# The Role of Commercial Banks in Promoting Financial Inclusion / Applied Study in The Middle East Bank for Investment and Baghdad Bank

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## Abstract

To enhance the role of financial inclusion in a deliberate way, through improving banking services to all segments of Iraqi society, providing the necessary infrastructure, disseminating the financial and banking culture, central banks and financial institutions have laid down a plan to develop the prevailing financial inclusion in their countries or countries in which they operate, and through which all categories of society with financial and banking products available or to be offered in the future, and the experiences of countries differ in achieving financial inclusion, because they are related to their economic conditions, the size of the financial depth of their banking system and the level of banking awareness of their citizens.

Therefore, banks seek to achieve financial inclusion by creating new financial products that depend on savings, insurance, and means of payments, and not only on lending and financing, while providing training for workers in this field. Encouraging competition between banks, by providing more options for customers, and enhancing competition between banks to obtain services of high quality, lower costs, and lower fees and commissions imposed on customers.

The research dealt with the concept of financial inclusion and the most important axes of financial inclusion and its importance. The research was divided into four sections, the first one consisted of a research methodology, the second section contained the concept of financial inclusion, while the third section had the statistical analysis, and then the forth section reached to a set of conclusions and recommendations, which depends on savings and insurance, in addition to financing and microcredit lending that suits social groups and meets their needs.

**Keywords**: Consumer Protection , Financial Education , Infrastructure for the Bank , Banking Awareness .

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## First Section

### Research Methodology

**First: Research Problem:**

The problem of the research lies the extent of the commitment of the Middle East Bank for Investment and Baghdad Bank to financial inclusion for all segments of society, and the following questions:

1. Is the practical reality of financial inclusion in the research sample banks achieve the desired ambition?
2. Is adherence to legislation and laws contribute to achieving financial inclusion in commercial banks in the sample of research?
3. Does the bank's commitment to provide the necessary information lead to increased confidence by customers in the research sample banks?

**Second: The Importance of Research:**

The importance of the research lies in highlighting the concept of financial inclusion, financial inclusion requirements, and the role of the CBI in promoting financial inclusion.

**Third: Research Objectives:**

1. Identify the reality of financial inclusion in the commercial banks research sample financial inclusion.
2. Clarify the mechanisms of financial inclusion in commercial banks research sample.
3. Statement of the importance of financial inclusion and the importance of its application and its impact on the Bank's work and performance.

**Fourth: Research hypothesis:**

The research is based on a major hypothesis that commercial banks have a positive role in promoting financial inclusion for all groups of society, and sub-hypotheses are subdivided from them:

1. Financial inclusion is strengthened when developing the infrastructure.
2. Financial inclusion is strengthened when providing consumer protection and developing financial services.
3. Financial inclusion is enhanced when adhering to the legislation and laws of the research sample banks.

**Fifth: Research Methodology:**

The researcher relies on the (inductive) approach in dealing with the research problem and the hypothesis mechanisms in the theoretical side.

**Sixth: Research Structure**

**Figure (1) Research Structure**
**Source:** the work of the researcher.

**Seventh: Study Boundaries**

1. **Temporal Boundaries :** 2018
2. **Spatial Boundaries:** Middle East Bank for Investment and Baghdad Bank in Baghdad.

## Second Section
## Financial Inclusion

Definition of financial inclusion: Financial inclusion means the availability and use of all financial services from different sectors of society in its institutions and individuals through official channels, including bank savings accounts, payment and transfer services, insurance, finance and credit, and the creation of more appropriate and competitive financial services and includes the protect the rights of consumers of financial services and encourage them to manage their money and savings properly, in order to avoid resorting to some channels and informal means that are not subject to supervision and supervision, and often adopt high prices.

Financial inclusion is measured in terms of the availability of financial services that represent supply on the one hand, and the extent to which they are used and exploited on the other side of the demand side. Thus, financial inclusion aims to expand access to financial services by working to develop the supply and demand sides. (Introductory Handbook, p. 1, 2017)

**The concept of financial inclusion**

Several easy tariffs have been set for financial inclusion, including:

4. The Central Bank of Iraq defined financial inclusion in the strategy of financial inclusion in Iraq prepared by him for the years (2018-2020) as the arrival of financial and banking services available to the largest number of individuals and the business sector and at reasonable costs to contribute to the sustainability of development.

5. Is to find every individual or institution in the community financial products appropriate to their needs such as accounts of all kinds of deposits, payment and transfer services, insurance services, credit services, cash or pledge, in addition to Islamic products and services. (Abdul Nabi, 2018)

The purpose of financial inclusion is to provide equal opportunities for each individual, and to make better use of the facilities of formal financial channels, by pushing governments around the world to increasingly work towards financial inclusion of economic development (Bhattacharya, 2015: 88).

