of the Wall) use financial product and service providers in Ramallah. The concentration in Ramallah is further explained by the presence of the majority of PA ministries and headquarters for major businesses.

The most recent PMA data (2021) shows an overall growth in bank branches, reaching 379 in total, despite two fewer banks operating in Palestine compared with 2016. However, disaggregating these statistics shows an increasing concentration of services geographically. Growth in branch numbers has occurred wholly and disproportionately in the West Bank, which now contains 322 or 85% of all bank branches. The number of bank branches in the Gaza Strip remained the same in 2021 as it was in 2016. The intense colonial violence in the Gaza Strip, including litigation procedures against banks (Zaken 2020), almost certainly plays an important role in this geographical distribution. In addition, there are several unregulated banks in the Gaza Strip (which do not hold a permit from PMA). Consequently, the unequal provision of financial services between the West Bank (including East Jerusalem) and the Gaza Strip has grown across the five-year period 2016 to 2021. Bank branches continue to be set-up disproportionately in the Ramallah governorate, where 82 branches were registered in 2021; a growth of 36.7% relative to 2016. This is the largest absolute growth in the number of branches within any governorate. By comparison, in 2021 there were 55 branches in Hebron, compared with 46 in 2016, a growth of 19.6%. The number of branches in Nablus increased to 44 by 2021, or by 15.8%. The number of bank branches in Gaza City decreased by one, from 26 to 25, between 2016 and 2021. The largest proportionate growth of bank branches by governorate has been in Tulkarem (from 13 to 21 branches, a growth of 61.5%) and East Jerusalem (from 16 to 24 branches, a growth of 50%).

The number of licensed money-exchange centres and branches has not grown significantly between 2016 and 2021. In 2016, there were 311 such facilities, rising to 326 in 2021. The geographic distribution of these facilities mirrors the concentration of bank branches. In 2021, there were 81 money-exchange centres and branches in the Ramallah governorate, compared with 46 in the Nablus governorate, 40 in the Hebron governorate and 23 in the Gaza City governorate.

The number of registered microfinance loans has fluctuated between 2016 and 2021, with an overall decrease. Fluctuations do *not* correspond to the Covid-19 outbreak in this instance. In 2016, there were 68,735 recorded loans, dropping to 64,753 recorded loans by 2021. The number of microfinance loans taken out in the largest governorates – Nablus, Ramallah, Hebron and Gaza City – all declined during this period. However, there was a growth in the number of microfinance loans taken out in the smaller governorates: Jericho, Bethlehem, Qalqilya, Tubas and East Jerusalem. Further research is required to learn more about why this has happened, however, it can be postulated that the growth of banking has begun to displace microfinance in smaller cities and their surroundings. In other countries, microfinance has focused on rural areas, although the nature of the Israeli Occupation makes this more challenging in Palestine.

The number of Automatic Teller Machines (ATMs) increased rapidly between 2016 and 2019, then declined in 2020, presumably because of the Covid-19 pandemic. There was another increase in numbers in 2021, although this figure remains below 2019 peak. The number of credit cards in circulation declined considerably since 2016, when 118,076 cards were registered. By 2021, that number had fallen to 94,357, albeit a slight increase on 2020, when 91,476 credit cards were registered. This decrease might be related to greater use of debit cards, point of sale (POS) devices and e-wallets. The number of POS devices has increased from 6,251 in 2016 to 8,837 in 2021, while the number of debit card transactions on such devices has increased massively. In 2016, there were 49,792 recorded transactions; by 2021, this increased to 551,838 recorded transactions, more than a ten-fold increase. The value of debit card transactions on POS machines also increased by a factor of (just more than) ten in the period 2016 to 2021. This compares with a roughly consistent number of credit card transactions on POS machines, which increased from 308,454 in 2016 to 377,211 in 2021. The value of credit card transactions was also roughly consistent across the period 2016 to 2021. The use of e-wallets has increased exponentially. Data is only available from 2020 onwards, yet, it shows an almost ten-fold increase in the value of mobile-phone money transactions, from US\$ 6,866,768 in 2020, to US\$ 55,305,663 in 2021. As with other financial products and services, the Ramallah governorate remains the geographical centre of usage. In 2020, 26% of the value of all transactions was recorded in Ramallah, while in 2021, this figure rose to 28.5%. Unsurprisingly, other governorates with large cities (Hebron, Nablus and Jenin) also reported relatively high levels of use, measured in U.S. dollar value. However, unlike bank branches, mobile money has a much more significant presence in the Gaza Strip. 17.8% of the value of all transactions in 2021 was recorded in Gaza City, second only to Ramallah, and well in excess of the amounts recorded in other, large urban governorates. More research is required to determine if the growth in such transactions was linked to Covid-19 restrictions and the promotion of cashless transactions. New financial technologies (FinTech) have been promoted as part of the National Strategy for Financial Inclusion.

Insurance has been another sector that has grown relatively quickly in the last five years. The number of branches increased from 128 (2016) to 174 (2021). This has matched the growth in premiums (the value of sold insurance products), which increased from US\$ 195.6 million (2016) to US\$ 341.5 million (2021). There is a more detailed examination of insurance services' usage in the next section of this report.

Mobility

Geographical access to banks is **not** a factor limiting financial inclusion in Palestine. 85% of all respondents reported that bank branches were 'easy' or 'very easy' to access. There was a difference in reported ease of access between respondents in the Gaza Strip, 91.5% of whom selected 'easy' or 'very easy', and the West Bank (81% of respondents). There was also variation within these regions, with 91.9% of respondents from the Tubas governorate, 92.8% of respondents from the Tulkarem governorate and 91.6% of respondents from the Nablus governorate, describing access to bank branches as 'easy' or 'very easy'. This compares with 76.7% of respondents from the Salfet governorate, 68.3% of respondents from the Hebron governorate and just 43.1% of respondents from the Jericho governorate. Within the Gaza Strip, 93.7% of respondents from the Gaza North governorate, 96.1% of respondents from the Deir Al-Balah governorate, and 96.5% of respondents from the Rafah governorate, described access as 'easy' or 'very easy', compared with 81.7% of respondents from the Khan Yunis governorate. Respondents who live in rural areas are less likely to report 'easy' access to bank branches (75.1%), compared to respondents in urban areas (86.5%) and camps (89.6%), noting that camps are mostly located in urban areas.

When examining survey data on respondents who do not have a bank account, geographic distance remains a non-factor. Only 10% of respondents choose geographic distance as the reason for not having a bank account. Although there are far more bank branches in the West Bank, a greater percentage of respondents living there (14.1%) cited distance as the reason for not having a bank account, compared with 5.4% of respondents in the Gaza Strip. This is not surprising given the spatial density of the Gaza Strip. There was little difference in response rates between those living in urban areas, rural areas or camps. However, less densely populated areas with fewer branches were more likely to feature this factor. 42.4% of respondents who live in the Jericho governorate and do not have a bank account agreed with the statement that 'banks were too far away'. By comparison, only 2% of respondents who live in the Ramallah governorate and do not have a bank account stated the same reason.

84.8% of all respondents reported that ATMs were 'easy' or 'very easy' to access. Given that bank branches typically have ATMs, it is not surprising the figures are similar. However, while responses on bank access did not differ much according to gender, there was greater divergence according to gender in relation to ATM access. 89.5% of male respondents reported 'easy' or 'very easy' access, compared to only 80% of female respondents. 83% of respondents living in the West Bank reported 'easy' or 'very easy' access, compared with 87.7% in the Gaza Strip. There were notable differences between responses from urban areas (86.2%), camps (85.6%) and rural areas (77.7%). There was also significant variation within the West Bank, with 44.4% of respondents in the Jericho governorate reporting 'easy' or 'very easy' access, compared to 90.7% in the Tubas governorate and 93.6% in the Tulkarem governorate. There was also some variation in the Gaza Strip. 93% of respondents who live in the Gaza North governorate reported 'easy' or 'very easy' access, as did 94.9% in the Rafah governorate, compared to 82.3% in the Khan Yunis governorate, the lowest of any governorate in the Gaza Strip.

Exchange and remittance companies were judged to be 'easy' or 'very easy' to access by 82.7% of respondents. A much greater percentage of Gaza Strip residents (89.4%) selected these responses compared with West Bank residents (78.6%). 63.5% of respondents said that insurance companies and agents were 'easy' or 'very easy' to access. There was a significant difference in responses between West Bank residents (69.8%) and those in the Gaza Strip (53.4%). About half of all respondents said that agents for electronic payment companies and electronic banking services were 'easy' to access. More than one in five respondents did not know how to answer either of these questions. In both cases, respondents residing in the West Bank were more likely to find access 'easy' or 'very easy' relative to residents in the Gaza Strip. At the lower end of the spectrum, only 31.9% respon-

dents specified that it was 'easy' or 'very easy' to access a brokerage branch, while 27.5% of all respondents said it was 'easy' or 'very easy' to access the branch of a leasing firm. In both these cases, 36.4% and 41.3% of respondents did not know how to answer this question respectively. This type of response exceeds those who said it was 'difficult' or 'impossible' to access such services, suggesting that a lack of knowledge is more the key issue than geographical access.

Attitudes

Access to financial products and services is also governed by people's attitudes towards them. The most commonly selected factor for choosing a financial product or service is 'how well the service matches the customer's needs', identified by 83.5% of respondents. Those from the West Bank (85.8%) were more likely to select this factor than those in the Gaza Strip (79.8%). Respondents from rural areas (89.6%) were more likely to select this factor than those from urban areas (83.0%) and camps (77.2%). The reputation and trust of the provider (82.3%), the suitability of the product or service to the customer's capabilities (82.1%), and the cost-benefit of the service (80.7%) were also commonly selected as key factors. The geographical pattern of these responses match those of the most popular response: West Bank residents are more likely than Gaza Strip residents to select them, while respondents in rural areas are more likely to select these responses than those in urban areas, who in turn are more likely to select them than respondents from camps. There was a stronger preference among male respondents for all of these factors.

Challenges and obstacles that hinder access to financial services

Accessing finance is heavily conditioned by whether people have money. The survey data shows that many respondents do not have the required money, a precondition for accessing most financial products and services. Almost 50% of respondents had no income themselves, and over one-third (38%) live in a household with a monthly income of less than NIS 2,000. There is a clear geographic divide, with 79.5% of respondents in the Gaza Strip reporting that their household's income is less than NIS 2,000 per month, compared with 11.7% of respondents in the West Bank. 91.2% of respondents in the Gaza Strip reported no personal income, or a personal income of less than NIS 2,000, compared with 55.3% of West Bank residents. Female respondents (47.9%) are more likely to live in households with less than NIS 2,000 monthly income relative to male respondents (38.7%). Moreover, women are much more likely to report no personal income (71.9%) than men (16.6%). There were no discernible patterns with regards to age, except that the youngest age cohort (18-24 years) had the highest percentage of 'no income' responses (64.1%). This corresponds with data on unemployment rates. 41-43% of most other age cohorts reported no personal income, with higher values (around 50%) for those aged 25-29 years, and those aged 60 years and over. 31.4% of respondents aged 65 years and older – or the retirement age - reported a monthly income of NIS 2,000 shekels or less, more than any other age cohort, indicative of smaller income upon retirement. Unsurprisingly, those who reported being unemployed and being out of the labour force were much more likely to report no personal income than those in employment. However, 33.4% of respondents who are employed earn a monthly income of NIS 2,000 or less, suggesting that in many cases, wages are insufficient.

