Financial Exclusion in Morocco: Environmental Impact and Explanation through the application of Grounded Theory.

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Absrtact: With the establishment of the national strategy for financial inclusion in 2015, Morocco launched a challenge to the promote access and use of basic financial products and services such as opening a bank account, savings and insurance while dealing with the various factors and obstacles contributing to financial exclusion. The objective of this paper is to explain the factors of financial exclusion in Morocco and their impact on the environment. To achieve this objective, we have adopted a method based on the application of grounded theory while making a study that is both qualitative and quantitative through a questionnaire and semi-structured interviews conducted on the Moroccan population aged 18 years and above for a period of two months (April and May 2023) using data processing software such as SPSS and N'vivo. The results show that there are several factors that lead to financial exclusion, mainly : lack of trust in financial institutions, low level of education and financial knowledge, lack of financial products and services adapted to the needs of individuals and companies such as loans granted to finance environmental protection projects. To reduce and curb these obstacles, it is recommended to develop financial education programs, and to strengthen the transparency and accountability of financial intuitions.

Key words : Environmental impact, Financial exclusion, Financial inclusion, financial education, financial confidence, Grounded theory, Morocco, Sustainable development objective.

1 Introduction :

Financial exclusion is a concept describing the situation in which certain people or groups have limited access to basic financial services, i.e. the opposite of the concept of financial inclusion.[1]. These services include bank accounts, loans, insurance and savings. Financial exclusion can have several dimensions, including geographic [1], economic, cultural and institutional. Numerous studies and scientific researches, have reported the existence of several obstacles to financial inclusion, despite government initiatives in the establishment of programs, such as the national financial inclusion strategy, which promote financial inclusion, in order to overcome these obstacles [2]. People and populations are excluded from financial products and services and mainly from opening a bank account, having a savings account or being covered by insurance. The literature has shown that the situation differs and depends on the quality of the target population, whether individuals or businesses.

Based on global FINDEX from database published in 2017, only 29% of Moroccan adults have access to basic financial services, because of a range of exclusion factors. The results also prove that women are less financially included than men with 65% against 72% as banking rate. Behind these figures, the FINDEX database has highlighted several factors, mainly the low level of income of unbanked populations, the unsuitability of financial services and products to consumer needs, advocate financial exclusion and, poverty exposure of the poorest populations [3]. In addition to this, the level of financial education which has a positive impact on household savings behavior as well as financial planning for their budgets, and also the selection of financial services that meet their expectation [4].

In rural areas, agricultural households mobilize of financial resources to acquire the necessary inputs to allow improvement of agricultural production, good exploitation of renewable energy resources, good management and recycling of waste. However, financial exclusion is one of the major obstacles faced by the majority of these

[1]According to the Bank for International Settlements (BIS, 2015), financial inclusion covers three dimensions: accessibility, use and quality: the first dimension is related to accessibility and corresponds to the range of financial services that are available or can be mobilized by customers. The second dimension measures usage, that is to say the extent to which and how customers actually use the services they can access. The third relates to the quality of the services, to what extent are they in line with the needs of the clients.

households, limiting agricultural growth, access to environmental investments, and slowing the transition to a green and sustainable economy. On the other hand, financial inclusion is one of the solutions available to public authorities and governments in order to increase the access and use of financial services to agricultural households excluded from the financial system [5].

The study of financial exclusion in Morocco has attracted the interest of many researchers and practitioners seeking to understand the causes and find solutions to promote financial inclusion in the country [6], [7], [8] , [9], [10]. However, despite previously conducted works, there are still some gaps that require special attention. This research is committed to filling these gaps by applying grounded theory for an in-depth analysis of financial exclusion in Morocco. First, one of the current gaps lies in understanding the root causes of financial exclusion such as poverty, limited access to financial services, and socio-economic disparities related to each country characteristics and challenges in terms of financial inclusion. Then, there is a need for contextual and local analysis of financial exclusion in Morocco. Also, it is essential to give a voice to marginalized populations in the research over financial exclusion. The application of grounded theory will enable us to include these voices and to collect qualitative data from the populations financially excluded in Morocco.

This research aims at understanding the deep causes of financial exclusion in Morocco by identifying the economic, social, cultural and political factors that contribute to this exclusion. In addition, it aims to, explore the experiences and perspectives of individuals and communities which are marginalized as to the financial services, in order to give a voice to those who are excluded and to better understand their needs and challenges. The study also examine the practices, the polices, and the financial regulations existing in Morocco, evaluated their impact on the financial exclusion, and identified the gaps and opportunities for improvement. At the end, we suggest policy recommendation and practical interventions to reduce financial exclusion in Morocco considering the cultural specificities and local context.