CGAP (Empowering the poor through financial services) estimates that about 2 million working-age adults, and more than half of the world's adult population, do not have an account at a formal financial institution (GGAP, http://www.cgap.org/about/fag/ what-financial-inclusion-it-important).

Thus, achieving financial inclusion is not an end in itself, but a means to an end, given its important development role in human development, improving the standard of living, empowering women economically, promoting equal opportunities, reducing poverty and inequality, and securing welfare, thus achieving inclusive and sustainable economic growth. (Union of Arab Banks, 2015: 24)

The role of financial inclusion in supporting small & medium projects. For them, financial inclusion can provide them with the money they need to start and expand an institution. Financial inclusion can achieve economic growth by stimulating deposits (Ihsan, 2017: 62 - 63).

6. Diversifying the needs of customers, thus increasing the types of goods and services provided.
7. Increasing the customer's purchasing power, leading to increased sales.
8. Create new markets.
9. Increase marketing competition to familiarize the customer with financial and banking services.
10. Pumping money into the market.
11. The spread of banking awareness among individuals and communities.
12. Poverty reduction and sustainable economic development.
13. Increasing the needs of individuals.

**Source:** (Arab Monetary Fund Report, 2012, 241, financial inclusion experts group, 2010, alliance for financial inclusion, 2011,3) .

**The importance of financial inclusion and its objectives:** Financial inclusion has become the focus of attention of many governments and supervisory authorities, especially central banks. Financial inclusion on the one hand, and financial stability and economic growth on the other, have proved to be close. It is difficult to imagine the sustainability of financial stability, while a large proportion of the population or institutions are still financially excluded from the economic system. Financial inclusion also enhances the opportunities for competition among financial institutions by diversifying their products and paying attention to their quality to attract the largest number of customers and transactions, thus codifying informal channels. Financial inclusion, on the other hand, affects the social aspect in terms of attention to the low-income on the one hand, and specific groups on the other hand, such as women and youth, as well as the focus on access to SMEs and micro-integration and integration into the formal financial sector through the provision of appropriate financial services, which serve to achieve sustainable economic and social growth and thus reduce unemployment and poverty rates and improve the distribution of income and raise the standard of living (Kahdeeja Hamood, p. 10, 2019) .

**The Role of Central Banks and Regulators in Promoting Financial Inclusion:** Central banks and other regulators such as Capital Markets Authorities play an important role in promoting financial inclusion through:

1. Developing rules and regulations to facilitate banking transactions in all their forms, and to overcome obstacles on both the supply and demand sides to ensure access to financial services for users.
2. Work to codify informal channels and subject them to the monitoring and supervision of the regulatory authorities.
3. Encouraging the establishment and development of additional channels for traditional financial services, using modern technologies, while following up the risks that may arise in order to reach all segments of society.

4. Improving the financial infrastructure through the establishment of credit bureaus and the development of payment, settlement and brokerage systems.
5. To stimulate the financial sector to promote awareness and financial literacy, especially among the youth.
6. There are four main pillars to promote financial inclusion: development of financial infrastructure, protection of financial services of consumers, development of appropriate financial products and services, and financial education and awareness.

a. **Supporting Financial Infrastructure:** Developing an efficient and sound financial infrastructure is one of the main pillars to serve the requirements of financial inclusion. In this regard, prioritize infrastructure development, which helps enhance citizens' access to financial services, which could include: (prospectus, p. 2, 2017)

1. Provide an appropriate legislative environment to support the principle of financial inclusion, through the issuance and amendment of regulations, processes and regulations.
2. Promote geographical spread through expansion of the network of branches of financial service providers and attention Through the establishment of small branches or offices to serve especially micro-enterprises. In addition to the establishment of access points for financial services such as bank agents, telephone banking services, points of sale, insurance services, securities and others, in accordance with the legislation of each country.
3. Development of national payment and settlement systems, especially small value, to facilitate the timely implementation of financial and banking operations and settlement among customers, while reducing the potential risks of payment and settlement operations, to ensure the continued provision of financial services.
4. Take advantage of technological developments by developing and improving communication and information exchange through the expansion of digital financial services, and mobile payments, in order to enhance access to financial services at a lower cost and more effective from all segments of society.

5. Activate the role of credit bureaus, establish comprehensive databases including historical credit data records for individuals, small and medium enterprises, in addition to the database of the transfer of assets, and take the necessary measures to ensure that service providers and customers get the information they need to ensure transparency and protect their rights.

b. **Consumer Protection of Financial Services:** The concept of consumer financial services protection has received great attention recently due to the growth and development of the financial sector and its development, the complexity of financial products and services provided to customers, the evolution of electronic financial instruments and the expansion of those services. The application of sound international rules, principles and practices related to the protection of consumers of financial services contributes to increasing confidence in the banking and financial sector in order to promote the principle of financial inclusion and thus financial stability through the following (Al-Rafdeen Journal, p. 12, 2018) :