Almost 50% of all respondents said they could not cover their expenses in the last two years, of whom 83% cut back on spending to address this issue, 67% borrowed from family and friends, while 35% delayed bills' repayment. While male respondents were more likely to engage in these practices, female respondents were more likely than men to perform extra work as a means of coping during the Covid-19 pandemic. 26% of respondents indicated that their household can only cover living expenses for less than a week if they were to lose their main source of income, without borrowing or moving house. 35% of respondents said they could cover expenses for more than a week, but less than a month. All of these factors point to a fundamental lack of money as the main reason why people do

not use commercial (including Islamic) financial services. For example, the most common reason across all respondents for not having a bank account, given by 75.6% of respondents, is 'not having extra money'. This will be discussed in more detail in the next section. While income data is notoriously unreliable, as there is a strong bias towards people under-reporting their income, survey data nevertheless highlights a disparity between the West Bank and the Gaza Strip, while underlining the significant challenges that a lack of income causes for commercial financial services.

However, this key issue was only indirectly reflected in data collected from financial product and service suppliers. When asked about the challenges they face in improving people's access to finance, they reported 'lack of credit data or usable collateral' (85.1%), 'the high risk profile of those excluded' (76.6%), 'strict identity and documentation requirements' (75.1%), 'weakness of financial technology in some sectors' (74.4%) and political factors including 'restricted access to Area C' (79.1%), 'Gaza closure' (82%) and 'the PA's ongoing fiscal crisis' (84.4%).

Factors that often impede access to financial services and products in other contexts - such as mobility - are present in Palestine, but relatively limited due to the size and density of the territory. Financial products and services are still overwhelmingly concentrated in the West Bank, within the Ramallah governorate specifically. Residents in the Jericho governorate reported significant issues with access, relative to other areas of Palestine. Although there are less product and service providers in the Gaza Strip, residents report higher levels of easy access to banks, ATMs and exchange and remittance companies. Access to insurance companies is a notable exception, which may be due to the lack of insurance services, given the frequent attacks on Gaza by Israel. Although it is hard to say for certain, the number of respondents who selected 'I don't know' or similar answers in the survey indicates that access problems stem from a lack of knowledge about products and services.

2. Usage of Financial Products and Services

Introduction

Definitions of financial inclusion quickly recognised the limits of focusing solely on access and incorporated the usage of financial products and services. This expansion of the definition recognises that “while consumers may have the choice to use certain services, other factors may affect and restrict this”. (Kirwan 2021: 8) The data in this section outlines how existing services are used. It shows greater usage of commercial products and services among residents of the West Bank relative to the Gaza Strip, and greater use by men compared to women.

Supply side

The PMA and PCMA collect data from the companies they regulate, which gives an accurate picture of product provision from the supply side. PMA data indicates that in September 2022, there were 3,341,110 personal bank accounts: 2,279,375 owned by men and 1,061,735 by women. It is important to reiterate that this is the number of accounts – it does not report individuals who own multiple bank accounts. Of these accounts, 1,439,170 (or 43.1%) are classified as active by the PMA. The majority of all bank accounts are savings' accounts (1,735,779) and current accounts (1,469,451), with fewer term deposits (78,930) and basic bank (or 'financial inclusion') accounts (41,092). Almost one in five (19.6%) of all individual accounts are held in banks in the Ramallah governorate. The Gaza City governorate (15%), the Nablus governorate (14.2%) and the Hebron governorate (12.2%) also have a significant number of bank accounts.

In June 2022, there were around 363,000 outstanding bank loans, worth US\$ 12.55 billion. Less than half this value (US\$ 5.4 billion) are loans extended to individuals. The largest group of individual borrowers are those working in the public sector, accounting for 12.5% of the total value of outstanding loans. This is because their salaries are utilized as collateral for repayment. Registered companies account for the largest amount of borrowed credit, equivalent to 36.5% of the total value of outstanding loans. Commercial banks have lent 79.4% of outstanding bank credit, with Islamic banks lending the remainder. 81.1% of loan contracts are personal loans, but they only account for 24% of the total value of outstanding loans. This suggests most personal borrowing is for small amounts of credit. Non-bank lenders held 84,299 active loan contracts in June 2022, with an outstanding value of US\$ 357.4 million. Among specialized lending institutions, the Palestinian Institution for Credit and Development (Faten) accounts for 33.1% of loan contracts and 42.6% of the outstanding loans' value. UNRWA accounts for 29% of loan contracts but only 5.2% of the value of outstanding MFI loans.

In 2021, 549,112 private insurance policies were issued. By far the most common policy was vehicle insurance, which accounted for 85% of all issued policies. Companies listed on the Palestine Exchange accounted for 63,305 listed shareholders (this figure does not account for organisations or individuals holding shares in multiple companies). 1,900 financial leasing contracts were issued in 2021, to the value of US\$ 102,155,032. 37.6% of these contracts were made in the Ramallah governorate, totalling 43.9% of the total value of all contracts.

While commercial companies are reluctant to release data on the usage of their products, in the supply survey, 79.2% of institutions reported growth in the usage of their services during the last three years by low-income customers. 66.7% of financial service and product providers reported growth in the usage of their services by women over the last three years. The most commonly cited reason for the growth in the low-income customers' segment was the design of new products and services specifically for them, selected by 60.4%

of institutional respondents. The same answer was also the most commonly selected reason for the growth in women customers, but only by 37.5% of institutional respondents. These responses match data on the provision of new products and services. 91.7% of companies have designed products and services specifically for low-income clients, while only 83.3% have designed products and services specifically for women.

Demand side

The most popular type of financial service/product in Palestine is insurance, and specifically health insurance, which 71.4% of respondents hold (see Table 1). The reason for this is very straightforward. The PA runs the public health insurance scheme and most people gain access to this scheme through their employer: either they themselves or the government cover the costs. 69% of male respondents and 73.9% of female respondents hold this form of insurance. This service - and UNRWA's health insurance - are notable in that they are the only financial products used more by women than men. Geographically, 84% of Gazan respondents hold public health insurance, compared with 65.5% of respondents living in the West Bank and East Jerusalem. When employment status is taken into account, it is notable that both students (73.8%) and housewives (75.7%) have levels of access to public health insurance that exceed the population average. Use of public health insurance has increased since 2016, when levels of household ownership stood at 63.8% of respondents (compared with 72.6% of households in 2022). State-provided insurance is not usually considered a financial product because it does not seek to generate profit. However, the data shows that this not-for-profit approach is more appropriate for low-income and no-income populations, achieving much wider coverage than any for-profit product or service.

Table 1: Most widely owned financial products and services in Palestine (2022) (10%+ of sample)

Financial product/service	Percentage of respondents that own/use this product/service
Public health insurance	71.4%
Current bank account	29.3%
Debit card	26.6%
Private insurance	16.0%
Currency exchange services through money exchangers	14.9%
Loan from family or friend	13.8%
Electronic point of sale	12.6%
Savings bank account	11.8%
Mobile banking services	11.3%

Banking usage

The research team created a composite measure of respondents who own at least one type of bank account – a current account, a savings' account, a joint bank account, a bank deposit or a deposit account in an Islamic bank. 34.8% of all respondents have at least one type of bank account and 8.2% of the population have two or more accounts. This means that almost a quarter (23.6%) of the population who are 'banked' have more than one account, a proxy for financial 'depth'. Those living in the West Bank are (more than) twice as likely (43.9%) to have at least one type of bank account as those residing in the Gaza Strip (20.0%). Almost half of all men surveyed (48.7%) owned some type of bank account, com-

pared with roughly one in five women (20.5%). When geography and gender are combined, men in the West Bank are (more than) twice as likely (60.3%) to own at least one type of bank account relative to women in the West Bank (27.0%). Female bank account ownership in the West Bank is similar to male bank account ownership in the Gaza Strip (29.7%), and far exceeds female bank account ownership in the Gaza Strip (10.2%). People aged 18-24 years (28%) and 60+ years (40%) are significantly less likely to own any type of bank account. The reason for this is likely to be higher unemployment among young people, and leaving the labour force among older people. 60.5% of employed respondents had some type of bank account, but only 16.2% of unemployed respondents. 18.3% of those who have left the labour force own some type of bank account. The greater the income at both the household and individual level, the more likely someone is to have some type of bank account.

In order to unpack the use of banking in more detail, the next paragraph focuses on current account usage. As Table 1 indicates, this is the second most widely used financial product/service in Palestine.

29.3% of all survey respondents reported owning and using a current account at a bank. It is worth noting gender and geographical disparities in these figures. 42.5% of male respondents said they own and use a current account, compared to only 15.9% of female respondents. 36.3% of respondents in the West Bank own a current bank account, compared with 18% of respondents from the Gaza Strip. There are significant differences at the sub-regional level. 44.9% of all respondents living in the central West Bank own a current account, compared with 35.4% in the southern West Bank and 31.2% in the northern West Bank. Gender differences in the central West Bank, while still significant, are less pronounced than those across the population as a whole. 59.9% of male respondents own a bank account, as well as 29.5% of female respondents. By contrast, in the southern West Bank, 54.3% of male respondents own a current account, as well as 17.4% of female respondents. In the Gaza Strip, differences between sub-regions are relatively small, with 20.2% of all northern Gaza Strip respondents, 19.7% of central Gaza Strip respondents, and 16.4% of southern Gaza Strip respondents owning a current bank account. However, gender differences within these regions are more significant. In the northern Gaza Strip, men (25.8%) are almost four times as likely to own a current account as women (6.8%). This is the largest gender gap across all sub-regions. Men (30.5%) in the southern Gaza Strip are three times more likely to own a current account than women (10%), a gender gap that is similar to the southern West Bank.

Although overall levels of savings' account ownership at a bank are much lower (11.8%), patterns of ownership are similar to those for current accounts. Men (16.9%) are almost three times as likely to own a savings' account than women (6.6%), while residents of the West Bank (16.3%) are almost four times as likely to own a savings' account than residents of the Gaza Strip (4.7%). At the sub-regional level, the gender gap is most pronounced in the southern West Bank, where men (24.4%) are almost five times as likely as women (5.4%) to own a savings' account. In the central Gaza Strip, men (5.7%) are four times as likely to own a savings' account than women (1.4%). It should be noted that savings' accounts are the financial product that most respondents (28.6%) do not currently own, but indications are that they may need this in the future. This indicates a desire to save money, if and when possible.

It is useful to compare briefly data on usage with similar data collected in 2016. While that data set is not as detailed (and findings were generated at the household level rather than the individual level), the comparison shows increasing levels of current account ownership (from 27.9% to 29.3%) and savings' account ownership (from 11.2% to 11.8%). However, ownership of a bank deposit declined (from 1.8% to 0.8%), as did deposit accounts at Islamic banks (from 0.5% to 0.4%).

Debit card usage

The second most used commercial, financial product - the debit card - exhibits similar geographical and gender patterns to current account ownership. While 26.6% of all respondents own and use a debit card, there are significant geographic differences. 34% of all West Bank respondents own a debit card compared with 14.5% of Gaza Strip respondents. There are also significant gender differences, with 38.5% of male respondents owning a debit card, compared to 14.3% of female respondents. Sub-regional data shows that debit card ownership is highest in the central West Bank (39.6%), given higher levels of female ownership. 53.1% of men in *both* the central West Bank and southern West Bank own debit cards, but 25.8% of women own debit cards in the central West Bank compared with 15.7% in the southern West Bank. In the northern Gaza Strip, the sub-region with the lowest level of debit card ownership (13.8% of total population), gender differences are the greatest, with 22.1% male ownership compared with 5.5% female ownership. This sub-region is also the area where female ownership of debit cards is lowest.

Usage of currency exchange services

The usage of currency exchange services (by 14.9% of all respondents), shows similar patterns with regard to usage by gender. 21.1% of male respondents use this service, compared with 8.5% of female respondents. However, geographical patterns of usage differ from those of current account and debit card ownership. There is less difference between the overall responses from the West Bank (16.2%) and the Gaza Strip (12.7%). At the sub-regional level, the northern West Bank is where currency exchange services are used the most (19.2%). Levels of use in the central West Bank (16.9%) are similar to those in the southern Gaza Strip (16.3%). The central Gaza Strip is the sub-region where currency exchange services are used the least (8.8%). The overall gender divide is present at the sub-regional level, and most pronounced in the central Gaza Strip.