Our work contributes to academic knowledge by broadening our understanding of financial exclusion in the Moroccan context. The results will inform policy makers in the formulation of more effective public policies. Development practitioners will benefit from the practical recommendations for designing more relevant financial inclusion programs. By giving a voice to marginalized populations, the research seeks to empower these groups and create social and economic impact by reducing financial exclusion and opening up new opportunities to access financial services.

To achieve the objectives of this research on financial exclusion in Morocco, a review of the literature is carried out in order to high light of the state of knowledge in this area and to identify existing gaps. Then, a solid research methodology will be developed, including semi-structured interviews, questionnaires and field observations. The data collected will then be analyzed using appropriate qualitative and quantitative methods using SPSS and N'Vivo software. Validation and triangulation will be performed to strengthen the validity of the research through presentation and discussion of the results. Then, concrete recommendations will be formulated based on the results and handed out to decision-makers, practitioners, and researchers interested in financial inclusion/exclusion in Morocco. A conclusion will be drawn and the limits of our research will be explained. Finally, we will end with, an acknowledgement to all those who participated in the production of work and the list of bibliographical resources.

2 Methodology :

2.1 Data collected

To fully understand the factors that cause financial exclusion in Morocco and its impact on the environment, we have chosen a method developed by the sociologists Glaser and Strauss (1967), based on the application of the Grounded theory [11]. It is a qualitative research method that allows the development of an emergent theory from data collected in the field [12]. We chose of this methodology because it allows a contextual understanding based on the particular aspects of financial exclusion. It also makes it possible to explore the structural factors that contribute to financial exclusion, such as the practices of the formal financial system and the government regulatory policies based on an in-depth qualitative data collection. The final the objective is to suggest solutions adapted to the Moroccan reality by identifying specific and concrete obstacles.

To carry out our research work, we opted for a study that is both quantitative and qualitative by means of a questionnaire and semi-structured interviews by addressing experts in the financial sector, representatives of financial institutions financial institutions, members of Moroccan financial education foundations, members of the community, business leaders and founders, government officials and individuals excluded from the financial system. This study was conducted over a period of two months, from April to May 2023, on a sample which is composed of all segments of the Moroccan population such as adults, young people and also elderly citizens (figure 1), generally over the age of eighteen.

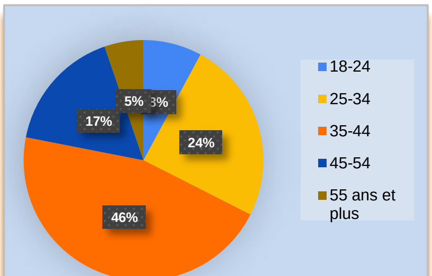

Fig.1: Age

Also, the study population is made up of individuals regardless of their gender, with, 57% men and 43% women (Figure 2), and their urban geographic affiliations, with 61% from rural areas and 39% from different regions of Morocco.

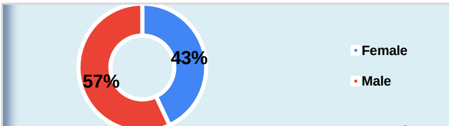

Fig. 2: Gendre

The conducted questionnaire contains twenty-five questions, closed and also open, ones divided into six sections named as follows:

- Section 1: Access to financial services.
- Section 2: Factors of financial exclusion.
- Section 3: Personal Experiences and Needs in Financial Services.
- Section 4: Financial Inclusion Initiatives and Policies;
- Section 5: Perspectives and suggestions;
- Section 6: Demographic and geographic information

The collection of information was done through an online questionnaire, taking advantage of the spectacular evolution of information and communication technologies (ICT) and filled directly by some interviewed people. We have also collected data through the reception and direct face-to-face contact with agents of financial institutions (banks, finance companies, microcredit association, etc.) using semi-structured interviews. The information collected was statistically processed using SPSS software (Statistical Package for the Social Sciences) and the qualitative data analysis software "N'vivo".

2.2 Data Analysis

2.2.1 Access to financial services:

Based on the results of access to financial services such as bank accounts, loans, and insurance. Most of the population (95.65%) responded positively with "Yes", meaning that they access at least one of the financial services offered. The rest (4.35%) declared no access to these services (figure 3).

