

# Digital Islamic Finance: A Gateway to Financial Inclusion - A Comparative Study Between Malaysia and Jordan-

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## Abstract

This study aimed to highlight the role of digital Islamic finance in enhancing financial inclusion, particularly in Islamic countries, by addressing the concepts of digital Islamic finance and financial inclusion, it also emphasizes its importance in achieving sustainable development in light of a comparative analysis between the experiences of Malaysia and Jordan in this field. The study employs a descriptive-analytical method to collect and analyze data within the study framework and a comparative method to compare the application of digital Islamic finance and financial inclusion in two Islamic countries.

The study concludes that digital Islamic finance effectively promotes financial inclusion by providing innovative, Sharia-compliant financial solutions, such as digital banking services. These solutions enable underserved populations and remote areas to access safe and reliable financial services, enhancing their participation in the financial system and contributing to social justice and sustainable development. Despite the challenges facing this sector, there are significant opportunities to overcome them and maximize its potential.

**Keywords:** Digital Islamic Finance; Financial Inclusion; Fintech; Malaysia; Jordan.

**JEL classification codes:** Z12; G21 ; O33 ; O57

## التمويل الإسلامي الرقمي: بوابة نحو الشمول المالي - دراسة مقارنة بين ماليزيا والأردن -

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### الملخص:

هدفت هذه الدراسة إلى تسليط الضوء على التمويل الإسلامي الرقمي ودوره في تعزيز الشمول المالي خاصة في الدول الإسلامية من خلال التطرق الى المفاهيم الخاصة بالتمويل الإسلامي الرقمي والشمول المالي فضلا عن ابراز اهميته في تحقيق التنمية المستدامة على ضوء المقارنة بين تجربتي ماليزيا والأردن في هذا المجال، من خلال الاعتماد على المنهج الوصفي التحليلي لجمع البيانات وتحليلها ضمن اطار الدراسة والمنهج المقارن للمقارنة بين دولتين إسلاميتين في تطبيق التمويل الإسلامي الرقمي وتحقيق الشمول المالي.

وتم التوصل في آخر الدراسة إلى أن التمويل الإسلامي الرقمي يعزز الشمول المالي بشكل فعال من خلال تقديم حلول مالية مبتكرة متوافقة مع مبادئ الشريعة الإسلامية مثل الخدمات المصرفية الرقمية، بحيث تتيح هذه الحلول للفئات المحرومة والمناطق النائية الوصول إلى خدمات مالية آمنة وموثوقة، مما يعزز مشاركتهم في النظام المالي ويساهم في تحقيق العدالة الاجتماعية والتنمية المستدامة. وعلى الرغم من التحديات التي يواجهها هذا القطاع، إلا أن هناك فرصا كبيرة لتجاوزها والاستفادة القصوى من إمكاناته.

**الكلمات المفتاحية:** تمويل إسلامي رقمي، شمول مالي، تكنولوجيا مالية، ماليزيا، الأردن

تصنيف JEL: Z12؛ G21؛ O33؛ O57

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## **Introduction**

In the last few years, financial inclusion has emerged as a major priority on the global economic and social development agenda. Providing individuals and communities with access to essential financial services is viewed as crucial for economic growth and poverty reduction. However, many individuals in developing countries still face barriers that prevent them from fully benefiting from the traditional financial system

Simultaneously, financial technology (Fintech) has observed remarkable development, playing a vital role in Improves financial inclusion by providing innovative digital solutions and offering financial services to individuals and communities previously deprived of them. These solutions have proven their ability to overcome geographical barriers and provide affordable and user-friendly financial services.

At the same time, interest in Islamic finance has increased, both in Islamic and non-Islamic countries, thanks to its principles that align with the religious and ethical values of many communities. With the emergence of digital financial technology, a new term called digital Islamic finance has arisen, aiming to integrate its principles with modern technological innovations, offering innovative alternatives to traditional financial services.

Given this development, it has become essential to study the digital Islamic finance role in promotes financial inclusion and to determine whether this type of finance is the long-awaited solution for achieving broader financial inclusion in Islamic and other communities.

