

Financial Inclusion in Tunisia

10 Framework Conditions Facilitating
Transition from Cash to Digital Financial
Services through Tunisia Post

Technology and Entrepreneurship



Center at Harvard





Tunisia was an early leader in digital payments. It has engaged actively and consistently to foster the transition from cash to digital financial services (DFS) to improve the economic wellbeing of its population and business community. Inclusion in digital financial services can provide more economic security to store and accumulate assets safely, along with democratization of wealth through increased participation and opportunity. Increased DFS activities generate both economic and social benefits.

The institution of Tunisia Post (La Poste Tunisienne) provided an essential foundation for DFS, due to the popularity of postal accounts and access to and familiarity with Tunisia Post from its widespread network of postal branches throughout the nation. Along with Tunisia Post, nine other factors enabled innovations in DFS.

The goal is financial inclusion, encouraging DFS adoption to this end. The task in Tunisia is by no means complete. While still a work in progress, Tunisia's experience may offer guidance to other nations and stakeholders about viable steps for their journeys from cash to digital financial services, in pursuit of stronger economic networks and more secure social structures for its citizens and businesses.

TUNISIA DIGITAL PAYMENTS LANDSCAPE

POPULATION
12 MILLION (2022)¹

SOLID LITERACY RATE

79% ADULT (15 YEARS+)
LITERACY RATE⁴

with one of the highest number
of literate females among largely
Muslim nations⁵

WOMEN IN LABOR FORCE

28% OF THE
LABOR FORCE
IS FEMALE (2020)⁶

~1/2 the rate of OECD nations but
more than other Arab countries⁷

MSME-DOMINATED BUSINESS ENVIRONMENT

98% OF BUSINESSES
ARE MSMES

(micro, small & medium enterprises)⁸

STRONG INFOTECH AND MOBILE UPTAKE

76% OF POPULATION
HAS A MOBILE PHONE
SUBSCRIPTION (2018)²

Plus a well-developed and growing
information and communication
technologies (ICT) infrastructure,
with the most Internet availability
in North Africa³

MANY TUNISIA POST ACCOUNTS

~6 Million
POSTAL ACCOUNTS
among the highest per capita
in the world⁹

HIGH CASH TRANSACTIONS

~85% OF
TRANSACTIONS
ARE IN CASH (2017)¹⁰

LACK OF FINANCIAL ACCOUNTS

63% OF ADULTS
- 54% of males and 72% of females -
DO NOT HAVE
A FINANCIAL
ACCOUNT (2017)¹¹

LOW DIGITAL PAYMENTS

ONLY **29%** OF ADULTS
MADE OR RECEIVED
A DIGITAL PAYMENT
in the prior year (2017)¹²

10 FRAMEWORK CONDITIONS FACILITATING TRANSITION FROM CASH TO DIGITAL PAYMENTS

1. Political commitment to financial inclusion through digital financial services

Among other initiatives, Tunisia adopted a National Financial Inclusion Strategy (NFIS) in 2018. The transition from cash to digital financial services figured prominently in Tunisia's NFIS.¹³

2. High postal account ownership, reinforced by the widespread presence of Tunisia Post

Tunisia Post has been offering postal accounts for many decades. There are approximately 6 million postal accounts. There are over 1,000 post office branches.¹⁴ The geographic scope extends beyond the urban core to rural and remote areas. This availability contrasts with banks, which tend to concentrate in urban environments. The geographic distribution is a comparative advantage for Tunisia Post. It offers ease of access and use. Although individuals may adopt digital financial services, it is likely that they will still have cash receipts or payments or the need to convert them, depositing cash or withdrawing it in this cash-heavy economy. Tunisia Post also benefits from familiarity and existing relationships through other postal services, with the result that trust may be higher. Around the turn of the century, Tunisia Post began introducing digital financial services (see below), employing the postal account system to drive digital payments uptake. Posts around the world have many positive attributes for digital financial services and have been underutilized as vectors of transition to digital payments.¹⁵

10 FRAMEWORK CONDITIONS FACILITATING TRANSITION FROM CASH TO DIGITAL PAYMENTS

3. ICT (Information and Communication Technology) penetration

Among developing countries, Tunisia was a fairly early adopter of information and communication (ICT) technologies. This longevity and the systems in place, although updates are needed, provide a multi-decade background of popular acquaintance with ICT. This awareness can smooth the path toward digital payments.

4. High mobile telephony penetration

Mobile telephony has much higher penetration rates than use of both traditional financial services and digital financial services. Mobile telephony offers a gateway to digital payments and other financial services, including coupling the access and familiarity of Tunisia Post with high mobile telephony use to fuel digital financial uptake.

5. Regulatory reform

Tunisia Post was already offering financial services. As digital offerings expanded, existing rules were updated or new ones instituted. For example, Tunisia Post simplified its Know Your Customer (KYC) rules.¹⁶ More broadly, Tunisia has been in a multi-year process of regulatory reform to establish the necessary regulatory environment and adoption or amendment of relevant regulations to permit digital financial services, including digital payments.¹⁷ In addition to KYC requirements, other topics include rules for opening accounts, as well as fees and minimum balance or transaction requirements that may disincentivize or block low-income individuals.