1. Ensuring that the customer gets a fair and transparent transaction in addition to obtaining the services.
2. Provide the necessary and accurate information at all stages of the client's dealing with financial service providers.
3. The possibility of providing consulting services based on customer needs and the complexity of the products and services provided to them.
4. Protecting clients' financial data and establishing appropriate oversight and protection mechanisms that take into account their rights.
5. Providing mechanisms to deal with customer complaints, provided they are independent, fair, accountable and effective in accordance with international best practices and in a timely manner.
6. Educate and awareness clients from different groups of society and financial service providers on the principles of consumer financial protection to understand their rights and responsibilities and fulfill their obligations.

c. Developing financial services and products that meet the needs of all segments of society: This is one of the most important pillars of achieving financial inclusion by facilitating access to financial services and providing them to individuals, small and medium enterprises. It is therefore the responsibility of financial service providers to develop financial services and products, taking into account the following:

1. The needs and requirements of the target customers in the design of services and products that target them before launching and marketing them, in addition to the creation of new financial products based on savings, insurance and payment methods and not only on lending and financing.
2. Encourage competition among providers of financial products and services, enabling customers to access diverse, high-quality products and services easily, affordably and transparently.
3. Reducing unjustified fees and commissions imposed on financial services.
4. Study the conditions and needs of clients when dealing with them so that service providers or lenders can provide services appropriate to their needs and capabilities.
5. Regulatory authorities review existing instructions to consider funding requirements and their suitability for all segments of society.
6. Provide training to staff of financial service providers, specialized in this area.

d. Financial education: Each country should pay attention to financial education and awareness through the development of a national strategy aimed at enhancing levels of education and financial education. The strategy is developed with the participation of several government agencies as well as the private sector and related parties, to enhance the financial awareness and knowledge of citizens, especially the target groups that need it, such as small and medium enterprises, youth and women.

Financial education aims to create an integrated financial education system that starts from exchange to reach a financially educated society, and works to promote and develop levels of awareness among all segments of society. Financial education helps citizens make sound and informed investment decisions regarding their various financial transactions with minimal risk.

A balance should be struck between the information available to consumers and financial service providers, especially new consumers where their inexperience in using financial services should be taken into account to help them realize their rights and responsibilities. Consumer education programs are often provided through public awareness campaigns, aimed at enabling consumers to make financial decisions that are appropriate to their needs (Introductory Handbook, pp. 6-7, 2017).

**Objectives of financial inclusion**

1. Financial inclusion means that individuals and companies have access to useful and affordable financial products and services that meet their needs - transactions, payments, savings, credit and insurance - and are provided to them in a responsible and sustainable manner.
2. Being able to access a transaction account is the first step to broader financial inclusion because a transaction account allows people to save money, send and receive the payments. A transaction account can also serve as a gateway to other financial services, which is why ensuring that people around the world have access to a transaction account is at the heart of the World Bank Group's financial inclusion initiative by 2020.
3. The provision of financial services facilitates everyday life and helps families and businesses plan everything from long-term goals to unforeseen emergencies. As account holders, people are likely to use other financial services, such as credit and insurance, to start and expand businesses, invest in education or health, manage risk, and face financial shocks, which can improve their overall lives.

- Financial inclusion has become a priority for global policymakers, regulators and development agencies.
- Financial inclusion has been identified as a key factor in achieving seven of the 17 of sustainable development goals.
- The G20 committed to promoting financial inclusion worldwide and reaffirmed its commitment to the application of the G-20 principles of digital financial inclusion.

4. Since 2010, more than 55 countries have committed themselves to financial inclusion and more than 30 countries have launched or developed a national strategy. Our research suggests that when countries develop a national strategy for financial inclusion, it accelerates reforms and their impact.
5. The countries that have made the most progress towards financial inclusion have provided a favorable regulatory and policy environment and encouraged competition that allows banks and non-bank institutions to innovate and expand access to financial services. However, the creation of this innovative space that encourages competition must be

accompanied by appropriate consumer protection procedures and regulations to ensure the responsible provision of financial services.

6. Digital financial technology, particularly the global spread of mobile phones, has helped to expand access to financial services for hard-to-reach populations and small businesses at low cost and risk:

- Digital identities have made opening an account easier than ever.
- The digitization of cash payments is the introduction of more people to transactions accounts.
- Mobile-based financial services provide convenient access even to remote areas.
- Increased availability of customer data allows service providers to design digital financial products that best suit the needs of individuals without bank accounts (World Bank www.albankaldawli.org).

The Group of Twenty (G20), also known as the G20 , is a group of finance ministers and central bank governors of 19 countries with important economies as well as representatives of the European Union, Developed countries and emerging countries, to discuss economic issues of international dimensions and find solutions (/https://www.babonej.com).