## **Research Problem**

Based on the above the following research problem can be proposed: **“How can digital Islamic finance enhance financial inclusion? “**

## **Sub-questions**

To address the research problem, several sub-questions have been posed:

- What innovative solutions does financial technology offer that align with Islamic principles?
- How does digital Islamic finance contribute to achieving financial justice across different segments of society?
- What strategies do financial institutions adopt to enhance financial inclusion through digital Islamic finance?
- What are the differences between developing and developed countries in promoting financial inclusion through digital Islamic finance?

## **Significance of the Research**

The significance of this research is the importance of the topic, as it attempts to deeply understand the role of digital Islamic finance in improves financial inclusion and providing innovative financial services that align with Islamic law this is particularly crucial in light of rapid technological advancements and the global focus on achieving sustainable financial, economic, and social development.

## Research Objectives

Through this research, we aim to achieve the following objectives:

- Understanding the social and economic position of digital Islamic finance;
- Analyzing the task of digital Islamic Finance in improves financial inclusion;
- Exploring the challenges facing digital Islamic finance in amplifies financial inclusion;
- Understanding the difference between the capacity of developing and developed Countries in enhancing financial inclusion;
- Analyzing digital Islamic finance and financial inclusion in Jordan and Malaysia, and their role in enhancing access to financial services for underserved populations.

## Research Methodology

The scientific methodology used in this research is the descriptive-analytical approach, supported by data obtained from documentation sources and official information to highlight the facts and realities representing the research problem. Additionally, the comparative approach was used to study the comparison between Malaysia and Jordan in the application of digital Islamic finance and achieving financial inclusion.

### 1. Financial Inclusion

Financial inclusion is one of the most widely discussed concepts in recent times. The term has garnered significant attention from financial professionals as well as international organizations working in this field, considering it a factor of development.

#### 1.1 Definition of Financial Inclusion

Financial inclusion lacks a universally accepted definition, leading to various interpretations, we highlight **the World Bank** definition: “it as the ability of individuals and institutions to access beneficial and affordable financial products and services that meet their needs (such as credit, insurance, transactions, payments, and savings) delivered in a responsible and sustainable manner” (The Word Bank, 2021)

From this definition, the following points become clear:

- The term "inclusion" signifies two key points: first, it ensures that every section of society has access to financial entitlements regardless of their financial status; second, it guarantees that all financial products are universally available to everyone without exception;
- Affordable goods and services;
- Social responsibility and sustainability mean providing financial products and services in the market with the aim of creating an economic and social impact.

#### 1.2 The Importance of Financial Inclusion For Individuals, Families, And Communities

- **Individuals:**

- Provides better opportunities for managing financial resources safely and securely;
- Facilitates saving and investment;
- Helps in facing financial shocks and managing risks.

- **Families:**
  - Contributes to financial stability;
  - Funds needs such as health, education, and housing;
  - Helps avoid financial fluctuations and plan better for the future.
- **Communities:**
  - Boosts economic growth and sustainable development by creating investment opportunities;
  - Helps expand projects, absorb unemployment, and reduce poverty and inequality;
  - Provides everyone the opportunity to engage with formal financial institutions. (حنان الطيب، (2020)

## 2. Digital Islamic Finance

The increasing need for financial inclusion in Islamic communities which seek financial services compliant with Shariah law especially with the emergence of financial technology, has made it necessary to provide digital financial services that align with Islamic principles. This has led to the emergence of modern concepts such as digital Islamic finance.

### 2.1 The Concept Of Digital Islamic Finance

The term **digital Islamic finance** consists of two elements: The first element is **Islamic finance** which refers to “providing tangible or intangible financing to various projects in ways that comply with the provisions and principles of Islamic Shariah, according to Shariah and technical standards and regulations, to actively contribute to achieving economic and social development” (عصام بوزيد، (2021)

The second element involves **digital finance**. According to a report by McKinsey, it encompasses “financial services provided through digital platforms, including mobile devices and the internet, thereby reducing the dependency on cash and traditional banking branches” (Manyika, 2016)