Insurance usage

Private insurance policy ownership stands at 16% across the whole of Palestine. When combined with ownership of *takaful* insurance products, the figure rises to 17.9%. Men (16.9%) are slightly more likely to hold a private insurance policy than women (15.2%). Geographically, ownership is slightly greater in the Gaza Strip (17.4%) than the West Bank (15.2%). However, ownership varies considerably when examined at the sub-regional level. 26.2% of respondents in the northern Gaza Strip and 22.6% of respondents in the northern West Bank have a private insurance policy. In the northern Gaza Strip, a greater percentage of women (30.4%) own private insurance compared to men (22.7%). Levels of private insurance ownership are much lower in the southern Gaza Strip (5.8%), central Gaza Strip (7.7%), central West Bank (9.8%) and southern West Bank (10.6%). Vehicle insurance is the most widely owned form of private insurance (15.5%), but ownership of this product occurs almost exclusively in the West Bank. 24% of West Bank residents have vehicle insurance, compared with 1.8% of Gaza Strip residents. Residents in the central West Bank (40.3%) participate in vehicle insurance at a higher rate than those in the northern West Bank (17.4%) and southern West Bank (18.3%). In general, ownership is skewed towards men (22.6%, c.f. 8.1% of all female respondents), a fact also reflected by sub-regional data. Historic data from 2016 shows that ownership of private insurance has increased significantly, from 6.8% to 16%, with a small increase in *takaful* insurance policy ownership (from 1.6% to 2.1%).

Making use of family financing

Borrowing from family and friends is 'used' by 13.8% of the Palestinian population and demonstrates a similar gender gap (17.5% for men compared with 10.1% for women) to commercial financial products and services discussed so far, but a very different geographical distribution. 23.3% of Gaza Strip residents borrow from family and friends, compared with 7.9% of West Bank residents. At the sub-regional level, respondents in the central West Bank were least likely to use this service (2.4%), with female respondents living in this

sub-region (1.4%) the least likely group of respondents in any place to use this service. Levels of usage are higher in the northern West Bank (10.5%) and southern West Bank (9.5%). Gender differences between men and women in these sub-regions are similar to national figures. The sub-region where people most borrow from family and friends is the central Gaza Strip (27.3%). Use of this service by male respondents (35.3%) and female respondents (19.1%) is higher in this sub-region than in other sub-regions of the Gaza Strip.

Usage of digital financial services

A composite measure was created to examine usage of digital financial services. This included all respondents who used at least one of the following services: online banking services, mobile banking services, electronic wallets and online bills' payment. 15.1% of the population use digital financial services, with greater use in the West Bank (19.4%) than in the Gaza Strip (8.1%). Across all respondents, men (22.4%) use these services much more than women (7.6%). Gender and geography combine in terms of usage, such that more than one in four men in the West Bank use digital financial services (28.2%), compared with roughly one in ten women (10.4%). This is similar to the percentage of men in the Gaza Strip who use digital financial services (12.9%), while the percentage of women in the Gaza Strip who use digital financial services is significantly lower (3.2%). It should be noted that digital financial services are used by a much greater percentage of respondents in the central West Bank (28.4%) than in other sub-regions. Approximately one-quarter of respondents living in the West Bank and aged 24-39 years made use of digital financial services. Employed respondents (29.1%) were much more likely to use digital financial services than unemployed respondents (5.1%) and individuals not in the labour force (6%), reflecting broader patterns in the usage of financial products and services according to employment status.

The most widely used digital financial service was electronic POS (point of sale) services, used by 12.6% of the whole population. Men (16.8%) use this service twice as much as women (8.3%), and usage is more widespread in the West Bank (14.4%) than in the Gaza Strip (9.7%). Sub-regional data shows some interesting geographic variations. Usage is much higher in the southern Gaza Strip (19%) than in the central (7.2%) and northern (5%) Gaza Strip. In fact, it is most similar to usage in the northern West Bank (21.9%), which in turn is much greater than in the southern (11.5%) and central (6.7%) West Bank. Gender differences in usage within these sub-regions vary considerably. In the northern West Bank, men (25.6%) are more likely to use electronic POS services than women (17.8%), a gender gap that is similar to the southern Gaza Strip (male usage stands at 23.5%; female usage at 14.4%). The gender gap is considerably larger in the central West Bank. 11.6% of men use electronic point of sale services compared with just 1.7% of women. Women in the northern Gaza Strip (1.9%) and the central Gaza Strip (2.5%) also rarely use electronic POS services. Further research is required to explain why geographical differences in electronic POS usage differ from broader patterns of ownership and use of financial products and services across Palestine.

Mobile banking services, used by 11.3% of the whole population, are used much more widely in the West Bank (15%) than in the Gaza Strip (5.4%), and much more by men (16.7%) than women (5.8%). There are significant differences at the sub-regional level, with male respondents (32.1%) and female respondents (16.3%) in the central West Bank using mobile banking services at a higher rate than the national average. Mobile banking is used twice as much in the central West Bank (24.3%) as the northern West Bank (11.4%) and southern West Bank (11.5%), and almost five times as much as sub-regions in the Gaza Strip.

Savings

One of the most common justifications for financial inclusion is that it allows people to save money in a safe manner. Therefore, it is worth examining the data on savings more carefully. Given the state of incomes and the overall economic situation across the first two

years of the Covid-19 pandemic, it is not surprising that (roughly) only one in five respondents (19.2%) reported saving money (by any method) between June 2020 and June 2022. When this is disaggregated by gender, male respondents (22.2%) are more likely to report having saved money than female respondents (16.1%). There is an even greater geographical divide between respondents from the West Bank (24.1%), and those from the Gaza Strip (11.3%). Within the West Bank, there were higher levels of reported savings in the northern West Bank (26.5%) than the central West Bank (21.8%) and the southern West Bank (22.9%). Men in the southern West Bank (32%) have the highest level of reported savings, while women in the southern West Bank are the least likely to report savings (85.7%) of any group in the West Bank. This illustrates a significant gender divide in savings' behaviour, in the southern West Bank in particular. In the Gaza Strip sub-regions, a greater percentage of residents of the northern Gaza Strip (12.9%) saved when compared with those in the southern Gaza Strip (9.9%) and the central Gaza Strip (8.6%). 94.2% of women in the central Gaza Strip did not save any money in the last two years, the lowest level of saving in any sub-region of Palestine. Levels of education have a significant impact on savings' activity, with more educated respondents more likely to save money. Unsurprisingly, those earning higher incomes were also more likely to save. As the remaining paragraphs in this section demonstrate, data on savings shows that many people still use what might be termed 'social methods' – family, friends and savings' groups – although saving at a bank is also widely used.

Among respondents who had saved money in the last two years, the most common method of saving was at home. 60.4% of respondents use this method, with a clear gender divide. 52.5% of male respondents who saved did so at home, compared to 71.4% of all female respondents. People living in the Gaza Strip (75.7%) saved money at home much more than residents of the West Bank (55.9%). There were no discernible trends with regard to age, but the greater someone's level of education, the less likely they are to save money at home.

The second most popular method of saving money was in a savings' account at a bank, used by 34.9% of all respondents who saved money in the last two years. Male respondents (44.4%) were much more likely to use a savings' account at a bank than female respondents (21.5%). Residents of the West Bank (38.2%) were more likely to use this method than residents of the Gaza Strip (23.8%). Age was not a factor, while respondents with high levels of education and income are more likely to use this method. Among respondents who had a savings' account at a bank, 50% saved money in the last two years. However, among respondents who have a current account, only 31.4% saved money. This suggests those who own a savings' account at a bank have a greater capacity to save than the population as a whole. It does not follow that higher levels of bank account ownership will lead to more savings.

The third most popular method of saving, chosen by 28.8% of respondents who saved money in the last two years, was saving with a family member. While more women save at home, more men save with a family member. 35.4% of male respondents chose this option, compared with 19.6% of female respondents. Gender seems to be the predominant factor influencing this practice, with no discernible trends according to geography, age, income or education.

16.4% of respondents who saved in the last two years have done so through a savings' group, with female respondents (18.6%) more likely to use this method than male respondents (14.8%). Data indicates that this method of saving is also slightly more popular in the West Bank (17.2%) than the Gaza Strip (13.4%). While there are no discernible trends according to age and education, middle-income earners (earning between NIS 2,501 and NIS 5,000 per month) were more likely to save in this way. This is probably because they have some extra income to save, but want to do so in a cost-effective manner.

Borrowing

Borrowing money from for-profit companies remains low across the Palestinian population as a whole. 3.5% of all respondents have borrowed money from a bank, with a clear gender divide in responses. 5.4% of all male respondents and 1.5% of all female respondents have taken a loan from a bank. West Bank residents (3.9%) make greater use of bank loans than those in the Gaza Strip (2.8%). Residents in the northern West Bank (4.7%) and central West Bank (4.3%) have borrowed more from banks than those in the southern West Bank (2.4%). A higher percentage of respondents from rural areas and camps (both 4.5%) hold banking debts compared with respondents from urban areas (3.1%). 1.8% of all respondents have taken a loan from a specialised lending institution, while 1.2% have an overdraft facility. In both cases, a greater percentage of respondents did not know what these services were. 5.7% of all respondents have a credit card, although only 61% of these respondents use it at least once a month, while 16.9% reported not using it. As noted in the previous section, the use of credit cards has been overtaken by the use of debit cards.

Borrowing from non-financial sources, mainly family and friends, is much more common. 13.8% of all respondents have borrowed money from non-financial sources, with 92% of them borrowing from family and friends. Male respondents (17.5%) are more likely to borrow from family and friends than female respondents (10.1%). Residents of the Gaza Strip are much more likely to borrow from family and friends (23.3%) than residents of the West Bank (7.9%). Respondents living in rural areas (8.4%) borrow less from family and friends than respondents living in urban areas (14.5%) and camps (17.5%). 24.5% of male respondents borrowed to cover family expenses (20.5% in the preceding year), while 18.7% of female respondents also borrowed to cover family expenses (15.3% in the preceding year). This data indicates that a significant amount of borrowing is driven by necessity, particularly the economic hardship caused by ongoing colonial occupation coupled with the aftermath of Covid-19.

Frequency of usage

As widely noted in the literature on financial inclusion, there is often a gap between the ownership and the usage of financial services and products. This section explores data on the reported usage of financial products and services by those who own them. This offers a deeper understanding of the section of the population who (in most contexts) can be considered 'financially included' (by virtue of owning financial products and services).

When respondents who own a current account were asked how often they use it, the most common response, from approximately two-thirds of the sample (68.7%), was at least once a month but less frequently than once a week. Just over half (52.8%) of respondents who have a savings' account use it at least once a month but less frequently than once a week. Similarly, just over half (51.7%) of respondents who have a joint bank account use it at least once a month but less frequently than once a week. Broadly similar figures are reported by those who have taken out and are repaying a bank loan (51.7%) and by those who use overdraft facilities (57.1%), debit cards (57.6%) and bank cheques (60.2%), online banking (49.1%), mobile banking (50.8%), electronic POS (60.8%), e-wallets (49.4%) and leasing contracts (55.7%). Although only 6.7% of all respondents settle their bills online, 72% of those who use this service do so at least once a month. Since many of the commercial financial products and services mentioned in this paragraph are not necessarily used more than once a month, overall, these figures demonstrate a good level of usage among the population who own a product or service. Across all commercial financial products and services, not more than 3% of people who own a service do not use it, and for many products and services, the non-usage rate is even lower.

