



صندوق النقد العربي  
ARAB MONETARY FUND

**“Beyond the inclusion, financial health as a new  
priority for the Arab region”**

**Statement by  
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On behalf of the Arab Monetary Fund (AMF), I would like to commend the Group of 24 for convening this important meeting which is being an essential platform for developing countries to discuss ways and means to respond to and manage the evolving challenges we face. The G-24 has always championed multilateralism, and global governance which appears today more significant than ever. Considering the multidimensional perspectives of our today's challenges, we still believe in the merit of making financial inclusion work for all, however, to improve the ability of people to cope with unforeseen challenges, a much more comprehensive approach coupled with a set of policies, beyond access to financial services, is a key to address the Sustainable development Goals (SDGs).

Today we all know that significant progress has been made over the past two decades to advance financial inclusion for the world's most vulnerable people. Since 2011, 1.2 billion people worldwide have opened financial accounts. Now most governments have set their own financial inclusion plans and strategies, and are making government payments through digital financial infrastructure. We have seen also that young people, women, and other traditionally marginalized groups are accessing and using more regularly than before financial products and services.

However, the COVID-19 pandemic has deeply exposed the financial fragility of large segments of the world's population, which in return, revealed the vulnerabilities of our economic and social schemes. All over the world, people, especially those in low- and middle-income countries, are losing their jobs and seeing the value of their income and assets diminish. In fact, at the beginning of the crisis, most of the population across the world was inadequately prepared to withstand a prolonged income shock. A couple of recently released studies have been outlining that a significant number of adults in several low- and middle-income countries were unable to meet their basic short-term needs by using only their savings or by selling their assets in case of loss of their income.

In light of these vulnerabilities, an approach that advances the well-being of individuals and households and reduce their fragility is needed. The emerging topic of financial health, a comprehensive approach that aims to understand, measure, and ultimately improve the specific aspect of well-being associated with the financial lives of people, would be the right next policy agenda.

### **Financial health, a normal forward step to financial inclusion**

Over recent years, we have been observing a shift from financial inclusion to financial health, due to the inherent insufficiencies of financial inclusion in reducing poverty and boosting wellbeing, particularly of the excluded and vulnerable segments. Furthermore, Covid-19 crisis has demonstrated that financial inclusion alone cannot ensure financially resilient communities and some of them are experiencing a drop in living standards and are still unable to rebound from the negative economic shocks of the crisis. In practice, we have seen disconnection between financially included and better financial life of an individual and a number of communities. Digital financial services are certainly driving the financial access, but its impact is neither universal nor satisfactory.

Financial health appears as an approach that seeks to understand how being “financially included” “or not” impacts individuals to meet their life goals through broader socio-economic factors such as gender, social norms, as well as individuals’ capabilities. Financial health is globally known as the extent to which a person or family can smoothly manage their current financial obligations and have confidence in their financial future. It encompasses a number of important aspects of people’s financial lives, including financial security, resilience, control, and autonomy. The global community’s effort towards financial health agenda and good practices is an important step and key foundation to identify areas of financial improvement for individuals and businesses and define the determinants model for financial health.

### **Global practices and prospects for financial health in the Arab region**

Globally, governments, private sector, and non-profit organisations are actively experimenting how to implement financial health. Some countries have set financial health at a national strategy level, a number of private sector players embed financial health in their business models and among all of those, financial health measurement is at the heart of the discussion. Globally, several leading banks, government agencies, and academic institutions are already developing methodologies to measure customers’ financial health and understand financial behaviour.

The financial health is an improved sustainability’s approach for many reasons, considering the tools it includes for poverty reduction and economic well-being. One reason is that financial health is a consumer centric approach and build on both objective and subjective means to define the impact as the later can mean different things to different people and is best defined by individuals themselves. Within this in mind and in terms of financial health measures, we believe in the need to consider the broader socio-economic and cultural context to provide a more holistic perspective in defining, achieving, and measuring impact. For example, financial autonomy is highly relevant for people in higher income brackets and makes little sense for poor people struggling with day-to-day finances. Furthermore, the extent to which certain factors influence people’s financial health may not be consistent across contexts. The access to credit might be an important determinant of financial health in one country while less relevant in another country where saving rates are generally high. Instead, the capability of making financial decisions would be more significant.

In the context of the significant progress made over the past decade to advance financial inclusion in the Arab region, we believe that a number of Arab countries are particularly well positioned to lead further in the global financial health agenda. The existing financial inclusion infrastructure establishes an excellent foundation to reach mass customers, create and experiment financial health measurement methodologies, and design innovation interventions to identify financial health best practices for global learnings.

### **Financial health, a holistic approach and better strategic pathway for the Arab region**

Despite the fact that the term of financial health is rather nascent, it is neither disruptive nor conflicting to the current works of both Arab Monetary Fund (AMF) and financial policymakers across the Arab region. It aligns with ongoing financial inclusion agenda to ensure customer-

centricity, consumer protection, and wellbeing. Financial health also facilitates validation of national financial literacy strategies and plans and informs financial sector growth and stability.

Financial health approach is not a complete remedy, but it does assist in closing parts of the gaps on consumer protection principles of “fair treatment of consumers” and “responsible business conduct of financial service providers”. Measuring the end customer outcome applies to both traditional and digital financial service providers in the same framework, serves as a benchmark to evaluate whether consumer protection measures are effective, tracks the possible fluctuation for further supervision, and inherently takes a cross-product view.

From the demand side perspectives, it is also recognized by the Arab Monetary Fund (AMF) that consumer capability building through financial education needs to be strengthened to achieve financial inclusion and wellbeing. Several Arab countries have implemented national financial education strategies and have undertaken surveys to gauge consumers’ attitudes, behaviours, knowledge, and skills for making sound financial decisions that help achieve life-long financial health.

Measuring financial health will certainly translate current consumer protection and capacity building work into systematic and measurable actions. It is a strategic pathway towards developing inclusive, resilient, and stable financial markets that help people to achieve financial wellbeing, drives economic growth and achieve sustainable development in the Arab region.

Financial health approach crosses path with healthcare, education, and climate change just to name a few, and connects financial service to broader social economic concerns is our collective responsibility to enable a sustainable future for our environment and our people. The customer-centricity nature of financial health supports private sector practitioners to identify the customer-specific needs before jumping into a certain pre-assumed product design and delivery method. Financial health finally serves as the foundation of sustainable financial system around its three key stakeholders: financial regulators, financial service providers, and consumers.

Promoting the development of a sustainable Arab financial system is one of the key objectives of the Arab Monetary Fund (AMF). To this end and in line with AMF 2040 vision, the 2020-2025 strategy document, in addition to other measures, has identified financial education, financial inclusion, consumer protection, and digital finance as key drivers for growth and development in the Arab region. For measuring the progress, the strategy document proposes launching a set of financial and banking sector development indicators, including Arab financial inclusion composite index and financial stability index. Arab financial health index is planned to be developed in the context of our next five years strategy.

Thank you!

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