In another definition **Digital Islamic finance** is “the process of innovating and enhancing traditional financial services using digital technology and modern information and communication technologies. The goal is to provide all banking and financial services and products through digital channels while fully adhering to the provisions and regulations of Islamic Shariah” (مها خليل شحادة، (2020)

### 2.2 Principles of Digital Islamic Finance

**Table N°1**  
**Principles of Digital Islamic finance**

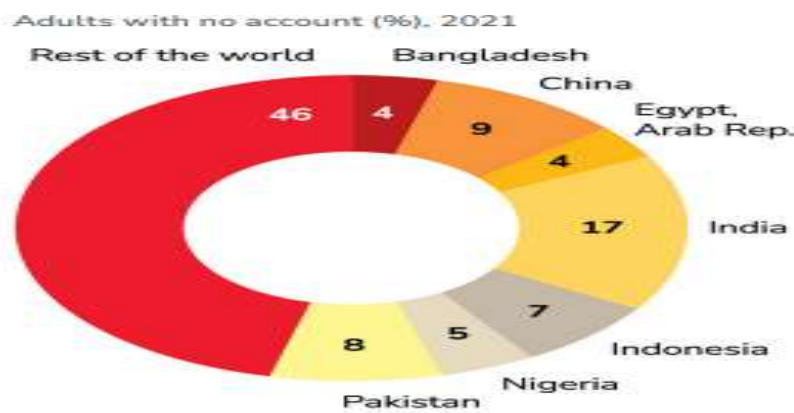
Components	Principles	Description
Compliance with Islamic Sharia	Prohibition of Riba (Interest), uncertainty (Gharar), and gambling (Maysir)	Financial services and products must comply with Islamic principles
Risk Sharing	Profit and Loss Sharing	All parties to the contract share in the profits and losses instead of it being borne by one party alone
Tangible Assets	Asset-based financing	Transactions must be based on tangible assets, not fictitious ones
Ethical Investments	Investment in halal industries	Avoid investments in unethical industries such as alcohol, gambling, tobacco, and similar sectors

Source : (Gökmen KILIC, 2023, p. 215)

### 2.3 The Role of Digital Islamic Finance In Promoting Financial Inclusion

Despite COVID-19 enhancing digital access to official financial services for financially excluded groups at lower costs and greater efficiency—using modern innovations like digital transactions, mobile phones, and digital-linked payment cards—there remain about 1.4 billion adults unbanked, meaning they don't have an account with a financial institution or a mobile money provider. This figure has decreased from 2.5 billion in 2011 to 1.7 billion in 2017. While account ownership is almost universal in high-income economies, nearly all unbanked adults live in developing economies. In fact, 54% of the unbanked—around 740 million people—reside in just seven economies (Asli Demirgüç-Kunt, Leora Klapper, 2021)

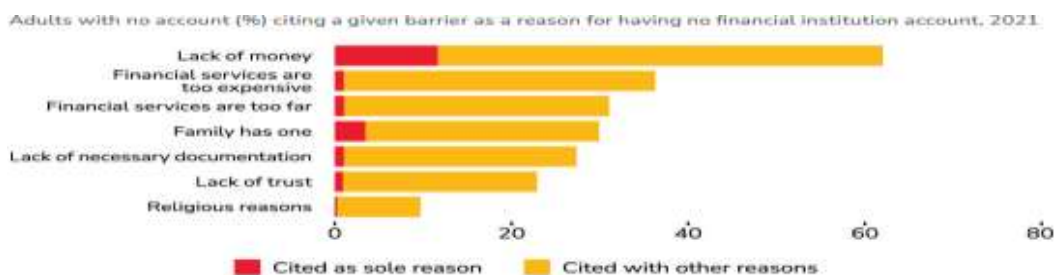
**Figure N° 1**  
Seven economies in the world that have the most unbanked adults



Source : (The Global Findex Database, 2021, p. 34)

To highlight the lack of account ownership in financial institutions or mobile money accounts, the Global Findex 2021 survey found that most people cited not having enough money as the main reason. Other reasons included not owning a mobile phone, lack of trust in the financial system, and religious barriers. Notably, 10% do not use banks due to religious reasons, especially in the Middle East and North Africa where adults may prefer Sharia-compliant financial services (Asli Demirgüç-Kunt, Leora Klapper, 2021)

**Figure N°2**  
The main reasons why people do not have accounts in financial institutions or mobile money accounts



Source : (The Global Findex Database, 2021, p. 35)

The fact that 10% of the population in Islamic countries do not engage with formal institutions due to religious reasons makes digital Islamic finance products and services a strong alternative to interest-based financial institutions, debt trading, speculation, and hedging. These institutions cannot reach this segment, which creates an opportunity for Islamic financial institutions to attract and integrate them into the Islamic finance system.