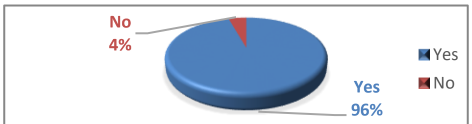

FIG. 3: FREQUENCY OF PEOPLE WITH ACCESS TO FINANCIAL SERVICES

Interviewees declared several reasons, or obstacles, causing exclusion from basic financial services, including, the lack of the necessary documentation, the low level of income, the lack of confidence in financial institutions, the low level of financial education, the lack of knowledge about financial services and products, and incompatibility of the financial offers with their religious convictions. Figure 4 shows in detail the frequency represented by each reason based on the responses of individuals in our study population.

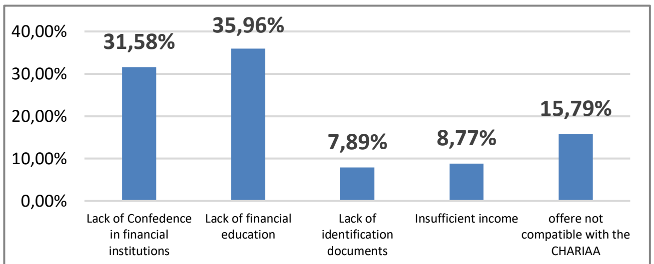

Fig. 4 : Reasons for not having access to financial services

Figure 5 shows the percentage distribution of frequencies for different financial categories. Bank account is the most common category at 98.18%, followed by bank loans at 57.27% and credit cards at 12.73%. Microcredits are used by 8.18% of individuals, while insurance is taken out by 57.27% of them. Life insurance and online trading platforms are less common with only 0.91%. Concerning the, means of payment, bank cards are used by 74.55% of people. On another hand, real estate loans reach 73.02%, car loans have a rate of 28.57%, consumer loans are less frequent (19.05%). These results show case the prevalence of bank account, bank loans, and credit card among the surveyed individuals, while life insurance and consumer credits are less wide spread.

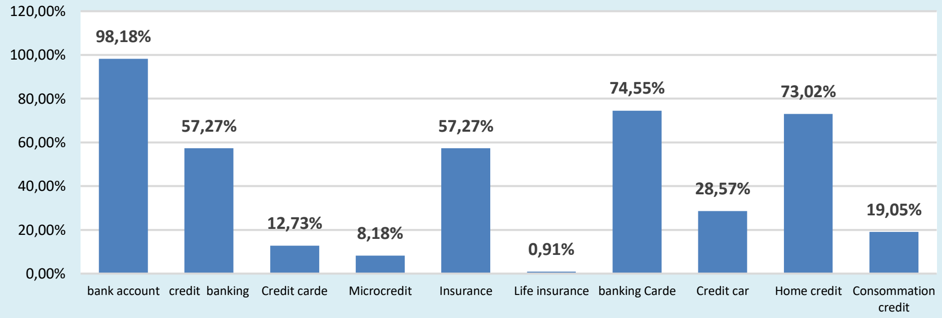

Fig. 5: The frequency of use of financial products and services

2.2.2 Financial exclusion factors :

The results of our study show that, while the majority of individuals have access to financial services and this mainly by opening bank accounts, several factors, slow down the use of other products and basic financial services such as savings, insurance, and subscription to credit contracts. According to the responses of individuals (Figure 6), these obstacles are mainly: Low availability of financial institutions in rural areas (31.58%), High fees associated with financial services (65.79%), Lack of financial education (61.40%), Discrimination based on gender, age, ethnic origin (10.53%), Lack of trust in financial institutions (59.65%), Language barriers (20.18%), limited to access financial technologies (e.g.: internet, cellphones) (28.07%), and, rigidity of eligibility criteria or the accepted guaranties for financial services (27.19%).