A closer look at geographical data with regard to current bank accounts – the most widely used for-profit financial service in Palestine – shows that usage is higher in the West Bank (where 78.4% of respondents who own an account use it at least once a month) than in the

Gaza Strip (67.3%). The percentage of respondents who use their account at least once a week - 8.5% in the West Bank compared with 2.5% in the Gaza Strip – accounts for a significant part of this difference. The use of a current account at least once a month is greater among men (77.9%) than women (70.3%). At the sub-regional level, the percentage of respondents who use their current bank account at least once a month is noticeably lower in the northern West Bank (71.1%) than in the central (82.3%) and southern (82.4%) West Bank. This usage rate is also lower than the prevailing rate in the northern Gaza Strip, where 73.4% of respondents use their current account at least once a month. The central Gaza Strip (60.3%) and southern Gaza Strip (61.8%) have the lowest percentage of respondents who use their current bank account at least once a month. It is noteworthy that none of the respondents from the central Gaza Strip indicated that they use their current account at least once a week. Only 1.4% of respondents in the southern Gaza Strip use their current account on a weekly basis. The gender divide in current account usage at the sub-regional level generally reflects national data. However, the northern Gaza Strip has little gender difference in the percentage of male (69.5%) and female (68.5%) respondents who use their current account at least once a month, but less frequently than once a week. Locality also makes a difference to current account usage. 78% of current account owners who live in urban areas use this account at least once a month, compared with 70.9% of current account owners living in rural areas and 62.8% of camp residents. Notably, these patterns of usage do not reflect patterns of ownership. Current bank account ownership is broadly similar in rural (30.7%) and urban areas (29.6%), both of which are greater than the percentage of camp residents who own current accounts (24.1%). Current account owners in rural areas use that service less.

Gender and geographical data for debit card usage follows similar patterns to data on current account usage. A greater percentage of men (78%) than women (66.9%) who own a debit card use it at least once a month. 76.6% of respondents who live in the West Bank and own a debit card, use it at least once a month, compared with 69.3% in the Gaza Strip. Using a debit card at least once a week is significantly different between the West Bank (20.5%) and the Gaza Strip (6.2%). There are also differences in usage within the West Bank. 32.3% of respondents in the central West Bank who own a debit card, use it at least once a week, compared with 11.6% of respondents in the southern West Bank and 18.1% of respondents in the northern West Bank. However, the percentage of respondents who own and use a debit card at least once a month is slightly higher in the southern West Bank (80.7%), compared to the northern (73%) and central (76.6%) West Bank. In the northern West Bank, the use of a debit card at least once a month is broadly similar between men (75.9%) and women (75.4%), and the percentage of female respondents in this sub-region who own a debit card and use it at least once a week (20.2%) is actually higher than male respondents (17.2%). There are significant differences in 'at least once a month' usage across the Gaza Strip sub-regions, with greater use in the northern Gaza Strip (75.6%) than the central (68%) and southern (59.8%) Gaza Strip. 75.9% of respondents from urban areas use their debit card at least once a month, while 19.4% use it at least once a week. 73.4% of respondents from rural areas use their debit card at least once a month, but only 12.5% use it at least once a week. 70.3% of respondents from camps use their debit card at least once a month, with only 8.2% using it at least once a week. In other words, urban residents use their debit card more frequently than people living in rural areas and camps.

Currency exchange services are used less frequently than banking services. Roughly one in five respondents in both the West Bank and Gaza Strip indicated that they used currency exchange services in the past, but do not currently use them. Monthly (or more frequent) usage of these services is greater in the central West Bank (47.3%) than in the southern (40.8%) and northern (32.2%) West Bank. Monthly (or more frequent) usage of currency exchange services is notably higher in the northern Gaza Strip (52.2%) and central Gaza Strip (51.4%), when compared to the southern Gaza Strip (26.8%). Respondents from urban areas who use currency exchange services do so more frequently than those from

rural areas and camps. The percentage of men who use currency exchange services at least once a month (43.6%) is greater than that for women (29.7%).

A greater percentage of men (40.1%) borrow from family and friends on a monthly (or more frequent) basis than women (34.7%). Of the 23.3% of Gaza Strip residents who borrow from family and friends, 47.3% do so at least once a month. Monthly (or greater) usage of this 'service' is broadly consistent across the northern (49.3%), central (43.1%) and southern (46%) Gaza Strip. Of the 7.9% of West Bank residents who borrow from family and friends, 19.2% do so at least once a month. Differences within the West Bank are much greater. 31.6% of respondents from the northern West Bank borrow from family and friends at least once a month, compared with 26.6% of residents in the central West Bank and just 6.9% of residents in the southern West Bank.

Data outlined in the previous section demonstrates that Gaza Strip residents reported easier access to financial providers than West Bank residents. This suggests that people do *not* borrow from family and friends because they cannot access for-profit financial products and services. When asked for reasons why they do not borrow from a financial institution, 60.5% of respondents from the Gaza Strip said they prefer to borrow from family and friends, 52.7% cited religious reasons, 40.1% selected inability to fulfil financial obligations, 40.5% do not have sufficient guarantees, 39.5% cannot meet borrowing terms, while 28.5% blame high borrowing costs. This data suggests that borrowing from family and friends is easier and cheaper than using a financial institution. This analysis is developed further in the next section.

Reasons for not using financial products and services

This section examines data on why individuals do not use commercial, financial products and services. It begins by looking at the most commonly owned for-profit financial service: a current bank account. 75.6% of respondents who do not own a current bank account selected 'not having extra money' as their reason for not doing so. At the national level, there is barely any difference in responses offered by male (75.5%) and female (75.7%) respondents, nor is there any discernible difference when disaggregated by age. However, geography plays an important role, with respondents from the Gaza Strip (82.1%) much more likely to select this option than those from the West Bank (69.9%). There is some variation at the sub-regional level. Respondents from the central Gaza Strip (88.6%) selected the option more than those in northern (79%) and southern (84.5%) Gaza Strip. Residents in the northern West Bank (77.9%) selected 'not having extra money' more frequently than those in the central (61.2%) and southern (67.7%) West Bank. There are also greater gender differences at the sub-regional level. In the central West Bank, 51.5% of male respondents cited the lack of extra money, compared with 66.9% of female respondents. However, in the southern West Bank, a much greater percentage of men (75.6%) selected this factor relative to women (62.5%). In the central Gaza Strip, a greater percentage of women (91.7%) selected this reason, relative to men (85%). As noted in the section on access, a lack of money is a barrier to using most for-profit financial products and services. Lower usage of commercial financial products and services in the Gaza Strip complements this data on not having enough money. These responses also align with data showing that a savings' account at a bank is the product that most respondents do not currently own, but may use in the future – when they envision having more money.

The second most commonly cited reason for not owning a current bank account - among those who do not have this product - is 'I don't need a bank account', chosen by 57.1% of respondents. 50.1% of male participants gave this answer, compared with 61.6% of female respondents. There were no evident trends when age is taken into account, although the youngest group of respondents (18-24 years) were the least likely of any age group to select this reason (only 51% of respondents in this age group cited this factor). Geography is less of a factor at the regional level, although more respondents from the West Bank

(59.4%) cited this reason than those from the Gaza Strip (54.4%). At the sub-regional level, respondents from the northern West Bank (63.6%) selected this factor more frequently than those from the central (54.7%) and southern (57.7%) West Bank. Respondents from the central Gaza Strip (65.4%) selected this option more frequently than those from the northern (51.9%) and southern (54%) Gaza Strip. Gender differences in responses are much greater in the Gaza Strip sub-regions, with women from the central (74.8%), southern (62.1%) and northern (59.8%) Gaza Strip selecting this factor more than male respondents in the same sub-regions (56.8% in central, 43.4% in southern and 41.9% in northern Gaza Strip), and more than female respondents in some West Bank sub-regions (56.2% in central and 56.8% in southern West Bank), but not all (68.4% in northern West Bank).

The third most commonly cited answer – ‘I prefer to keep my money in my possession’ – was selected by 53.5% of respondents. There is less gender variation in these answers, with male respondents (54.7%) making this selection slightly more frequently than female respondents (52.6%). There is almost no difference between respondents from the West Bank (53.9%) and those from the Gaza Strip (52.9%). However, there is large variation in responses at the sub-regional level. A far greater percentage of respondents from the central West Bank (67.2%) selected this factor than any other sub-region. Response rates from the southern (58.7%) and central (58.5%) Gaza Strip were higher than the southern West Bank (51.4%), northern West Bank and northern Gaza Strip (both 48.4%). Women in the central West Bank and southern Gaza Strip chose this reason more frequently than men in these areas. However, more men than women chose this factor in the northern West Bank and northern Gaza Strip. While there were no evident trends according to age or education, when responses are disaggregated by income, the greater a respondent’s monthly income, the more likely a respondent is to want to keep their money to themselves. 78.1% of respondents earning NIS 5,001-8,000 a month agreed - or strongly agreed - with this statement, as did 80% of respondents earning NIS 8,001-12,000 a month agreed. However, 89.5% of respondents in the highest income category (earning more than NIS 12,001 a month) disagreed with the statement that they prefer to keep money in their own possession. Given that most for-profit financial products and services in Palestine target individuals with relatively high incomes, this is an interesting area for further research.

34.7% of all respondents do not use a current bank account because someone else in their family does. There was significant gender variation in responses, with 24.6% of men selecting this answer, compared with 41.5% of women. There is also significant variation according to geography. 44.9% of West Bank residents cited this factor, compared with 23.1% of Gaza Strip residents. These patterns make sense, given the higher rates of account ownership among men and among residents of the West Bank. Responses vary considerably at the sub-regional level. Notably more respondents from the southern West Bank (55%) selected this choice than from the central (38.1%) and northern (40.3%) West Bank. This was also the case in the Gaza Strip, where respondents from the central Gaza Strip (36.8%) selected this factor more than those from the southern (28.8%) and northern (16.5%) Gaza Strip. Gender differences observed at the national level are present at the sub-regional level, with the exception of the central Gaza Strip, where the percentage of male respondents who selected this factor (37.2%) was slightly greater than female respondents (36.4%). Age also has an impact, with both male and female respondents aged 18-24 years (43%) choosing this factor more frequently than older respondents. However, there was little variation among age cohorts older than 24 years.

Insurance

When examining insurance products, 46.5% of all respondents indicated that they felt that the service costs for private insurance are high. The second most frequent reason cited for not having insurance was that a family member has coverage (35.9%), procrastination and evading compensation (34.2%), and religious reasons (30.4%). There is a gender divide in responses, with men citing cost (52.4% c.f. 40.4% women), religion (33.8% c.f. 27% wom-

en) and procrastination (40.5%, c.f. 27.7% women) more than women. However, a higher percentage of women (42.8%, c.f. 29.1% men) did not need insurance because a family member has it. There were also clear differences according to geography. West Bank residents selected all factors more than Gaza Strip residents (cost: 53.7% West Bank vs 34.7% Gaza Strip; religion: 34.5% West Bank vs 24% Gaza Strip; family: 38.5% West Bank vs 31.7% Gaza Strip; procrastination: 42.2% West Bank vs 21.2% Gaza Strip). High cost and family coverage was more likely to be selected by residents of the central West Bank, while religion was more likely to be selected by southern West Bank respondents. Procrastination was selected more by central and southern West Bank residents than northern West Bank residents.