Digital Islamic finance, with its innovations and methods, has added value to financial inclusion by integrating these excluded groups through Islamic financing formulas such as Musharakah, Mudarabah, risk-sharing (profit and loss sharing), and the prohibition of usury. Additionally, tools that work on redistributing wealth and income, such as Zakat, Sadaqah, Waqf, and Qard Hasan, have particularly encouraged youth, women, and startup entrepreneurs by providing financing opportunities that meet their needs and interests. (مها خليل شحادة، 2020)

Moreover, Islamic banks have proven their ability to withstand global crises, most notably the 2008 crisis, thanks to the Sharia-compliant financial transaction regulations they follow, unlike conventional banks that could not withstand these crises. This increases their acceptance among people with religious concerns. (صندوق النقد العربي، 2021)

The adoption of digitization in the Islamic finance system has led to easy and fast access to financial services via the internet and financial applications on smartphones at low costs, especially for customers in villages and remote areas. It has also increased financial awareness and education and stimulated financial innovation by offering educational programs aimed at helping individuals understand Islamic finance and manage their money in accordance with Sharia principles

Digital Islamic finance enhances financial inclusion by providing innovative financial services that comply with Islamic principles, especially for the financially marginalized and excluded, leading to sustainable development and economic stability.

### **3. The Role of Digital Islamic Finance In Enabling Access To Financial Services In Malaysia And Jordan**

The Islamic financial industry has managed to maintain steady growth in a short period and has geographically expanded to be present in all continents of the world. Modern technologies have provided a wide field for Islamic financial institutions to offer products and solutions and adopt digital transformation, enhancing customer experience and satisfaction. This study will compare the experiences of Malaysia and Jordan to explore the role of digital Islamic finance in enabling access to financial services for underserved groups.

#### **3.1 Malaysia Experience**

##### **3.1.1 The Digital Fintech Environment in Malaysia**

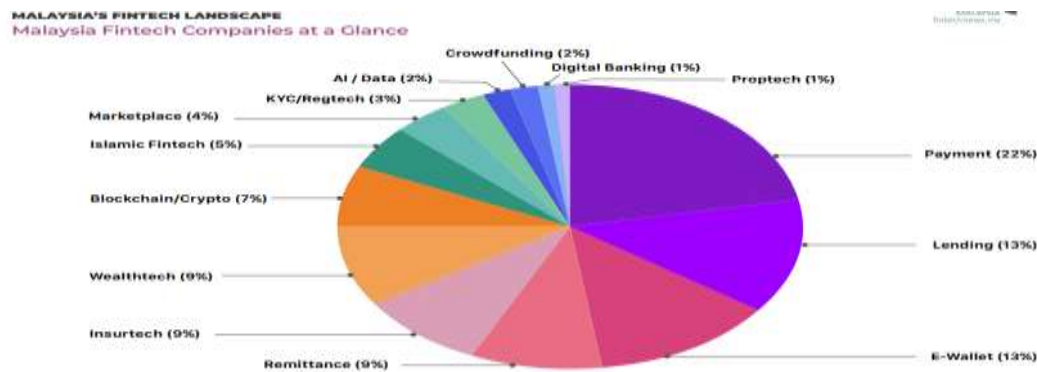
Malaysia's highly developed market for Islamic banking services has facilitated the growth of the thriving Islamic fintech sector, according to the 2023 Global Islamic Fintech Report, Malaysia ranks first among the top 64 countries in the field of Islamic fintech worldwide based on the only global Islamic fintech index (GIFT) With the most robust ecosystem supporting this industry, Malaysia's fintech sector today boasts a developed ecosystem of private and public sector investors, comprising