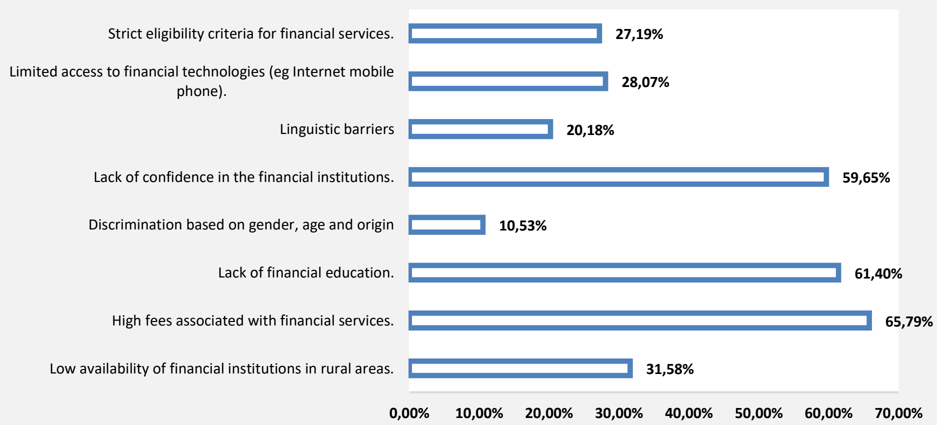

Fig. 6: Financial exclusion factors.

In parallel, figure 7 shows that the lack of access to financial education is the most important challenge, obtaining 39.13% of the responses. Then, economic and social inequalities are identified as a major concern with 22.61%. Restrictive policies and regulations are cited as a problematic factor with 18.26%. Cultural and traditional barriers are mentioned with 13.91%. Finally, geographical obstacles are perceived as a challenge of less concern, with only 5.22%.

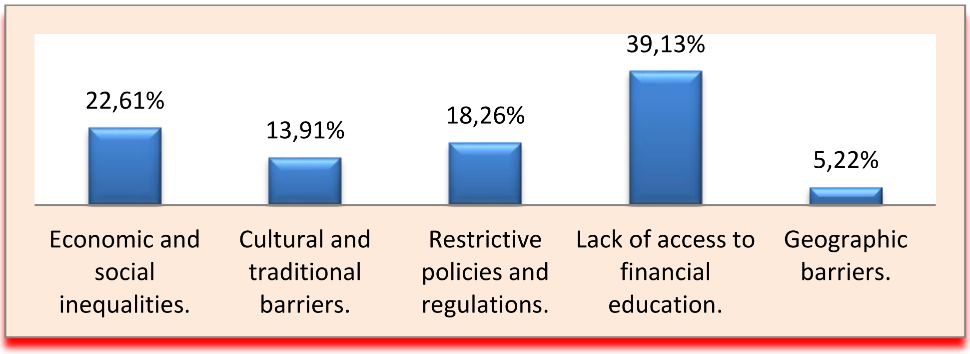

Fig. 7: The proportion of the most determining factors in financial exclusion in Morocco

Trust in financial institutions can also play a crucial role in reducing financial exclusion. The results of our study (figure n°8) show that 73.9% advocate that trust is Very important and it is essential to encourage financial participation. A percentage of 16.5% say it is moderately important and that there are other factors to consider. On another hand, 7.8% confirm that trust in financial institutions is not really important and that there are other more significant factors, while 1.7 % have another point of view and for them trust is not important.

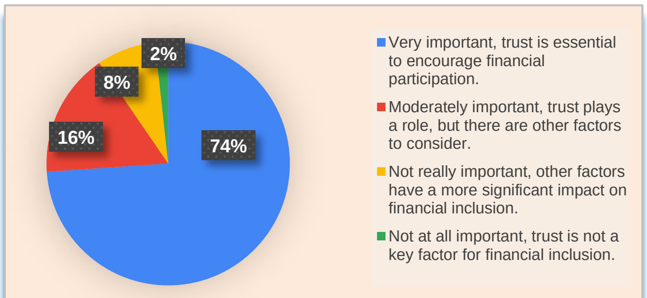

Fig. 8: The importance of confidence in financial institutions

2.2.3 Personal experience and financial service needs

The analysis of the experiences lived by the participants (table 1) showed that the principal financial difficulty encountered is an insufficient income, representing 39.13% of the answers. High medical expenses and job loss are cited equally at 12.17%. Debt accumulation is also a major concern, obtaining 15.65% of responses. However, 41.74% of the participants indicated that they had not encountered any financial difficulties. These results highlight the variety of financial problems that individuals may face, such as insufficient income, medical expenses, job loss, and deb. However, some did not experience any financial difficulties.