**AFI Alliance for financial inclusion:**

It is a global network of central banks and other bodies that make financial inclusion policies in countries forming the Alliance for Financial Inclusion Developing. The Alliance provides its members with the tools and resources to share, develop and apply knowledge about financial inclusion policies. It creates and creates links between policymakers, either through personal meetings or online channels. It supports these channels by providing strategic partners, so that policymakers can share insights and implement inclusiveness policies that are most relevant to their finances.

**Dimensions of financial inclusion**

Financial inclusion in a society is achieved when people can benefit from access to the full range of existing financial services, available at affordable prices, in a convenient way, and dignity to customers. Financial services are delivered through a range of service providers, mostly from the private sector, and access to all who can use them, including the disabled, the poor, farmers in rural areas, and other excluded groups (Center for financial inclusion, 2009 , 2) .

1. Application: A full range of services is provided, which includes core products in each of the four main areas: (savings, credit, insurance and payments).
2. Availability: Provided in terms of quality and goodness eg comfort, affordability, safety, dignity of treatment as well as customer protection.
3. Receptors: those who can use financial services, including the poor, rural farmers, and groups who are often discriminated against (women, ethnic minorities, and the disabled), (Band, and others, 2012,60) .
4. Providers: A group of service providers headed by financial institutions, and also includes all organizations from the private social sectors, and government (Ibid, 60) .

## Third Section
## Statistical Analysis

**First: a brief summary about the banks, the research sample:**

**1- A brief summary about the Iraqi Middle East Bank for Investment: -**

The Iraqi Middle East Bank for Investment was established as a private joint stock company according to the Companies Law No. (36) for the year 1983 into force at that time, according to the incorporation certificate issued by the Companies Registration Department No. U / 5211 dated 7/7/1993 with a nominal capital of (400) million Iraqi dinars. (100) million dinars were paid from it. After the bank obtained the banking license from the Central Bank of Iraq in its order No. SM / 4/491 dated 28/9/1993 according to the provisions of the law of the Central Bank of Iraq, in effect at that time, No. (64) for the year 1976, the bank began to conduct its business through the First branch, the main place received the audience on May 8, 1994. During the period from the establishment of the bank in the year 1993 until the end of the current year 2014, the bank's capital continued to increase steadily until it reached, as it was at the end of 2013, up to (150) billion Iraqi dinars. Its current capital is (250) billion Iraqi dinars (The annual report of the Iraqi Middle East Bank for Investment for the year 2013, p. 11) .

The bank has (22) branches operating inside Iraq, including eight branches operating inside the city of Baghdad and fourteen branches outside it (The annual report of the Iraqi Middle East Bank for Investment for the year 2013, p. 10) .

**2- A brief summary of the Baghdad Bank:-**

The bank was established as a private joint stock company with a nominal capital of (100) million Iraqi dinars according to the incorporation certificate number M. U / 4512 dated February 18/1992 issued by the Companies Registration Department according to the Companies Law into force at that time No. (36) for the year 1983 as amended. It is the first private Iraqi bank to allow the amendment of the Central Bank of Iraq Law No. (12) for the year 1991 to license it. The bank started its activities on 2/9/1992 with known banking activities, and on 25/10/1997 the bank made an amendment to the founding contract, through its comprehensive banking practice, and this amendment was made on 9/25/1998 based on the decision of the General Authority (Baghdad Bank Annual Report 2013, p. 7) .

The bank's capital when it was established in 1992 was (100) million dinars and paid (25) million dinars, and the bank continued to expand the capital until it became (250) billion dinars in 2013 (Annual report of the Bank of Baghdad for the year 2013, p. 11) .

The number of branches in Baghdad, and the number of provinces in and outside Iraq are (41) branches (Annual Report of the Bank of Baghdad for the year 2013, p. 40) .

**Second: Questionnaire Form:**

The questionnaire was designed to include four variables to study the role of commercial banks in financial inclusion:

The first variable: the infrastructure of banks, consisting of (12) paragraphs.

The second variable: consumer protection for financial services, consisting of (10) paragraphs.

The third variable: the development of financial services that meet the needs of all segments of society, and consists of (6) paragraphs. The fourth variable: financial education, consisting of (6) paragraphs.

The questionnaire was distributed to all respondents to collect the necessary data for the study.

**Third: Description of the sample data:**

The research sample included specialists in the fields of finance, accounting and auditing in private banks, the Bank of the Middle East and Bank of Baghdad. The research sample in the study population consists of specialists with different degrees. As shown in Figure (2) which shows the distribution of sample data according to the study certificate of the respondents:

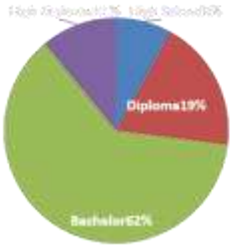


**Figure (2)**

**The study sample is distributed according to the academic certificate**

**<u>Sources:</u>** The result of stoical analysis.

As shown in Figure (2), 62% of the study sample is a bachelor degree holder, 19% of the study sample are diploma holders, 11% are holders of higher diploma certificate, and finally 8% of high school holders. Provide the appropriate qualification for the research sample.