Borrowing

Amongst those who have not taken a loan from a financial institution, the most common reasons for this preference are religion (55.5% of respondents), preferring to borrow from family and friends (50.5%), and not needing a loan (48.7%). When geography is taken into account, 60.5% of respondents from the Gaza Strip said they prefer to borrow from family and friends, 52.7% cited religious reasons and 43.1% said they did not need a loan. The preference for borrowing from family and friends - and not borrowing because of religious reasons - is particularly high in the central Gaza Strip (75%), while not needing a loan was most frequent in the southern Gaza Strip (51.8%). By contrast, 57.3% of West Bank respondents cited religious reasons, 52.2% said they did not need a loan, while 44.2% of respondents prefer to borrow from family and friends. At the sub-regional level, religious reasons (62.7%) and not needing a loan (57.4%) were most selected in the northern West Bank, while preferring to borrow from family and friends (48.5%) was most selected in the central West Bank. Male respondents (57.4%) were slightly more likely to cite religious reasons than female respondents (53.6%), and they (53.4%) demonstrated a stronger preference to borrow from family and friends than female respondents (47.6%). Female respondents (50.2%) were marginally more likely than male respondents (47.1%) to say they did not need a loan.

Summary of challenges

The data strongly indicates that a lack of money impacts individuals' usage of commercial (including Islamic) financial products and services. The majority of respondents have not been able to save in the last two years and do not have the extra money needed to open a bank account. Beyond this, geography and gender are both important factors in understanding usage. People in the West Bank tend to use commercial financial products and services more, while people in Gaza tend to use 'social' methods more (family and friends, saving at home). This is perhaps not surprising given the ways in which ongoing and intense colonial violence attacks the material and social fabric of life in the Gaza Strip. With regard to gender, men control money in most Palestinian families, which means they are more likely to use financial products and services in general, and for-profit services (beyond the scope of family) in particular. For financial product and service providers, all of the above factors translate to an inability to provide credit-based services, because of the lack of incomes and risk factors. While individuals face numerous challenges at the present that hinder their usage of commercial finance, the next section outlines products and services that are likely to be in-demand in the future.

Potential demand for financial products and services

The composite measure for bank account ownership includes ownership of a current account, a savings' account, a joint bank account, a bank deposit, or a deposit account at an Islamic bank. 37% of all respondents indicated that they may need at least one of these products or services in the future, but that they do not currently own any. Within this group, 44% of those who do not currently own any type of bank account indicated a potential future need for at least one type of bank account. This indicates that potential demand for bank account ownership will require a mixture of deepening (i.e. encouraging those with bank ac-

counts to have more of them) and broadening (i.e. encouraging those who do not have any bank accounts to open one). Perhaps unsurprisingly, there is a strong correlation between potential future demand and age, with younger cohorts reporting higher levels of demand. 54.6% of 18-24 year-olds reported that they may need at least one type of bank account in the future, compared with 15.4% of respondents aged 65 years and older. Levels of education broadly correlate with levels of potential future demand, such that the better educated a respondent, the more likely they are to indicate a future preference for a banking service that they do not currently own. Respondents who reported lower levels of personal income were more likely to report potential future demand than those on higher incomes. Potential future demand for bank accounts is higher among men (40.2%) than women (33.8%). At the regional level, potential demand is higher in the Gaza Strip (42.2%) than in the West Bank (34.2%). It is also higher in sub-regions where bank account ownership is lower.

27% of all respondents indicated that they may want a digital financial service in future. Digital financial services include online banking services, mobile banking services, electronic wallets and online bills' payment. From those who said they might need such a service in future, 61.4% do not currently use any type of digital financial services. In this area, meeting potential demand will involve broadening the population that uses them, more than encouraging those who use at least one service to use it more (i.e. deepening). Potential future demand is slightly higher in the West Bank (27.5%) than in the Gaza Strip (26.2%), with a clear gender bias towards male respondents (30.6%) compared to female respondents (23.5%). As with banking services, there is a strong correlation with age, such that the younger someone is, the more likely they are to potentially want digital financial services in the future. 41.3% of 18-24 year-olds reported that they may need at least one type of digital financial service in the future, compared with 12% of respondents aged 65 years and older. More educated respondents are more likely to report potential future demand. A greater percentage of middle-income earners reported potential demand than those on low and high incomes.

The research team created a composite measure of commercial borrowing, which includes taking a loan from a bank, a loan from a specialised lending institution, an overdraft or overdrawn account, a finance leasing contract, mortgage financing, financing in the form of *Murabaha* or *Mudaraba* and/or *Ijarah*, ending with ownership via Islamic banks. 23.8% of all respondents indicated that in the future, they may want commercial borrowing products or services. Within this group, most respondents (94.7%) have not already engaged in borrowing through a commercial organisation, indicating that the expansion of such services will be almost entirely a matter of broadening the population that uses them. Residents from the Gaza Strip (24.8%) reported slightly higher levels of potential future demand for commercial borrowing compared with the West Bank (23.3%). A greater percentage of men (28.4%) indicated potential future demand than women (19.2%). There is a clear relationship between age and potential demand for commercial borrowing, where younger people are more likely to report potential demand for commercial borrowing. However, there little difference between age cohorts for 18-44 years, with declining interest after that. Greater levels of education tend to indicate greater potential demand for commercial borrowing up to secondary education, at which point the relationship becomes inconsistent. Personal income does not have a clear impact on future demand in this area.

Private insurance - whether in the form of for-profit insurance or through a *Takaful* group - is the commercial product that is least demanded. 14.1% of all respondents indicated potential future interest in owning such insurance. Within this group, 85.4% of respondents do not currently own either type of insurance, suggesting that the broadening of the user base will be more important than deepening it. Potential demand is greater in the West Bank (15.5%) than in the Gaza Strip (11.4%), and greater among men (16.6%) than among women (11.6%). Younger people are more likely to articulate potential demand for commercial insurance, as are those with middle incomes. Less educated groups are less likely to want commercial insurance in future.

3. Financial Knowledge, Behaviour and Attitudes

Practitioners have drawn attention to financial literacy, or “the ability to make informed judgments and to take effective decisions regarding the use and management of money” (Nocctor et al. 1992, cited in Kempson et al 2017:7) as a crucial dimension of financial inclusion. This focus has developed into a more sophisticated understanding of people’s financial capabilities and ultimately their financial well-being (see Kempson et al 2017). One of the biggest challenges with measuring financial literacy and capability is that the tools used to assess these factors have been constructed based on a series of assumptions about wealth and income that are true for countries in the global North, but less applicable elsewhere. These concepts are therefore not suitable for global South contexts, where widespread lack of income makes questions about saving and engagement with financial products and services less meaningful. Furthermore, ideas about financial literacy and capability are now being challenged within the global North, due to massive inflation and the rise of deficit budgets (where income cannot cover expenses regardless of knowledge and behaviour). Consequently, the population survey did not set out to measure literacy per se, but rather examine specific forms of financial knowledge, behaviour and attitudes. This enables a better understanding of people’s engagement with finance.

Knowledge

In Palestine, personal social relations are the most dominant sources of information about finance. Friends and relatives were identified as the most important source of financial information by 31.4% of respondents, the largest of any category. 25% of respondents chose family and friends as their secondary source of knowledge about finance, while 21% relied on family and friends as their third most trusted source. 36.6% of respondents living in the Gaza Strip turn to family and friends as their primary source of information about finance, compared to 28.1% in the West Bank. 26.5% of male respondents rely primarily on family and friends, while 36.3% of female respondents rely primarily on family and friends. The higher his/her level of education and the greater the income a respondent earns, the less likely they are to rely on family and friends as their primary source of information. This data corresponds, although not necessarily in a causal sense, with data on savings and borrowing discussed in the previous section.

Previous experience is also an important primary source of information about finance for those who have it (23.2% of respondents). This is mainly chosen by male respondents, of whom 28.7% rely on it as their primary source of information about finance, compared to 17.6% of female respondents. There is not much difference between responses when analysed according to geography, nor are there evident trends with regard to level of education or income. However, respondents from rural areas (27.6%) were more likely to rely on previous experience than those living in urban areas (22.9%) and camps (18.2%).

The third most common source of knowledge about finance that respondents draw on in the first instance is information available through the branch of a financial institution, selected by 22% of respondents. There was no clear distinction in responses by geography, gender, age or income for this category, although respondents with higher levels of education selected this category more frequently.

Data collected in 2022 can be compared with that collected in a 2016 survey of Palestinian households, also on financial inclusion. In 2016, 36.8% households chose family and friends as their primary source of information about financial services and products. Therefore, the percentage of the population who rely on family and friends has decreased since 2016. The percentage of survey responses that selected ‘previous experience’ in 2016 was 9.2%, indicating that far more people now have experience that they rely on more than

other sources of information, when making financial decisions. The percentage of respondents who rely primarily on information obtained through branches has also increased from 16.6% in 2016 to 22% in 2022. This suggests that the expansion of financial products and services since 2016 has grown the sources of expertise beyond existing family and friend relationships.

The survey asked respondents the following question about interest rates: if you have \$100 today in your savings' account with a 2% annual interest rate, what will the amount be in a year from now if there are no fees or taxes? 42.2% of respondents provided the correct answer. This compares favourably with data from the 2016 survey, when only 29.2% of responses provided the correct answer. 2022 data demonstrates a clear gender gap in knowledge in relation to this question, with 50.5% of male respondents providing a correct answer, compared with 33.6% of female respondents. There is also a geographical difference with regard to the percentage of correct responses between residents of the West Bank (45.5%) and the Gaza Strip (37%). Within the West Bank a significantly higher percentage of correct answers were made in the northern West Bank (48.2%) and southern West Bank (50.8%), than in the central West Bank (34.8%). There was a much bigger gender gap between correct answers in the central West Bank than in the northern and southern West Bank. There was less geographical variation across sub-regions in the Gaza Strip, but significant gender gaps were present in each sub-region. Responses from urban areas (43.4%) were slightly more likely to be correct than those from rural areas or camps (both 38%). Younger respondents are slightly more likely to provide the correct answer, with a significant drop-off for respondents aged 65 years and older. Unsurprisingly, the respondent's level of education correlates strongly with giving a correct answer. Respondents with monthly earnings of NIS 8,001 and above were more likely to give a correct answer than those with lower incomes.

Questions about the link between risk and return (73.6%) and inflation and the cost of living (74%) were both answered correctly by close to 75% of all respondents. Again, the percentage of correct responses has increased since 2016, when 68.5% of responses about risk and return were correct and 68% correctly linked high inflation to a rising cost of living. In the 2022 data, for both of these questions there is a gender gap in responses, with 79.6% and 79.8% of male respondents providing the correct answers, compared to 67.4% and 68.3% of female respondents. Responses do not differ much by geography at the regional or sub-regional level, with the exception of a lower percentage (67.2%) of correct answers by residents of the northern Gaza Strip to the question about inflation and the cost of living. Higher levels of education and income correlate with correct answers, but age does not. For both questions, more respondents selected the answer 'I don't know' than those who gave an incorrect answer.