10 FRAMEWORK CONDITIONS FACILITATING TRANSITION FROM CASH TO DIGITAL PAYMENTS

6. Government use of digital payments to deliver government services to save time and money and to build familiarity and trust

The Tunisian government provides leadership and encourages uptake by using digital payments for government benefits and services. As opposed to cash disbursements, digital payments can streamline processes to increase ease, efficiency, and security. Digital financial services build knowledge and trust in the population. For example, in 2019 the Ministry of Finance began services permitting electronic payment of taxes and fees.¹⁸ The government also instituted a digital payment system for student enrollment.¹⁹

7. Literacy

Tunisia has a robust overall literacy rate of 79%. Due to multi-decade national policies, women in Tunisia have had access to education. The literacy rate for females in Tunisia is 96%.²⁰ Higher levels of education are associated with more financial account ownership.²¹

8. Female participation in the workforce and economy

Women are present in the workplace in higher numbers than other Arab countries, making up 28% of the labor force. Across the world, women account for 70 – 80% of purchasing decisions. Similar to education levels, labor force participation increases the likelihood of having a financial account.²² These roles of Tunisian women in the economy support provision of digital financial services.

10 FRAMEWORK CONDITIONS FACILITATING TRANSITION FROM CASH TO DIGITAL PAYMENTS

9.

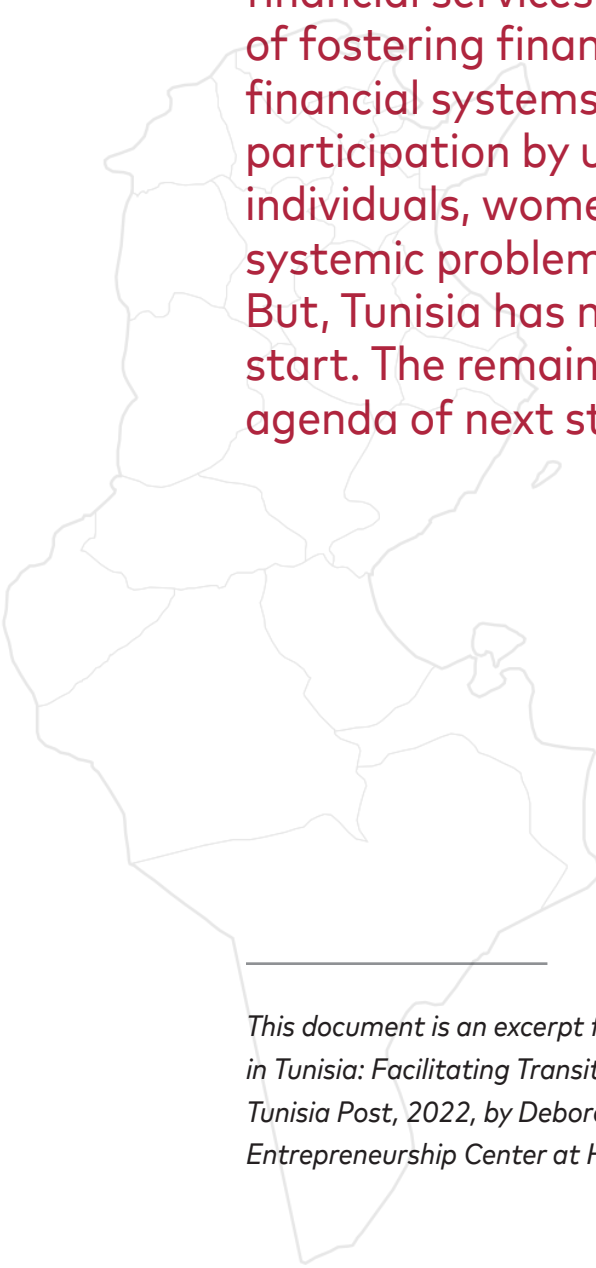
Products and services that meet market needs

Tunisia Post has continually updated its digital offerings. It introduced the edinar electronic payment system in 2000, the edinar smart card in 2008, and MobiDinar in 2010, which enabled digital financial services on mobile phones.²³ In 2018, Tunisia Post launched MobiPost for transfer and receipt of money by mobile.²⁴ The 2018 app, D17, offered several services, such as account management, money transfer, bill payment, purchases, and payment by QR code.²⁵ Tunisia Poste initiated “my Poste” in 2021, a digital financial service with customer offerings such as opening a postal account remotely, accessing account information, and transferring money.²⁶

10.

Neutrality about digital payments platform and variety to meet MSME needs

Technical developments have made it possible to offer multiple digital payment platforms to merchants. Alternatives include card readers, QR codes, or tap to pay by phone. Public-private partnerships provide additional options. The diversity of MSMEs in Tunisia makes this flexibility especially attractive. The availability of different platforms lets the merchant decide, based on the business and its customers, which mode will create the best purchase experience. For some businesses, too, the extra expense of a card reader may create barriers to moving from cash to digital payments. A QR code, for example, may be preferable because it can be easier and cheaper for the merchant, since no reader expenses are required. For the consumers, there can be more flexibility to use the payment system that they prefer for each particular purchase.



Tunisia faces multiple challenges on the path to financial inclusion, including in the transition from cash to digital payments, a foundational element necessary to meet its goal. The barriers to digital financial services include the immediate issues of fostering financial literacy and trust in digital financial systems and services, as well as increasing participation by unbanked and underbanked individuals, women, and MSMEs. There are, as well, systemic problems of unemployment and poverty. But, Tunisia has made a concerted, substantial start. The remaining obstacles set forth a clear agenda of next steps for stakeholders.

*This document is an excerpt from the forthcoming working paper, *Financial Inclusion in Tunisia: Facilitating Transition From Cash to Digital Financial Services Through Tunisia Post*, 2022, by Deborah Hurley, Global Innovation Policy Fellow, Technology and Entrepreneurship Center at Harvard (TECH), Harvard University.*

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