Figure (3) shows the distribution of respondents by years of service. It was found that 30% of respondents are in the 16-20 years category, 24% have years of service over 20 years, 19% of respondents are in the 11-15 years category. 11% in the category 6-10 years, and 16% of respondents in the category 1-5 years. This indicates that most of the respondents have high intermediate experience, which in turn reflects positively on the nature of the answers to the questionnaire questions.


**Figure (3)**

**The study sample is distributed according to the academic certificate**

**<u>Sources:</u>** The result of stoical analysis.

**Fourth: Scale:**

The Likert five-point scale was adopted in the analysis of the questionnaire forms, whereby the answers are given a numerical coding through which the arithmetic mean (weighted) and the standard deviation of each paragraph (question) are found for the purpose of knowing the direction and dispersion of the answers. See Table (1)

**Table (1)**

**Questionnaire sample data scale**

| Answer (opinion of the (respondent | Symbol | Arithmetic Average ((weighted | The result |
|---|---|---|---|
| Do not strongly agree | 1 | 1.79-1 | Strongly disagree |
| I do not agree | 2 | 2.59-1.8 | Not disagree |
| neutral | 3 | 3.39-2.6 | Neutrality |
| Agreed | 4 | 4.19-3.4 | Agreement |
| Strongly agreed | 5 | 5-4.2 | Strongly agree |

**<u>Source:</u>** Statistical Analysis.

**Fifth: tests of honesty and stability:**

The reliability of the questionnaire is defined as the probability that the scale will produce the same results if it is re-applied to the same sample, so constancy is a measure of the stability and reliability of the data. The value of the coefficient of stability ranges from zero to one and the questionnaire is more stable as the value of the coefficient of stability approaches one. Honesty means that the scale achieves the goal for which it was set, that is, the scale measures what is set to measure, and can be calculated mathematically by taking the square root of the coefficient of stability. The researcher presented the questionnaire to a group of arbitrators, which consisted of (10) academics specialized in the fields of financial management, economics, accounting and statistics. Its semi-final image to be applied to the exploratory sample.

The researcher then calculated the consistency of the internal consistency of the questionnaire for the survey sample consisting of (15) respondents and the coefficient of stability (Cronbach's Alpha) (0.912). After confirming the validity of the questionnaire through the survey sample, the researcher calculated the stability coefficient (Cronbach's Alpha) of the research sample consisting of (37) respondents, the value of the total questionnaire paragraphs (0.884).

**Sixth: Natural distribution test:**

The results of the Kulmgrove-Smarnoff test are shown in Table (1). The hypothesis that the respondents' answers follow the normal distribution at a significant level (5%) was tested. It is clear from this that the values (p-value) for all axes of research are the largest level of significance, and this leads us to accept the hypothesis that the answers follow the normal distribution.

**Table (2)**
**Natural distribution tests of research axes**

| axes | K-S Statistics | P-value |
|---|---|---|
| first | 0.061 | 0.3254 |
| second | 0.073 | 0.1145 |
| third | 0.055 | 0.2237 |
| forth | 0.028 | 0.5501 |

**Source:** Statistical Analysis.

**Seventh: Weighted Average Test**

(T-test) is used to test the validity of the weighted average calculated from the answers at a certain level of significance, if the absolute value of the calculated test statistic is greater than the tabular value, or if the level of significance (Sig) less than the level of significance.

## Analysis of the results of the questionnaire:

### Variable 1: Banking Infrastructure:

From Table (2), which relates to the results of the respondent answers to the paragraphs of the banking infrastructure variable, the respondents' opinions were positive for all paragraphs except for paragraph (8) .This indicates that banks provide a suitable legislative environment for financial inclusion. The principle of financial inclusion, it is also concerned with the establishment of small machines to serve small enterprises, and that it provides access points for financial services such as ATM, mobile phone, points of sale, and that banks settle banking operations between dealers in a timely manner, and they issue legislation that determines the potential risk of payment and settlement operations. Information is exchanged through the expansion of digital services, financial services are accessible at low cost to all segments of society, databases are also created for individuals and SMEs, and banks ensure that service providers and customers have the information they need to ensure transparency and protection. Finally, the banks use a comprehensive system with all branches. The respondents' views in paragraph (8) were negative, which means that the payment and settlement of financial services is not conducted via mobile phone.

It is also clear that the overall result of this axis is complete agreement, where the arithmetic mean (weighted average) for all paragraphs of the axis (4.261) and a standard deviation rate (0.6809). The weighted mean is greater than the minimum value of the total agreement set out in Table 1 (4.2 - 5). This means that the overall result of the first variable was the total respondents' agreement. The results of the test (t) of the hypothesis (that the average answers for banks infrastructure is greater than 4.2) summarized that the test statistic value was (15.179) and the level of significance (0.000), which is less than the level of significance (0.05), which indicates the acceptance of the hypothesis are that, financial inclusion is strengthened when developing the infrastructure, financial inclusion is strengthened when providing consumer protection and developing financial services and financial inclusion is enhanced when adhering to the legislation and laws of the research sample banks. That the average answers for the variable infrastructure of banks is greater than (4.2).