Questions about spreading investment risk over multiple products (64.8%), and making higher mortgage payments over a shorter time span (64.7%), were answered correctly by approximately two-thirds of 2022 respondents. Once more, we see an uplift from the 2016 survey, where 59.1% and 50.4% of respondents answered these questions correctly. In 2022, there is little difference between responses from the West Bank and the Gaza Strip, but at the sub-regional level, there is considerable variation. Correct responses from men and women in the northern West Bank (70.4% and 71.5% respectively) were significantly greater than those given by residents of the central West Bank (58.2% and 58.6%) and the southern West Bank (65.3% and 65.4%). Similarly, correct responses from male and female residents of the central Gaza Strip (67.1% and 72.9% respectively) were significantly greater than those given by residents of the northern Gaza Strip (61.1% and 58.4%) and the southern Gaza Strip (66.8% and 65.4%). There is a gender gap in responses to both these questions across the entire population. 70.2% and 71.3% of male respondents gave the correct answers, compared to 59.2% and 58% of female respondents. This gender gap is most pronounced in the West Bank. This is because while the percentage of correct answers given by women does not vary

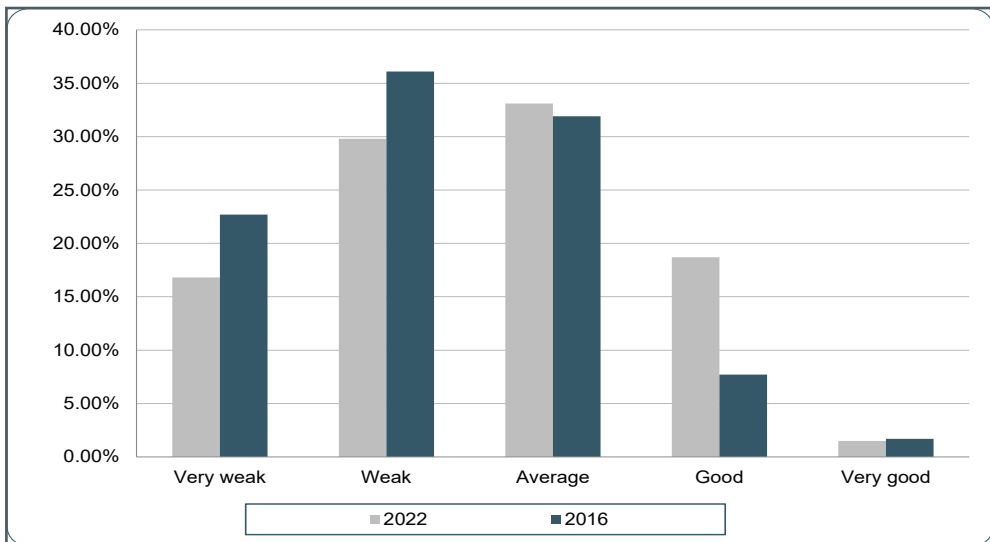
according to geography, while the percentage of correct answers given by men does. Respondents older than 55 years gave correct answers to these questions less often. Higher levels of education strongly correlate with correct answers, and respondents with higher levels of income are also more likely to provide a correct answer.

Over one-third of respondents who have taken out loans are aware that they are entitled to their credit report and a loan repayment schedule. This is similar to the 2016 response rate. There is a large geographical difference in responses to this question from the West Bank (42%) compared with the Gaza Strip (22.7%). 39.4% of respondents living in rural areas reported awareness of their rights, compared with 34.4% of respondents from urban areas and 28.5% from camps. There is a gender difference in responses, which reflects gender differences in terms of those who have taken out a loan from a financial institution. Overall, these responses indicate that financial providers need to better educate their customers as part of the process of selling products and services. Responses to more complex questions about regulatory bodies responsible for overseeing different financial services are notable for the percentage of people who selected 'I don't know'. However, the percentage of such responses has fallen since 2016. The survey asked three questions about cryptocurrencies that were not included in the 2016 survey. The most common response for all of these questions, 45.8%, 46.7% and 48.7% respectively, was 'I don't know'. This suggests a lack of knowledge about these digital tokens.

Composite measure

The research team combined 14 questions about financial knowledge, including those just discussed, to create a composite measure. For comparability, the team applied the same methodology - and used the same questions - as in 2016. The composite measure divides financial knowledge into five basic levels: very good (12 to 14 correct answers), good (9-11), average (6-8), weak (3-5) and very weak (0-2).

Figure 1: Percentage distribution of adult population based on Composite Financial Knowledge Score (2016 vs. 2022)

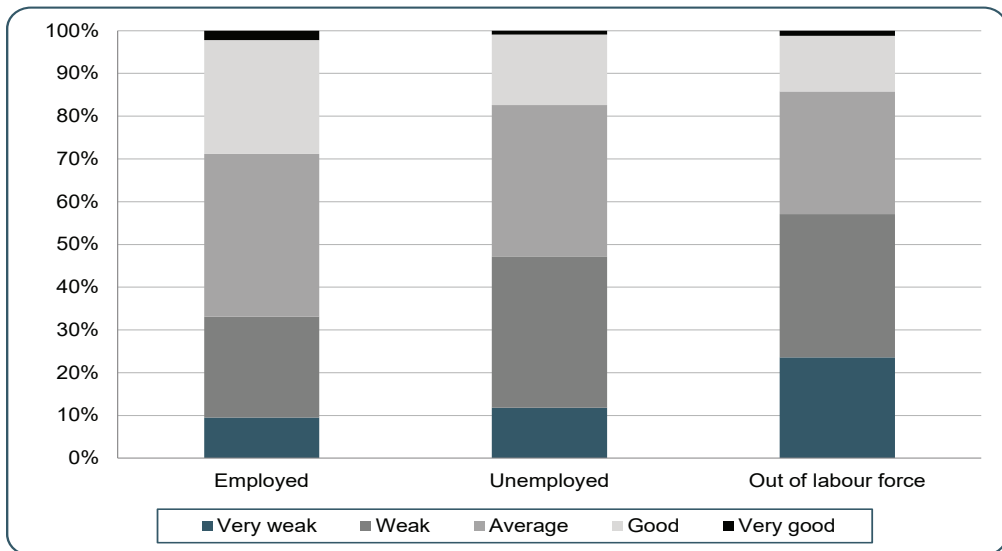


Overall, the composite measure shows an improvement in financial knowledge between 2016 and 2022. 53.4% of respondents achieved at least an average score in 2022, com-

pared to 41.2% in 2016. Most of the uplift was in the percentage of respondents who have good financial knowledge, which increased from 7.7% in 2016 to 18.7% in 2022 (see Figure 1). The percentage of respondents with very good financial knowledge is still less than 2%, while in the Gaza Strip this dropped from 1.3% in 2016 to 1% in 2022. Financial knowledge is generally higher in the West Bank (56.2% of respondents achieved at least an average score) compared to the Gaza Strip (48.7%). Within these regions, rates of financial knowledge are higher in the southern governorates, as opposed to the northern and central governorates. Rural areas witnessed the highest increase in the financial knowledge score, followed closely by urban areas, while camps witnessed a modest improvement.

There remains a large gender gap in financial knowledge, wider in the Gaza Strip than in the West Bank (particularly in the northern Gaza governorates). The demand-side survey shows a positive correlation between financial knowledge and education, and an inverted-U relationship between age and financial knowledge, with those in the age group 40-44 years achieving the highest scores (59.5% achieved at least an average score). Employability is important for financial knowledge - all groups that have higher rates of employment achieved a higher score in the composite measure. 26.6% of those employed achieved a good financial knowledge score, compared to 16.4% among those unemployed and 13.0% among those outside the labour force. The majority of those who achieved a very good and a good score (56.4%) are employed. On the other hand, the majority of those who achieved a very weak score are outside the labour force (70.4%). Among those employed, 75.3% of those who receive their salary through a bank account achieved at least an average score in the composite measure, compared to 61.4% among those who receive their salary in cash. This analysis suggests that financial knowledge is first and foremost developed practically, through the lived experience of using financial products and services on a regular basis. This argument is supported by data about sources of knowledge discussed earlier in this section, which shows family and friends - and previous experience - as key.

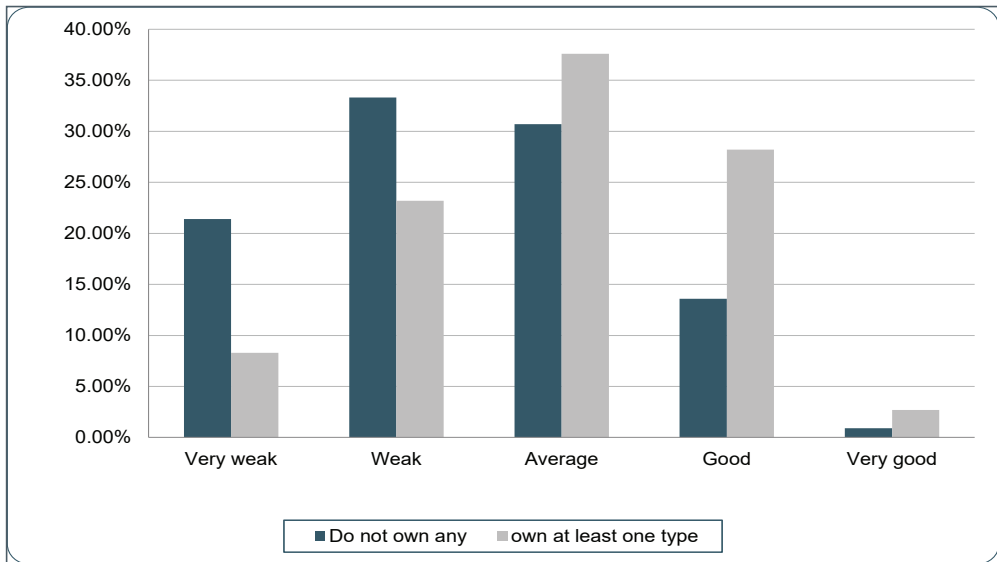
Figure 2: Percentage distribution of adult population based on Composite Financial Knowledge Measure by employment status (2022)



Those who live in families with better financial capabilities achieved higher scores in terms of financial knowledge. Financial knowledge also seems to increase with income, and it is highest among those who control their income. The majority of those in the lowest income bracket (57.1%) had very weak or weak financial knowledge.

Further evidence of the importance of lived experience in relation to knowledge can be seen with regard to ownership. The majority of those who achieved a very good score in the composite measure own at least one type of bank account, while 82.9% of those who achieved a very weak score do not own any type of bank account. Financial knowledge correlates with higher ownership of borrowing products, banking cards and digital financial services. The results indicate that the experience of using any financial product helps improve overall financial knowledge.

Figure 3: Percentage distribution of adult population based on Composite Financial Knowledge Measure, by ownership of (at least) one type of bank account (2022)



When respondents were asked to self-assess their knowledge about their rights and obligations in relation to financial products and services, 40.9% of all respondents stated they know them to some extent (the median response) while 46.3% stated that they do not know them. These responses clearly convey a lack of confidence when dealing with financial matters. They do compare favourably with comparable data from 2016, when 32.4% of all respondents stated they know them to some extent (the median response) and 53.6% stated no knowledge. However, the percentage of respondents who felt they have 'complete knowledge' of their rights and obligations fell slightly from 13.9% in 2016 to 12.8% in 2022. As financial products and services both expand *and* diversify in Palestine, it is possible that people may become less confident, as a greater breadth of knowledge is required to keep up with new developments. Residents of the West Bank (13.4%) are slightly more likely to report knowing their rights than those of the Gaza Strip (11.7%). However, residents of the Gaza Strip (53.6%) are much more likely to say they do not know their rights and obligations, relative to residents of the West Bank (41.8%). Residents of the central West Bank were notably more confident (19.1% reported complete knowledge) than any other sub-region. This is mainly driven by male respondents (25.9% reported complete knowledge), al-

though the percentage of female respondents in this sub-region who reported complete knowledge (12.2%) was notably higher than females in other sub-regions. Across the whole population, a much higher proportion of women (57.8%) said they did not know their rights and obligations relative to men (35.1%). Respondents who are older than 65 years are also more likely to select this option. There is a strong negative correlation with education and income. In other words, less-educated respondents - and those who earn smaller incomes - are more likely to state that they do not know their rights and obligations.

Behaviour

The previous sections of this report highlighted that many respondents rely on family and friends for their financial needs, with governmental insurance being the most used product. Checking accounts and debit cards are the most used banking products offered by private companies. The population survey asked a series of questions about specific behaviours related to finance. Reflecting the reality of living in a context where (at least) three foreign currencies are regularly used, 34.4% of respondents say they monitor foreign currency markets and exchange rates. This has fallen slightly since 2016 (36.4%). In 2022 data, there were significant differences in gender, with 42.8% of male respondents - and 25.8% of female respondents - replying 'yes' to this question. Education and income are also significant factors, with higher levels of both education and income correlating with great attention to currency markets. A larger percentage of West Bank residents (36.5%) monitor currency markets than those in the Gaza Strip (31%), as do urban residents (35.7%) when compared with respondents in rural areas (31.6%) and camps (27.7%).