314 fintech companies the third highest number in Southeast Asia. (Dinar Standard & Elipses, 2023/24)

According to the 2023 Malaysia Fintech Report, this year was marked by significant advancements in the fintech sector. Key events include the launch of the country's first digital bank and the introduction of a framework for digital insurance and takaful operators. Malaysia's fintech scene continues to thrive, with TNG Digital raising \$751 million, the largest fundraising in its history. Despite some BNPL companies ceasing operations, the total number of fintech companies grew from 291 to 314. This year also saw extensive collaboration between agencies and ministries to strengthen the financial system. Notable initiatives include the establishment of a Consumer Credit Oversight Board and a National Fraud Council. These initiatives highlight the community's commitment to consumer protection and financial integrity. The Consumer Credit Oversight Board, comprising the Ministry of Finance, Bank Negara Malaysia, and the Malaysian Securities Commission, aims to enact the Consumer Credit Act. (Fintech Malaysia, 2023)

The following figure will illustrate the areas of fintech usage in Malaysia for the year 2023

**Figure N°3**  
**the areas of fintech usage in Malaysia for the year 2023**



**Source :** (Fintech Malaysia, 2023, p. 02)

Malaysia has taken the top spot in the Global Islamic Fintech (GIFT) Index, which assesses how conducive a country's environment is for Islamic fintech development. The report attributes Malaysia's high ranking to its strong regulatory framework, supportive government policies, diverse talent pool, advanced infrastructure, and vibrant capital market. Key initiatives bolstering Islamic fintech growth include the Shared Prosperity Vision 2030 (SPV 2030), which aims to establish Malaysia as a hub for Islamic finance 2.0. By the end of 2022, the Malaysian Securities Commission (SC) introduced new guidelines for Islamic capital market products and services (ICMPS), underscoring Islamic fintech's potential to boost financial inclusion, social impact, and sustainability. The global Islamic fintech market is expected to reach RM 603.65 billion (USD 128 billion) by 2025, with a compound annual growth rate (CAGR) of 21%, outpacing the 15% CAGR of traditional fintech. Sectors anticipated to see increased opportunities and innovations include Shariah-compliant investment funds, mobile banking, online trading platforms, financial education, and social finance solutions.



Malaysia's Islamic fintech industry is poised to attract a broader range of customers from both Islamic and non-Islamic sectors, providing ethical and socially responsible alternatives to conventional financial services. (Fintech Malaysia, 2023)

### 3.1.2 The Status of Digital Financial Inclusion in Malaysia

Malaysia is considered one of the leading countries in the field of digital financial inclusion thanks to the initiatives of the government and the Central Bank (Bank Negara Malaysia). This is due to policies and initiatives aimed at providing comprehensive, low-cost, and high-quality digital financial services. The strong infrastructure built over the years in both the telecommunications and electronic technology sectors has also helped. As a result, Malaysia has not suffered from the economic distortions that most developing countries face, which are characterized by an informal economy that grows year after year, from which the state does not benefit and cannot control, this will become clearer through the digital financial services indicators issued by the World Bank for the year 2021

- **The Status of ATMs and Cash Deposit Machines in Malaysia**

**Table N°2**

**The development of the number of ATMs and cash deposit machines in Malaysia from (2015 to 2021)**

years	2015	2016	2017	2018	2019	2020	2021
<b>Number of ATMs</b>	11624	11308	11190	11167	10899	8952	8695
<b>Number of Cash Deposit Machines</b>	5276	5323	5314	5296	5239	5850	6780
<b>Number of ATMs per 10,000 adults</b>	5,0	4,7	4,6	4,5	4,5	3,6	3,5
<b>Number of Cash Deposit Machines per 10,000 adults</b>	2,3	2,2	2,2	2,1	2,2	2,4	2,7

Source : ( Bank Negara Malaysia, 2021)

<https://www.bnm.gov.my/documents/20124/8218408/1.+Key+Financial+Inclusion+Indicators.pdf> viewed on 25/08/2024 At 20:58

The table above indicates that Malaysia experienced an increase in the number of ATMs compared to other countries, reaching 5.2 per 10,000 adults. However, in recent times, particularly after the outbreak of the COVID-19 pandemic, there has been a decline in the number of ATMs due to decreased usage by individuals who have shifted towards using the internet and mobile phones for financial services. Conversely, cash deposit machines have seen a continuous rise, reflecting the growing reliance of individuals on these machines for their daily transactions.