Table. 1: The distribution of the difficulties faced with the use of financial services

Types of difficulties faced	Frequency (%)
Yes, due to insufficient income.	39.13%
Yes, due to high medical expenses.	12.17%
Yes, due to job loss.	12.17%
Yes, due to accumulated debts.	15.65%
No, I did not encounter any financial difficulties.	41.74%

As for the initiatives developed in order to encourage the financial inclusion of Moroccan citizens, the results, of figure 8, show that 75.00% of respondents consider it important to have basic banking services with reduced fees. In addition, 37.50% believe that it is necessary to have savings products adapted to low incomes, while 19.64% stress the importance of microcredit programs accessible to entrepreneurs. In addition, 30.36% believe that it is crucial to have affordable insurance to cover major risks, and 55.36% consider that financial education accessible to all is necessary. 41.07% of respondents stress the importance of better geographical accessibility of financial institutions, and 57.14% think that it is essential to have financial services adapted to the needs of rural populations. In addition, 29.46% of respondents believe that it is important to have tax incentives to encourage the use of financial services, while 31.25% stress the importance of partnerships between financial institutions and local actors. Finally, 45.54% consider it necessary to carry out awareness campaigns on the advantages of financial inclusion and the importance of partnerships between financial institutions and local actors.

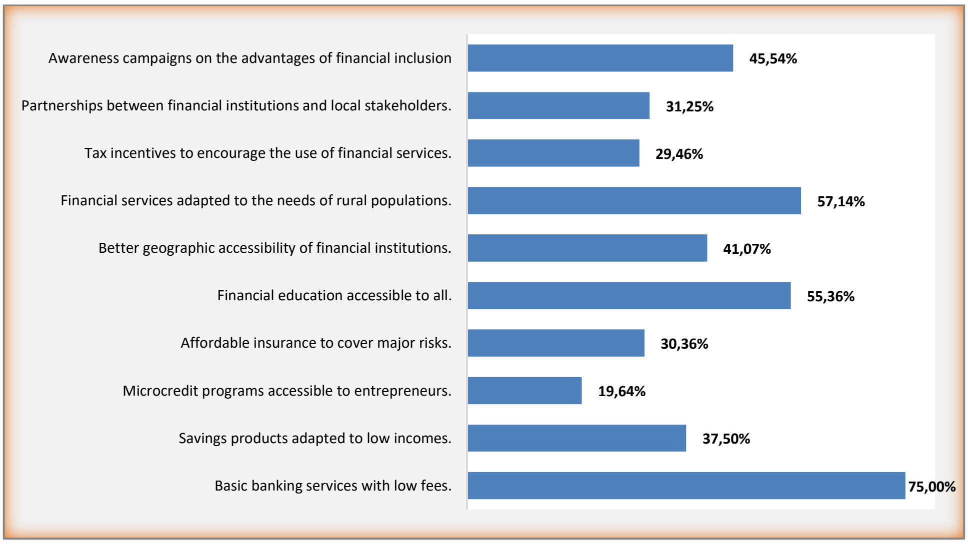

Fig. 9: Financial services or products that need to be improved or developed to meet the needs of excluded people.

3 Results :

The study on financial exclusion in Morocco revealed interesting results. In terms of access to financial services, the majority of the population has access to some basic services such as bank accounts, but a good number of them are turning away from other financial products and services such as loans, savings and insurance products. However, some obstacles remain, such as:

- the lack of documentation: especially for households that live in rural areas and whose number of bank branches and financial institutions is low ;
- for low incomes: whether for households without jobs or with low-income jobs or for very small businesses whose activity does not generate more income ;
- Distrust towards financial institutions: Many interviewees have an attitude of distrust or skepticism towards the actors and mechanisms of the financial system. Mainly with regard to equality between customers in terms of access to financial services and also with regard to the fixing of interest rates and this is added distrust in terms of the use of their personal information ;
- Limited offer of financial instruments, such as loans, insurance and investments, making it possible to encourage the promotion of environmental protection projects and also those that make it possible to promote the development of small green businesses and also entrepreneurs and entrepreneurs and entrepreneurs and entrepreneurs and entrepreneurs and Innovators who seek to create sustainable businesses.
- The lack of financial education and the lack of knowledge of financial products and services.
- The lack of financial education and the lack of knowledge of financial products and services. Households and small business managers have stated that they lack knowledge on how can they handle financial products and services as an example: filling out a check, drawing money via a bank card, knowing how to calculate the effective cost of a bank loan ....;
- In addition, some financial offers may be incompatible with religious convictions. Here we are talking about households who are anxious to use the financial products and services offered by conventional and even participatory banks.
- The study also identified several factors of financial exclusion. Rural areas in Morocco are less well served by financial institutions, leading to limited access to financial services. High fees, discrimination based on gender, age and ethnicity, language barriers, limited access to fintech as well as rigid eligibility and collateral criteria for financial services also contribute to this exclusion. Discussion and recommendations

