

Chapter 5

Islamic Quadruple Helix: Social Finance Partnership for Developing Digital Financial Inclusion in Maghreb Region

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ABSTRACT

Rooted in sharia values, Islamic finance should have the eligibility to lead microfinance in contributing to financial inclusion in Islamic countries in the Maghreb region. However, Islamic microfinance in this region has not been going well. At least when compared to the Southeast Asian region, Islamic microfinance in this region is still lagging behind. Through a literature study, this conceptual chapter promotes the Islamic Quadruple Helix approach, which integrates the Islamic social finance partnership model and digitalization to accelerate financial inclusion in this region. Therefore, this chapter focuses on three issues: (1) Describe the facts and figures of Islamic finance in the Maghreb region; (2) Explain the role of Islamic social finance partnership and digitalization in fulfilling the lack of Islamic microfinance in this region; and (3) Map the digital financial inclusion ecosystem in this region by illustrating the role of involvement from a number of parties.

INTRODUCTION

Financial inclusion nowadays is a global agenda in order to realize sustainable development goals (SDGs). As a target in eight of the seventeen goals in the SDGs, financial inclusion works obviously as an enabler for several developmental goals. Particularly at this time when the digital revolution works to accelerate

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the world's experiences. Digitalization swiftly may fire enlarge and escalate access financial services. Digital financial inclusion will support actively the achievement of SDGs (United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), the Better Than Cash Alliance, the United Nations Capital Development (UNCDF), and the World Bank, 2018).

In Maghreb region, the financial inclusion level driven by Islamic microfinance in this region is lagging behind Southeast Asia. The market has not yet visible the full potential of the Islamic microfinance industry in driving socio-economic impacts at scale for people within the bottom of the pyramid (BoP) in the Maghreb as in the Southeast Asia (Aaminou, 2022). Southeast Asia region can be a representation of Asia regarding the financial inclusion agenda and Indonesia deserves to representative of the Southeast Asia region and Association of Southeast Asian Nations (ASEAN) in implementing the financial inclusion agenda (Musari, 2022). Besides the geographical factor that requires the presence of digital technology to reach its disperse, Indonesia delivers significant opportunities in the financial technology (fintech) sector based on its standing as the largest economy in Southeast Asia and the fourth-most populous nation in the world.

Furthermore, by taking lessons from Indonesia and ASEAN, this study would like to provide a proposed ecosystem for digital financial inclusion in the Maghreb region by integrating the Islamic social finance partnership model and digitalization to accelerate financial inclusion in this region. This ecosystem model is intended to map the positioning of Islamic social finance to the real sector which is reflected by micro, small, and medium enterprises (MSMEs) and nano enterprises (NEs), even pico enterprises (PEs). Also, to find out what components are needed in bringing digitalization that supports financial inclusion.

Overall, this paper believes Islamic microfinance, nanofinance, even picofinance are important tools for Maghreb MSMEs that can cater to their financial needs. With official support through cooperation and establishing a joint commitment from the government, financial authorities, and stakeholders in this region to create a digital financial inclusion ecosystem, it will make a significant contribution to easing MSMEs' access to finance and also supporting the industry to grow and develop, even for people who are in the BoP, excluded and unserved, underbanked and unbanked, as well as street vendors. An adequate regulatory and institutional framework supported by political stability is key to encouraging digital financial inclusion in the Maghreb region through the Islamic Quadruple Helix approach.

METHOD

This study is qualitative research with an explanation approach to exploring the integration of Islamic social finance as well as information and communications technology (ICT) or technologies toward Islamic Quadruple Helix to create the ecosystem of digital financial inclusion. Specifically, this study promotes Islamic nanofinance and picofinance to fill the lack of Islamic microfinance with digitally supported to accelerate financial inclusion in the Maghreb region.

This study also can be categorized as a Conceptual Paper with Models research design as a methodological approach. By focusing to propose a digital financial inclusion ecosystem model with an Islamic Quadruple Helix approach as a new insight, then developing a logical argument about this association rather than testing it empirically, the objective of this study is indeed to develop the rationality of the proposed ecosystem model. Model research design in Conceptual Paper offers a significant improvement in constructing valid theories in their scientific field. This method leads naturally to synthesizing

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