**Table (3) Results of Infrastructure Paragraphs Analysis**

| No. | Statements | Weighted average | standard deviation | t Statistics | Significance level |
|---|---|---|---|---|---|
| 1 | The Bank provides a suitable legislative environment for financial inclusion | 4.243 | 0.6833 | 6.616 | .000 |
| 2 | The Bank shall issue instructions and regulations that support the principle of financial inclusion | 4.648 | 0.5876 | 11.889 | .000 |
| 3 | The bank is interested in establishing small machines to serve small enterprises | 4.108 | 0.8215 | 3.621 | .001 |
| 4 | The bank provides access points for financial services such as ATMs, mobile phones and points of sale | 4.594 | 0.5507 | 12.090 | .000 |
| 5 | Settlement of banking transactions between customers with the Bank in a timely manner | 4.513 | 0.5588 | 11.032 | .000 |
| 6 | The Bank issues legislation that determines the potential risk of payment and settlement | 4.486 | 0.5067 | 11.842 | .000 |
| 7 | Information is exchanged through the expansion of digital services | 3.837 | 0.7997 | 2.569 | .014 |
| 8 | Payment and settlement of financial services is done via mobile phone | 2.837 | 0.9604 | -2.868 | .007 |
| 9 | Financial services are accessible at low cost to all segments of society | 4.351 | 0.7155 | 7.237 | .000 |

| | | | | | |
|---|---|---|---|---|---|
| **10** | **Databases are created for individuals and SMEs** | **4.405** | **0.7979** | **6.902** | **.000** |
| **11** | **Ensure that service providers and customers have the information they need to ensure transparency and protect their rights** | **4.459** | **0.6495** | **8.985** | **.000** |
| **12** | **A comprehensive system is used with all branches** | **4.648** | **0.5383** | **12.979** | **.000** |
| **Axis result** | | **4.261** | **0.6809** | **15.179** | **.000** |

**Source:** Statistical Analysis.

The second variable: the results of the analysis of consumer protection paragraphs of financial services:

Table (3) regarding the results of the respondents' answers to the paragraphs of the consumer protection variable for financial services shows that the weighted arithmetic means of all respondents' answers were greater than the minimum value set for the full agreement (4.2) except paragraph (6), it was agreed only. Contribute to the fair and transparent treatment of the client, and that these banks provide financial services and products easily and conveniently and at an appropriate cost, as well as provide services to the client with high quality, the banks establish a mechanism to keep customers informed of all updates and changes in services. Moreover, banks provide advisory services based on customer needs and without complication. To deal with customer complaints, banks also educate and awareness customers from different segments of society on the principles of financial protection of the consumer to understand their rights and fulfill their obligations. The banks also facilitate access to financial services, and are keen to educate customers and educate them according to awareness programs prepared by them.

The average of weighted mean for all paragraphs of the variable is (4.459) and a standard deviation rate is (0.8023). As for the test (t) of the second hypothesis, which states that (the average answers to the consumer protection clauses of financial services was greater than 4.2), it indicates the full agreement with the hypothesis, because the test statistic value was (10.148) and the level of significance (0.000) is less than significance level (0.05).

**Table (4)**
**The Financial Services Development Variable**

| No. | Statements | Weighted average | standard deviation | t Statistics | Significance level |
|---|---|---|---|---|---|
| 1 | The Bank contributes to a fair and transparent transaction | 4.540 | 0.7300 | 8.669 | .000 |
| 2 | The Bank provides financial services and products easily and conveniently and at an affordable cost | 4.621 | 0.6811 | 10.016 | .000 |
| 3 | The bank provides services to the customer with high quality | 4.567 | 0.8673 | 7.487 | .000 |
| 4 | The Bank discloses data to customers in a transparent manner to ensure that they are aware of the benefits and risks associated with the product | 4.378 | 0.9531 | 5.606 | .000 |
| 5 | The Bank establishes a mechanism to keep customers informed of all updates and changes in services | 4.459 | 0.7203 | 5.209 | .000 |
| 6 | The bank provides advisory services based on customer needs and without complexity | 4.162 | 0.8664 | 4.649 | .000 |
| 7 | The Bank provides a mechanism for handling customer complaints | 4.621 | 0.4916 | 13.876 | .000 |
| 8 | Customers are educated and awareness from different segments of society about the principles of consumer protection financially to understand their rights and | 4.270 | 0.9324 | 5.025 | .000 |

| | | | | | |
|---|---|---|---|---|---|
| | fulfill their obligations | | | | |
| 9 | Facilitated access to financial services provided by the Bank | 4.459 | 0.7300 | 7.994 | .000 |
| 10 | Customers are educated and awareness in accordance with the Bank's awareness programs | 4.513 | 0.6507 | 9.474 | .000 |
| Axis result | | 4.459 | 0.8023 | 10.148 | .000 |