The second most monitored issue was the labour market, which 31.2% of respondents said they followed, an increase when compared to 2016 data (25.3%). Gender differences in 2022 responses for this category are significant, with 42.4% of male respondents and 19.7% of female respondents monitoring the labour market. This gender gap can be explained by the exclusion of women from the labour market. There are also notable geographic differences between responses from the Gaza Strip (34.4%) – where the unemployment rate is much higher - and the West Bank (29.2%). A larger percentage of respondents living in camps (36.1%) monitor the labour market than those living in urban areas (32%) and rural areas (24.3%), which also corresponds to the employment rate in these areas. Younger age cohorts, between the ages of 18-34 years, monitor the labour market more than older cohorts, as do those with an associate diploma or bachelor's degree. Both of these groups are more likely to be seeking employment. Respondents with greater income are also more likely to monitor the labour market.

23.5% of respondents reported that they monitored inflation and/or the price of gold in 2022, an increase when compared with 20.3% of respondents who reported monitoring inflation in 2016. In 2022, male respondents were more likely to monitor inflation (29%, as opposed to 17.9% of female respondents). Female respondents are more likely to monitor the price of gold (26.4% compared with 20.7% of male respondents), as are respondents with higher levels of income. West Bank residents (28.3%) are much more likely to monitor inflation than those in Gaza Strip (15.7%), while respondents in rural areas (30.3%) monitor inflation more than those in urban areas (22.5%) and camps (20.1%). Older respondents, those with higher levels of education and those with higher incomes are more likely to monitor inflation. A much larger percentage of West Bank residents (30.6%) monitor the price of gold than Gazans (12%). Since gold is used as a form of savings by many families, particularly women, it makes sense that the relatively more affluent residents of the West Bank pay greater attention to its price.

Attitudes

67% of male respondents reported having little or no control over their expenses, compared to only 56% of female respondents. This higher percentage reflects greater levels of income, resources and assets controlled by men.

The picture created by those who use financial institutions - when asked to assess products and services - is mixed. When asked about how affordable fees, transaction costs and the process of opening an account is, there were a range of responses, with the median response – moderate – selected most often in each case. Geographically, residents of the West Bank (35.1%) are more likely to say that fees are expensive than residents of the Gaza Strip (30.7%). Responses for transaction costs demonstrated a similar geographical pattern. West Bank residents (28.7%) were more likely to describe opening an account as difficult than Gazans (22.2%). When the data is disaggregated by gender, women are more likely to have (what could be described as) a more positive attitude to these issues. Male respondents are more likely to select very expensive and expensive in relation to fees (35.8%) and transaction costs (34%). 30.1% (fees) and 27% (transaction costs) of female respondents selected these options. However, 44.1% of female respondents thought fees were affordable or very affordable, while 39.3% thought transaction costs were affordable or very affordable (compared with 33.1% of male respondents for both categories).

The quality of customer services was generally appreciated, with 81.1% of respondents selecting very good, good or moderate. There was no significant difference in responses according to geography or gender. 80.1% of respondents reported that it was very easy, easy or moderately easy to access account services. 48.7% of male respondents selected easy or very easy, compared to 55% of female respondents. Account-related digital banking services were judged to be very good, good or moderate by 77.4% of respondents who use such services. Respondents in the West Bank (46.2%) were more likely to select good or very good than those in the Gaza Strip (37%). Female respondents were more positive in their assessment of digital services, with 47.3% selecting good or very good, compared to 42.8% of male respondents. Waiting periods were judged to be very long, long or moderately long by 70.1% of respondents. While the median response – moderate – was the most commonly selected by both residents of the West Bank and Gaza Strip. In the West Bank, respondents were more likely to select both positive (i.e. short or very short) and negative (i.e. long or very long) responses. Male respondents, 42.8% of who selected long or very long, were slightly more dissatisfied than female respondents, among who 39.6% selected long or very long. Overall, the geography of responses is complex, while women tend to be more satisfied with banking services than men.

Banks (51.5%), Islamic banks (50.3%) and financial savings' groups (46.5%) are the most trusted financial institutions in Palestine. Approximately one-quarter of respondents actively distrust these institutions (distrust of banks reached 28.1%, Islamic banks 26.2% and financial savings' groups 26.5%). Residents of rural areas were more trusting than those in urban areas and camps. There is little difference between the West Bank and Gaza Strip in terms of trust in non-Islamic and Islamic banks. However, traditional savings' groups are more trusted in the West Bank (35.4%) than in the Gaza Strip (27.2%). There is a small gender gap in levels of trust, but a noticeable difference according to age, with older respondents being less likely to trust these institutions. Trust in these institutions does not vary much with regard to levels of education and income.

Unregulated lenders were the least trusted institutions. 65.2% of respondents actively distrusted this type of service. Residents of the West Bank (67.5%) were more likely to distrust unregulated lenders than residents of the Gaza Strip (61.5%). Male respondents (68.2%) were more likely to be distrustful than female respondents (62.1%). Far more female respondents (21.7%) did not know whether unregulated lenders were trustworthy relative to male respondents (12.9%). Fewer women actively trusted such services (5.7%) than men (7.3%). Older respondents are less likely to be actively distrustful, and more likely to answer 'I don't know' than younger age cohorts. Respondents with less education - and those earning less income - follow a similar pattern.

Microfinance lending institutions are also relatively distrusted, with 46.6% of respondents actively distrusting such services, compared to 20.7% of respondents who actively trust in them. 49.1% of West Bank respondents actively distrusted microfinance institutions, compared with 42.5% of Gazan respondents. Distrust is greater among male respondents, with female respondents more likely to report a lack of knowledge on the trustworthiness of microfinance. Older participants are slightly more distrusting of microfinance institutions, but there is no clear relationship with education or income.

Levels of trust in financial regulators are mixed. 23.7% of respondents actively distrust the Palestine Monetary Authority (PMA), 33.7% of respondents do trust the PMA and 24.8% indicated that they do not know. 24.5% of respondents say they actively distrust the Palestine Capital Markets Authority (PCMA), 25.6% of respondents do trust them and 30.1% of respondents do not know. Trust in the PMA does not differ much by region, but West Bank residents are more likely to trust the PCMA. Female and less-educated respondents are more likely to select 'I don't know' to both of these questions. However, of the less than 50% of respondents using financial services supervised by the PMA, over half said they were satisfied with the products and services that they receive. Almost half of those respondents who had used non-banking financial services and products also reported that they were satisfied. When asked more specifically about settling insurance claims, most respondents who had done so indicated that claims had taken too long to settle. Approximately 20% of those who had made a claim thought processes were complicated and insurance firms tried to pay as little as possible.

There are some clear, general trends about financial knowledge that can be inferred from questions about trust in financial institutions. Across all questions of trust, respondents from the Gaza Strip selected 'I don't know' more often than those from the West Bank, except when asked about retailers who provide instalment-based sale services, and savings' groups. The response 'I don't know' was selected by more female than male respondents across all questions on trust. This suggests that the lack of trust is more closely related to a lack of knowledge than the credibility of the product/service provider.

4. Financial Inclusion in Palestine - a Summary

This section draws together insights from leading literature on financial inclusion with those drawn from rigorous and extensive analysis of the data collected through this research process (the survey). It offers a summary of key findings, which in turn provide the platform for the policy recommendations outlined in the next section.

Geography and demographics of financial inclusion

Use of commercial finance is generally greater in the West Bank than the Gaza Strip. When data is disaggregated according to type of locality, the results are complex, however, the general picture is that camps lag behind urban and rural areas. It is notable that respondents from the Jericho governorate report significantly more issues in accessing financial institutions.

In terms of demographic characteristics, there is a clear gender gap. Men have greater access - and make greater use of - for-profit and Islamic finance relative to women. Men have greater control over income - a key resource governing the use of commercial finance, which itself is strongly associated with the significant gender gap in the labour market. Interestingly, when women do use financial products and services, they tend to be more positive about them than men. This may be due to gendered expectations about behaviour.

The uplift in people using for-profit and Islamic financial products and services since 2016 correlates with the expansion of financial institutions in general, and their concentration in the West Bank. Levels of financial knowledge have improved, which correlates with the expansion of education through branches, online, and by targeted services offered by providers and the regulator.

Measuring financial inclusion

In 2016, financial inclusion in Palestine was measured as a composite of the percentage of households with a bank account, a bank loan and/or a private insurance policy. Current account ownership was measured at 22.7% in 2016 and has increased to 29.3% in 2022. 5.1% of respondents were granted bank loans in 2016, falling to 3.5% in 2022. 4% held private insurance in 2016, rising to 16% in 2022. If the same, simple 2016 composite measure was used for 2022 data, it would produce a score of 48.8%. However, this kind of measurement is seriously flawed.

In the MENA region, financial inclusion initiatives are relatively recent, with most beginning in 2016-18. Existing measures of financial inclusion in the MENA region are quite simplistic, since they only focus on access. One of the most significant developments made in Palestine (since the 2016, previous survey of financial inclusion) is the development of a significantly more sophisticated understanding and approach to measuring financial inclusion. Globally, financial inclusion is measured through a series of metrics that focus on access and usage. Measures of quality are lacking, although data on financial wellbeing is now used as a proxy. Measurement largely relies on quantitative data collected by central banks, the World Bank and the IMF. Qualitative data, which is both more expensive and time-consuming to collect, is lacking. This leads to a bias in favour of supply-side data, and in turn over-reliance on definitions based on access. Attempts to develop an index – a single composite measure – of financial inclusion have been heavily criticised, due to problematic forms of statistical standardisation, aggregation and the arbitrary weighting of different indicators. Therefore, most organisations use a series of indicators.

Key barriers to financial inclusion

The key barrier to financial inclusion in Palestine is the ongoing Israeli Occupation. This is disproportionality, although not solely, responsible for the impoverishment of Palestinians

living in the Occupied Territories. A lack of income remains the primary reason for not using commercial finance. Patriarchy is clearly a significant barrier to the usage of financial products and services. Women's lack of access to money means that they cannot use such services.

Limitations of the research

One of the key factors that is difficult to assess (due to the adopted research methodology) is the **quality** of financial products and services. People should not only have access to financial products and services and be able to use them, but those services should be of high quality and not exploitative. This aspect of financial inclusion is perhaps best-defined by Kempson and Collard (2012: 1), who argue that consumers "should be able to use these transaction services without the risk of losing financial control or incurring excessive or unexpected charges". These ideas are reflected in the UN Environment Programme's 2021 [Principles for Responsible Banking](#).

Palestine is already a regional leader in measuring financial inclusion, and it has the potential to be a world leader. A multi-method approach - combining quantitative and qualitative methods - will generate rich, empirical data covering access, usage *and* quality. By identifying a series of key indicators that factor-in geographic specificities, a benchmark can be created for other countries in the region. This approach is addressed in the recommendations outlined in the next section.

5. Policy Implications and Recommendations

The recommendations in this section depart from a recognition of ongoing colonialism and embedded patriarchy as the key, root causes of challenges to financial inclusion in Palestine. However, this point of departure also demands an awareness of the agency that the Palestinian people exercise in shaping their own lives, including how to support themselves financially. While such support systems can always be improved, they provide a vital first step in understanding and designing context-specific interventions. 'Building on what works' is not only the most impactful approach, but also likely to be the most cost-effective route towards desired policy outcomes.