4 Discussion and recommendations

To promote financial inclusion in Morocco and fight off financial exclusion, it is recommended to implement financial education programs which are accessible at all levels of education, to reinforce trust in the financial institutions through awareness campaigns and transparency measures, to make financial services fees affordable to low income people, to spread up the availability of financial institutions in rural areas thanks to branch offices and innovative financial technologies, to fight off gender discrimination, age and religious convictions for the access to financial services.

Furthermore, it is necessary to promote partnerships between financial institutions and local actors to facilitate access to financial services and encourage the electronic payment of bills, to set up tax incentives to encourage the use of financial services, for the all community in general and in particular for companies and project promoters focused on environmental protection such as the management and recycling of domestic waste and the fight against chemical pollution. In addition, it is important to develop savings products adapted to low incomes and affordable insurance to meet the needs of excluded populations in this area.

Although this study gave important results, it has several limitations that should be considered when interpreting the results. First, the sample used in the study may have been small in terms of size and representativeness, which limits the generalizability of the findings to the entire Moroccan population. Additionally, there is a possibility of response bias, where participants may provide biased or inaccurate responses, which may affect the validity of results. Another limitation concerns the subjective measurement of financial exclusion, based on participants' perceptions, which can introduce some subjectivity and variations in the results. In addition, the research was conducted only in French, this may exclude people who are not proficient in that language, which may lead to under-representation of certain population groups. Moreover, the results may be influenced by cultural factors specific to Morocco, which limits the generalization of the conclusions to other contexts. Finally, to get a complete and more accurate picture of financial exclusion in Morocco, further research is needed to overcome these limitations and obtain more robust data.

5 Conclusion :

Given the importance of the subject of financial inclusion, in 2015, Morocco inaugurated in 2015, the first steps to launch the work of the national financial inclusion strategy (NFIS) and also the development of the roadmap for aligning the financial sector with the sustainable development objectives. In fact, financial inclusion has attracted a lot of interest from public authorities who wish to meet the objectives of sustainable development, to achieve the economic and social prosperity of the populations, to reduce poverty rates, and to strengthen investment policies [8], because it has become an important factor of inclusion, equity, economic, and social efficiency. Financial inclusion has become a priority of crucial importance for all countries and international institutions such as Morocco, since it enables both individuals and enterprises to better manage their incomes and savings.

The results of this study show that age, level of education and professional social status have a positive and more significant impact on the reduction of financial exclusion. The population studied is composed of 86.9% of people aged at least 25 years, 97.4% with a level of study of baccalaureate level or more, continuing their studies or graduates, 94.6% are either salaried employees or civil servants, and 27.8% are students benefiting from scholarships. This led us to have a proportion of 94.8% of the population that holds an account with a bank or financial institution.

Our empirical study, using grounded theory, has bridged several factors of financial exclusion. Most of, the individuals of our population have confirmed that holding a bank account only serve to receive the salary or scholarship from the establishments or companies concerned. At the same time, the results show that most of them do not have the possibility of saving, of taking out credit or insurance. These exclusion factors can be summarized as follows: Lack or low level of financial education, lack of trust in financial institutions, lack of documentation that better explains information on financial products and services offered, low level of individual income, incompatibility of products and services offering with the expectations of their customers (individuals and enterprises), low availability of financial institutions in rural areas, light fees of financial services, discrimination based on gender, age, ethnic origins, language barriers (low level of language and jargon used), limited access to financial technologies, (2,455 billion of people excluded for conventional banking system in world and to the sales of cellphone[13]) and the rigidity of eligibility criteria and guarantees for financial services. Financial exclusion is not limited to having a bank account or not, but also to the ability of individuals and businesses to benefit from basic financial products such as savings and insurance [14].

A financial sector is said to be inclusive if it essentially succeeds in reducing the vulnerability and poverty of low-income households and, also, in encouraging small and medium-sized enterprises to invest through a better allocation of capital [8]. This will promote economic growth by helping to reduce unemployment. To this, the objective of reducing the margin of financial exclusion is considered a major challenge and/or a rallying cry for the economic development and environmental protection of emerging countries such as Morocco.

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