**Source:** Statistical Analysis.

The third variable: the results of the analysis of paragraphs of financial services development:

Table (4) relates to the results of the respondents' answers to the paragraphs of the financial services development variable. This means that banks take into account the needs and requirements of customers when generalizing services and products before they are put on the market, they develop services and means of payment and is not limited to financial lending and financing in their services to customers. Banks follow up and review instructions to suit all segments of society. They also provide a mechanism to deal with customer complaints. Finally, banks are encouraged to compete in providing services between the bank and its branches.

This is also confirmed by the arithmetic average (weighted mean) for all paragraphs (4.455) with standard deviation (0.5494). As for the test (t) of the third hypothesis, which states that (the average answers to the paragraphs of financial services development was greater than 4.2), it indicates acceptance of the hypothesis because the value of the test statistic was (10.148) and the level of significance (0.000), which is less than the level of significance. 0.05).

**Table (5)**
**Results of financial services development paragraphs analysis**

| No. | Statements | Weighted average | standard deviation | t Statistics | Significance level |
|---|---|---|---|---|---|
| 1 | The Bank takes into account the needs and requirements of customers in the circulation of services and products before being put on the market | 4.189 | 0.8264 | 3.722 | .001 |
| 2 | The Bank develops services and means of payment and is not limited to financial lending and financing in its services to customers | 4.486 | 0.5067 | 11.842 | .000 |
| 3 | The Bank follows the policy of reducing unjustified fees and commissions imposed on financial services | 4.081 | 0.3635 | 9.724 | .000 |
| 4 | The Bank provides training for financial service providers | 4.945 | 0.2292 | 38.367 | .000 |
| 5 | The Bank follows up and reviews the instructions to suit all segments of society | 4.540 | 0.6495 | 9.744 | .000 |
| 6 | The Bank shall encourage competition in the provision of services between the Bank and its branches | 4.486 | 0.7210 | 5.353 | .000 |
| Axis result | | 4.455 | 0.5494 | 11.427 | .000 |

**Source:** Statistical Analysis.

From Table (5), which relates to the results of the respondents' responses to the paragraphs of financial education, it is clear that the respondents' opinions were positive for all paragraphs. This leads us to say that banks enhance the awareness and financial knowledge of citizens, especially the target groups that need it. For all segments of society such as youth - women and children, and they seek to create an integrated system aimed at achieving a financially educated society, they are conducting awareness campaigns aimed at enabling consumers to make financial decision to meet their needs, and banks are spreading awareness to realize the rights and responsibility between the client and them, the average of weighted mean of all paragraphs of the axis (4.477) and standard deviation rate (0.5692). Since the value of the weighted mean is greater than the minimum value set for the full agreement (4.2), this means that the overall result of the fourth variable was the complete agreement of the respondents, the results of the test (t) of the hypothesis (that the average answers to the banking infrastructure is greater than 4.2) indicate that the test statistic value is (10.766) and the level of significance is (0.000), which is less than the level of significance (0.05) and this leads to accept the hypothesis that the average answers to a variable Financial education of banks is greater than (4.2).

**Table (6)**

**The results of the analysis of the paragraphs of financial education**

| No. | Statements | Weighted average | standard deviation | Statistics t | Significance level |
|---|---|---|---|---|---|
| 1 | The Bank promotes financial awareness and knowledge among citizens, especially the target groups that need it | 4.459 | 0.6052 | 9.642 | .000 |
| 2 | The Bank follows a program of awareness and education for all segments of society (youth - women - children) | 4.432 | 0.6028 | 9.409 | .000 |
| 3 | The bank seeks to create an integrated system aimed at | 4.486 | 0.5067 | 11.842 | .000 |

| | | | | | |
|---|---|---|---|---|---|
| | **reaching a financially educated society** | | | | |
| **4** | **The Bank conducts awareness campaigns aimed at enabling consumers to make financial decisions to meet their needs** | **4.486** | **0.5588** | **10.737** | **.000** |
| **5** | **The Bank promotes awareness of the rights and responsibility between the client and the Bank** | **4.405** | **0.6437** | **8.555** | **.000** |
| **6** | **The Bank periodically and continuously conducts training programs on financial inclusion of employees** | **4.594** | **0.4977** | **13.377** | **.000** |
| **Axis result** | | **4.477** | **0.5692** | **10.766** | **.000** |

**Source:** Statistical Analysis.

## Fourth Section

## Conclusions and Recommendations

### First: Conclusions

1. The research sample banks, the Middle East Bank and the Baghdad Bank, provide an appropriate legislative environment for financial inclusion, and that these banks prepare instructions and regulations that support the principle of financial inclusion.
2. The banks of the research sample make sure that the service providers and clients are acquired and they use a comprehensive system with all branches.
3. The research-sample banks provide services and financial products easily, conveniently, at an appropriate cost, and with high quality.
4. The research-sample banks encourage competition in providing services between the bank and its branches.
5. Banks enhance the knowledge and awareness of citizens, especially the target groups that need it.
6. Financial inclusion contributes to the delivery of banking services to all members of society and all its groups.