- **The Status of Access to Financial Services Online and via Mobile Phones**

**Table N°3**

**The volume of financial transactions conducted online and via mobile phones in Malaysia from 2011 to 2018**

**(Unit: billion)**

years	2011	2012	2013	2014	2015	2016	2017	2018
<b>Financial Services Provided Online</b>	198,4	227,3	269,8	350,7	453	588,2	741,9	920,9
<b>Financial Services Provided via Mobile Phones</b>	2,2	7,1	16,1	23,3	32,8	56,9	107,7	257,4

**Source :** ( Bank Negara Malaysia, 2021)





The table above indicates that online financial services experienced significant growth with their value increasing from 198 billion in 2011 to 920.9 billion in 2018. This growth is attributed to the substantial uptake of internet usage by individuals. Similarly, mobile financial services have shown a continuous upward trend, with their value rising from 2.2 billion in 2011 to 257.4 billion in 2018. This reflects the increasing reliance on mobile phones for accessing financial services.




### **3.1.3 Role Of Digital Islamic Finance In Enhancing Financial Inclusion In Malaysia**

Malaysian Islamic financial institutions have been involved in digital financial inclusion projects since their inception, but the scale of their products and services in this field has remained modest. However, with the launch of several sustainable government initiatives, the level of engagement of Islamic banks in financial inclusion, particularly in digital Islamic financial inclusion, has increased. The following figure illustrates examples in this context:

**Table N°4**

**Digital Islamic finance platforms boosts financial inclusion in Malaysia**

platforms	Activity	Target Group
	A mobile app facilitating financial transfers and receiving payments issued by Bank Islam	Small and Medium-sized Enterprises (SMEs)
	A digital app facilitating financial payments for small traders and contractors	Small traders and contractors
	A digital app for (SMEs) focused on sustainability, issued by CIMB Islamic	(SMEs) focused on sustainability
	A digital app specifically designed to support startups and entrepreneurs from low-income backgrounds, especially women,	Startups

	through interest-free loans (Qard Hasan)	
	A digital app aimed at facilitating low-cost real estate and green financing in collaboration with government low-cost housing projects	Small traders, farmers, and startups
	An organized equity crowdfunding platform focusing on financing businesses, social projects, and the waqf and zakat sectors	(SMEs) and individual investors
	An Islamic crowdfunding platform including charitable works (Sadaqah), endowments (Waqf), and Zakat	Institutions and individuals interested in participating in Zakat and Waqf projects

Source : Prepared by the researchers based on various Islamic financial institutions in Malaysia

- **Digital Islamic finance has contributed to enhancing financial inclusion in Malaysia by:**
  - **Developing Islamic financial technology** that has facilitated Availability to financial services, especially for low-income individuals;
  - **Creating digital platforms and Sharia-compliant applications** that have improved access to financial services for individuals and (SMEs), particularly those who faced difficulties in obtaining traditional financing;
  - **Collaboration between Islamic financial institutions and the Malaysian government sector** has helped develop financing programs that have contributed to improving financial inclusion;
  - **Financial awareness and education provided by Islamic financial institutions** through financial training programs have helped increase financial literacy in communities, resulting in increased use of digital financial services.

All these efforts have helped Malaysia become one of the most important centers of Islamic finance in the world and a leading country in financial inclusion.