Empowering people economically

The data indicates that three factors play an important role in determining access to - and usage of - financial products and services in Palestine. These are gender, geography and employment. Living in the Gaza Strip as an unemployed female is a proxy indicator of relative exclusion, identifying the most excluded population. However, one financial product has circumvented these factors in shaping social and economic exclusion: public health insurance. This service is owned by a greater percentage of people living in the Gaza Strip than the West Bank, and it is the only financial product and service (along with UNRWA health insurance) which is used more by women than men. It is also extensively used by other population segments, such as students and housewives, who do not have incomes (or whose incomes are meagre). It supports a core service - healthcare - required by all. In the context of Palestine, public provision is clearly the most effective mechanism for broadening access to - and usage of - financial products and services. Low-income and no-income individuals cannot afford to (nor have any reason to) use commercial, financial products and services. The evidence indicates that state provision is the best approach to financial inclusion in Palestine, where 26-27% of the whole population is unemployed, and a disproportionate percentage of this group are either women, residents of the Gaza Strip, or both.

Recommendation 1. Expand the public provision of financial products and services through the creation of a public bank or publicly-run cooperative bank. This could provide basic bank accounts, basic credit services, manage government transfers (benefits' payments) and lead the educational efforts outlined below. Such a banking network could offer online services, in addition to physical branches at municipal headquarters for citizens who prefer to visit a physical location to access multiple public services. Using municipal buildings ensures the spread of this financial infrastructure across Palestine. This system should be piloted in the Gaza Strip, given higher levels of poverty, and thus a higher reliance on public services. To set-up this addition to the banking system and ensure its sustainability, a tax can be levied on profits in the financial sector. Although both commercial and Islamic finance companies prefer not to be taxed, they would nevertheless benefit directly from the creation of a public bank: a greater number of people would use financial services at the public bank, relieving these companies of the need to provide basic services (like basic bank accounts) themselves, which do not generate high levels of income. Their services would still be needed for other products, such as mortgage lending. Since women lack the income to use commercial, financial services, they would benefit the most from a public banking network. However, careful thought needs to be given to the issue of ensuring that public bank branches are accessible to all women. This might include the provision of childcare facilities for mothers, the provision of services to groups of women rather than individuals (in cases where confidence and integration with a broader money mentors' network are issues - see recommendation 3).

Income and asset ownership are a key precursor to financial inclusion. In Palestine, a salary can be considered an asset, since credit products often use a regular salary as collateral. Therefore, the significant proportion of the population who are unemployed are also excluded from commercial finance. Low levels of female participation in the Palestinian labour market are well documented. If women do not earn a salary, they are less able - and less likely - to save. While the financial sector has little direct impact over the labour market as a whole, it can serve as a shining example in relation to gender-positive employment practices.

Recommendation 2. The PMA and PCMA should develop training to help organisations in the financial sector improve the gender balance of their workforce and the percentage of women in senior leadership positions. This should include unconscious bias training (focused on hiring and promotion practices) and developing gender-sensitive policies (flexible working hours, maternity/paternity leave, childcare provision) that support working women. They should also establish an industry-wide, finance mentoring scheme for women, to support younger female professionals working in this sector. This scheme should focus on getting women into management roles. The PMA and PCMA should oblige the financial institutions they regulate to have an institutional gender mainstreaming policy, and conduct a gender audit every three years. This can be enforced by withholding their licence to trade if these requirements are not met. Such activities should be promoted and advertised widely, to influence other sectors of the labour market.

Data on financial knowledge and confidence suggests that the expansion of financial products and services since 2016 has created new forms of expertise, beyond existing family and friends' networks. There is an opportunity for policy-makers to use this broadening of expertise to further the expansion of relevant knowledge and skills. Data shows that financial broadening is more relevant in the Palestinian context than financial deepening.

Recommendation 3. The PMA should develop a money mentors' training programme. In this scheme, community members are trained in money management skills and, crucially, on how to share this knowledge with relatives, neighbours and friends. Although levels of trust in financial institutions are relatively high in Palestine, this scheme ensures that key financial knowledge and skills are shared with hard-to-reach populations in ways that are appropriate to them (i.e. according to gender, age, ability and education). The programme utilises both existing social networks – which are still the most trusted source of information about finance in Palestine – and those who are already using financial services and products. This training programme could be offered both online and offline, modified specifically for different, geographical contexts and genders. The latter might be achieved through providing childcare, such that women with care responsibilities can attend the training, while ensuring that training materials reflect the living realities of these women. The money mentors' training could also be offered to schoolchildren. The programme as a whole would build on existing educational outreach undertaken by the regulators, which is succeeding in educating young people.

Starting a money mentors' scheme is one small part of democratising finance. However, the risk in this scheme is that it would bring citizens into the existing financial system without making the necessary transformations to that system. Kirwan's state-of-the-art research (2021: 109) proposes an understanding of financial inclusion as “collective intervention into processes of financial change”. This adds the dimension of **participation** to existing ideas about financial inclusion, by emphasising “the importance of involving the collective voice of excluded groups in shaping the introduction and development of financial services and the processes and metrics through which success is measured” (ibid). To do this, all citizens' needs and aspirations need to be central to the way the financial system works.

Currently, decisions on finance are taken by an educated elite and foreign consultants. This needs to change if genuine financial inclusion is to be achieved.

Recommendation 4. The PMA and PCMA should establish a network of community citizen researchers who are also members of the National Financial Inclusion Committee. Community researchers are working individuals (including housework) or students who are paid to conduct small amounts of research in their communities. Since they are embedded in their communities, they are in a position to understand the issues facing this community and to act as a voice for where they live. With suitable training, they can co-define the relevant issues their community is facing, and how financial products and services might help address such issues. They can also generate data to explain local differences noted throughout this report. When done properly, this kind of citizen-led research will generate high-quality qualitative data that enables more informed decision-making at the policy level. Given the male dominance of decision-making space, women should be given preference in recruitment for citizen researcher roles. A regular citizen researchers' forum should be created to enable knowledge sharing among researchers working at different institutions. Representatives from this group should then be appointed to sit on the National Financial Inclusion Committee. To ensure more than just their token participation, time should be allotted in meeting agendas for updates from the citizen researcher representatives. Policy development should become a co-production process with citizen researchers. Finally, financial institutions, including the regulators, could promote female citizen researchers to their boards. This would address the current lack of gender balance, while ensuring an innovative perspective on their businesses and regulatory activities, drawn from the communities they seek to serve. This model directly challenges existing power relations governing financial knowledge and action. Therefore, it has significant potential in developing highly-innovative solutions – particularly when problems are co-defined. Although there are many examples of such processes at work elsewhere in the world, Palestine has the opportunity to become the first country to use citizen knowledge co-production in the governance of finance and financial inclusion.

Measurement and data

Several of the current, successful policies and initiatives in Palestine are data driven. Regulators should continue along this path, by making more data publicly accessible. This ensures transparency and accountability on key issues such as gender inequality and the West Bank-Gaza Strip divide. Commercial companies and researchers also benefit from open data.

Recommendation 5. All data sets from the 2022 study on financial inclusion should be made publicly accessible via the www.financialinclusion.ps website.

Given the novelty of financial inclusion in the MENA region, when the National Financial Inclusion Strategy in Palestine was launched, it had to rely on a limited approach to measuring financial inclusion. The measure used in 2016 does not account for the actual use of products and services, their quality, or even the diverse ways in which people access finance (including products and services provided by the state or by communities themselves). As noted in the previous section, a single composite measure of financial inclusion is neither possible nor desirable. Instead, a series of indicators should be used to develop a nuanced picture of financial inclusion in Palestine. This approach has already begun, with the PMA publishing thirteen indicators on its website. Two of those indicators are designed to measure gendered financial inclusion, and two general measures are disaggregated by gender. The table below outlines which indicators are already published.

Access indicators	Bank branch density (branches per 10,000 adults)
	ATM density (ATMs per 10,000 adults)
	Microfinance Institutions (MFI) density (branches per 10,000 adults)
	Digital financial services (DFS) density (DFS agents per 10,000 adults)
Usage indicators	Percentage of adults with at least one type of deposit account - disaggregated by gender
	Percentage of adults with at least one type of bank credit facility - disaggregated by gender
	Percentage of adults with at least one type of MFI credit account
	Percentage of adults with any type of regulated credit facility (banks and MFI credit)
	Percentage of adults with a registered DFS account
	DFS usage (DFS payments per 10,000 adults)
	Percentage of female-owned enterprises with outstanding loan
	Percentage of all enterprises with an outstanding loan owned by women

Recommendation 6

The regulators should expand the set of indicators used to monitor financial inclusion in Palestine. This will involve a series of steps.

- **6.1) All published data should be disaggregated and presented according to geography, gender and employment status. For the geographical dimension, regional (and where possible governorate-level data) should be presented.**
- **6.2) Indicators for insurance, including the use of public health insurance and UN-RWA health insurance, should be published (covering both access and usage). This data already exists as part of ongoing regulatory activities, and should be easy to source.**
- **6.3) New data on the quality of services should be published, which indicates satisfaction with deposit banking, credit products, insurance products, microfinance products, DFS products, non-commercial products (such as saving and borrowing through family and friends) and rotating credit and savings associations (ROSCAs). This data should be published alongside data on average fees/charges and interest rates over the preceding year, as appropriate. Data from the population survey can be used in the first iteration, followed by an annual survey. This is within the remit of the regulators, and could make use of the citizen researchers' network to implement the survey (as proposed under recommendation 4). While financial activities with family, friends and ROSCAs is beyond the regulatory scope of the PMA and PCMA, this data provides a richer picture of how different communities use finance to meet existing needs. An even more ambitious strategy would include presenting female labour force participation rates (from existing PCMA data) alongside data on female control over income, since these are the two key factors driving female financial exclusion.**

Financial education

Data from the population survey shows that physical access to financial products and services is *not* a reason why people choose not to engage with the financial system. Instead, access to financial products and services is largely limited by the lack of income, and to a lesser extent, the lack of knowledge. Given the difficulties of addressing unemployment, education remains a key area for intervention. In terms of knowledge, the data shows that social media is the most direct route in reaching people, particularly more excluded groups

such as women (although it is less likely to reach less-educated women than TV and radio). In general, younger people tended to score better on financial knowledge questions, which indicates that existing education programmes are a sound, long-term investment. In order to further improve excluded groups' access to finance, a combination of material and digital education methods ought to be used.

Recommendation 7. Financial product and service providers should develop mobile service centres (similar to a mobile library) to reach people in rural areas, or areas where the intensification of colonial violence makes a permanent physical presence a high risk. This could take the form of a caravan, or converted Ford transit. Such a vehicle can travel to different places each day and multiple localities within the same day. In addition to the service provision itself, these units should also provide basic childcare, such that women with children have a chance to interact with staff. A number of units are needed to cover the different sub-regions in Palestine on a regular basis. The advantage of this approach is that it engages parts of society – such as the elderly - that are less engaged with the digital age. The PMA and PCMA should adopt a similar approach to reaching these communities.

Recommendation 8. Financial product and service providers should make greater use of social media, TV and radio in their outreach. They should develop content (see next recommendation) specifically targeting women, recognizing that the category of women is in itself heterogeneous. This content can advertise the products and services already offered by commercial finance providers specifically to women. Since social media is used on a daily basis by a significant percentage of the population (and the gender gap in social media usage is small), this is the most effective method to reach women. However, given that this method favours more educated women, this content should be duplicated on TV and radio.

Recommendation 9. Age-appropriate materials for educating primary children about basic financial knowledge should be developed by education specialists, working with the PMA and PCMA. This knowledge could be combined with lessons on gender equality. Workshops should be developed alongside this content, training primary school teachers on how to incorporate these ideas into their lessons. Education at the primary level is a long-term investment in the knowledge base of the population. Almost 100% of the population complete primary education in Palestine, and therefore it is an effective way to reach everyone. Training primary school teachers will also have positive gender effects, given the high rate of female employment in these jobs. The educational materials will also be suitable for less-educated sectors of the adult population. Therefore, it can be re-designed for social media campaigns, as well as TV and radio content (see previous recommendation).

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