7. The banks in the research sample educate and awareness customers according to the awareness programs prepared by them periodically and continuously.
8. The research sample banks seek to find an integrated system that aims to reach a financially educated society and for all groups of society, such as youth, women and children, and to spread awareness through training programs on employee financial inclusion.
9. Financial inclusion encourages banks to expand their branches, increase the intensity of their activities, and improve their financial performance.
10. Financial inclusion includes sustainable economic and social growth, thereby reducing unemployment and poverty rates, improving income distribution and raising the standard of living.
11. Financial inclusion protects clients and encourages them to manage and invest their money safely.
12. The application of financial inclusion leads to the development of various financial services and products that enhance and develop citizen awareness levels.
13. Financial inclusion is strengthened by the basic axes which are supporting the financial infrastructure, protecting the consumer, developing financial services and products that meet the needs of all segments of society, financial education, the respondents' answers to the research were greater than (4.2), and this indicates that banks enhance financial inclusion.
14. The respondents' answers were negative in the non-mobile payments.

**Second: Recommendations**

1. The need for the bank’s administration to pay attention to workers with the accomplished skills that work to achieve profitability by attracting different classes.
2. The necessity of using the modern experiences of international banks that enhance the financial inclusion of the different classes through modern technologies.
3. The need for the bank’s management to focus on providing services at a low cost that includes the different segments.
4. The need for lifting and marketing of financial services to take place via a mobile phone that enhances customer financial inclusion.

5. The necessity of urging the central bank and its directives to all banks and following up banks to enhance financial inclusion through modern technologies.
6. Strengthening the relationship between banks and the public according to the framework of the Central Bank of Iraq directives to enhance financial inclusion.
7. Working to legalize informal channels, conceal oversight, supervise supervisory authorities, and motivate the financial sector to enhance the awareness and spread of financial education.
8. The necessity of settling the mobile payments, and directing the research sample to this.

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# The Role of Commercial Banks in Promoting Financial Inclusion / Applied Study in The Middle East Bank for Investment and Baghdad Bank

دور المصارف التجارية في تعزيز الشمول المالي

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**المستخلص**

لتعزيز دور الشمول المالي بشكل مدروس من خلال تحسين الخدمات المصرفية إلى جميع شرائح المجتمع العراقي وتوفير البنية التحتية اللازمة ونشر الثقافة المالية والمصرفية، لقد وضعت البنوك المركزية والمؤسسات المالية خطة لتطوير الشمول المالي السائد في بلدانها أو الدول التي تعمل فيها، ويتم من خلالها شمول كافة فئات المجتمع بالمنتجات المالية والمصرفية المتوفرة أو التي سيتم طرحها في المستقبل، وتختلف تجارب الدول في تحقيق الشمول المالي لكونها ترتبط بظروفها الاقتصادية، وحجم العمق المالي لجهازها المصرفي ومستوى الوعي المصرفي لمواطنيها.

لذلك تسعى المصارف إلى تحقيق الشمول المالي عن طريق ابتكار منتجات مالية جديدة تعتمد على ادخار والتأمين ووسائل الدفع وليس فقط على الإقراض والتمويل، مع توفير التدريب للعاملين في هذا المجال. والتشجيع على المنافسة بين المصارف وذلك عن طريق توفير المزيد من الخيارات للزبائن وتعزيز التنافس بين المصارف للحصول على الخدمات بجودة عالية وتكاليف أقل وتخفيض الرسوم والعمولات المفروضة على الزبائن.

تناول البحث مفهوم الشمول المالي وأهم محاور الشمول المالي وأهميته وتم تقسيم البحث إلى ثلاث مباحث منهجية البحث والاطار النظري والعملي وثم التوصل إلى مجموعة من الاستنتاجات أن الشمول المالي يتعزز من خلال محاور أساسية البنى التحتية وحماية المستهلك والثقيف المالي وأهم التوصيات هي ضرورة تقديم خدمات مالية حديثة بتكاليف تتناسب دخول الغالبية العظمى من أفراد المجتمع تعتمد على الادخار والتأمين إضافة إلى التمويل والاقراض الصغير والمتوسط الذي يناسب فئات المجتمع ويسد حاجاتهم.

**الكلمات المفتاحية :** حماية المستهلك ، التثقيف المالي ، البنية التحتية للمصرف ، الوعي المصرفي.