### 3.2 Jordan Experience

#### 3.2.1 The Digital Fintech Environment in Jordan

Jordan has witnessed a significant leap in financial innovation, with the Central Bank’s increased focus on supporting initiatives that promote development and innovation in financial technology especially amidst the COVID-19 crisis. According to the Global Finance magazine report, Jordan ranked 54th globally in technological advancement in 2023 and 8th among Arab countries in the Global Innovation Index, recognizing the vital role of digital transformation in the financial sector

At the beginning of 2018, the Central Bank launched the regulatory guide for the Financial Technology Innovations Lab. In 2020, payment systems were developed, and electronic services for customers were facilitated through a digital platform on the web. This step enabled a large segment of citizens in Jordan to inquire, pay bills, and transfer money easily and securely. Additionally, a plan

for digitizing government payments was adopted in collaboration with several ministries and government institutions, reducing costs and time for government agencies in delivering support through digital financial services to unbanked segments

During the COVID-19 pandemic in 2019, e-commerce inclusivity was enhanced, and electronic payment channels were activated using QR codes. An agreement was also reached with the German Agency for International Cooperation through the Digital Remittances project to support the use of electronic payment tools and spread financial literacy among unbanked segments. In 2021, the Central Bank took a distinguished step by issuing a document to regulate digital banks in the Hashemite Kingdom of Jordan, aiming to develop sustainable innovation in the Jordanian banking sector, contributing to the transition to a comprehensive digital economy in line with global visions. Additionally, the Financial Technology Oasis program was launched to provide support and resources for startups

Islamic banks in Jordan consist of four banks, three of which are local: Jordan Islamic Bank, which was the first Islamic bank established in 1979, Arab Islamic Bank in 1997, and Safwa Islamic Bank in 2009. The fourth bank is Al Rajhi Bank which is a branch of the Saudi Arabian bank established in 2011. Islamic banks in Jordan have seen significant growth, with their assets reaching approximately \$120.5 billion by the end of 2023, representing 18% of total banking assets. The financial investments in these banks amounted to about \$8.2 billion, equivalent to 24% of total banking loans. Savings deposits were about \$11.2 billion, representing 20% of total banking deposits. The equity of these banks was about \$1.3 billion, equivalent to 13% of total equity. The net profits after taxes for these banks were about \$150 million, representing 18% of the total profits of the Jordanian banking sector.

In terms of financial technology, these banks have experienced a significant rise in the number of individuals using mobile banking services, with a surge of approximately 601% in 2023. Online banking services also saw an increase of 90%. Additionally, the proportion of financial services provided through electronic payment systems rose by about 250%, while the use of smart cards expanded by about 200%. This trend indicates a widespread reliance on digital financial services within the country. Moreover, these banks have prioritized investments in advanced security and protection technologies to safeguard their data and services. (Central Bank of Jordan Website)

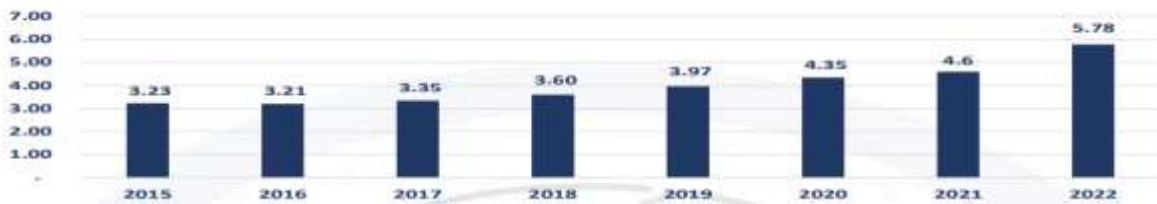
### **3.2.2 The State of Digital Financial Inclusion in Jordan**

Jordan has witnessed significant progress in the field of digital financial inclusion, especially in recent years. The Central Bank of Jordan has played a crucial role in this development by launching initiatives and implementing strategies aimed at enhancing financial inclusion and increasing the spread of digital financial services.

- **E-Payment Instruments**

**Figure N°4**

**The Number of payment cards issued in the Jordanian market (Billion) during the period (2015-2022)**



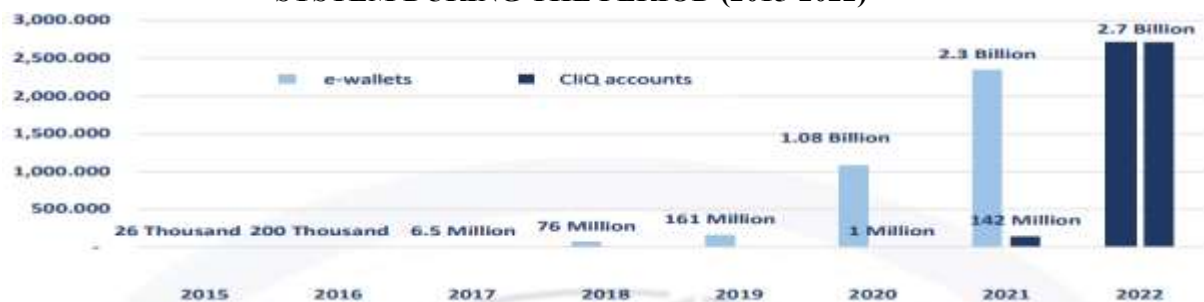
**Source :** ( THE HASHEMITE KINGDOM OF JORDAN, 2023, p. 73)

The figure illustrates the number of payment cards issued in the Jordanian market by banks or electronic payment and money transfer companies. We observe that the number started at 3.23 billion cards in 2015 and gradually increased to 5.78 billion cards in 2022. This increase is due to the Effect of financial technology on the increased use of digital banking services via mobile phones and the internet, which has led to enhanced financial inclusion.

- **Instant Payment System (CliQ)**

**Figure N°5**

**THE VALUES OF TRANSACTIONS EXECUTED THROUGH THE INSTANT PAYMENT SYSTEM DURING THE PERIOD (2015-2022)**



**Source :** ( THE HASHEMITE KINGDOM OF JORDAN, 2023, p. 69)

The CliQ system was introduced in 2020 as the latest instant payment system in Jordan that operates in accordance with the (ISO 2022) standard for financial messages. The system allows the transfer of money across bank accounts and e-money accounts (ewallets) instantly; the system services are provided via mobile phones applications of the participants in the system.

According to the figure, the value of transactions executed through e-wallets in 2022 was approximately \$1 million, rising significantly to \$2.7 billion in 2022. This increase reflects the rapid digital transformation in Jordan and the growing reliance on digital financial services.

### **3.2.3 Role Of Digital Islamic Finance In Enhancing Financial Inclusion In Jordan**

Jordanian Islamic banks strive to keep pace with modern technological advancements by expanding their digital financial services and effectively meeting various customer needs while managing potential risks. They have launched self-service digital services called “Islami Digital,” a digital assistant named “Islami Messenger,” an Interactive Voice Response (IVR) service, and an “Islamic ATM” service with 323 machines spread across Jordan.

Additionally, they have developed mobile financial service applications, including the well-known “E-fawatercom” electronic bill payment service, “JoMoPay” electronic wallets, and applications such as “Islamic SMS,” “3D Secure” secure online shopping, “Islami Mobile,” and “Islami Internet.”

These banks also offer MasterCard and Visa cards for secure and convenient purchase and payment transactions. They have actively engaged in social media platforms, and provide banking services throughout the week, including official holidays, through their branches and offices (George Nasser Shawaqfeh, 2024)

**Table N°5**

**The Number of Cards, Branches and Atms of Jordanian Islamic Banks Until the End Of 2022**

Banks	Cards	No. of open branches	No. of ATMs
Jordan Islamic Bank	5702	89	209
Islamic Arab Bank	12492	47	56
Safwa Islamic Bank	17326	42	42
Al Rajhi Bank	2753	10	16

Source : ( Association of Banks in Jordan, 2022)

The table shows the distribution of cards, branches, and ATMs in four Jordanian Islamic banks until the end of 2022.

- **Jordan Islamic Bank** has the largest number of branches (89) and ATMs (209), indicating a wide network of services. It has 5702 cards.
- **Islamic Arab Bank** has 12492 cards but the lowest number of branches (47) and ATMs (56).
- **Safwa Islamic Bank** has 17326 cards but the least number of branches (42) and ATMs (42).
- **Al Rajhi Bank** has the fewest cards (2753), branches (10), and ATMs (16).

Thus, Jordan Islamic Bank stands out with the largest network of branches and ATMs, while Safwa Islamic Bank leads in terms of the number of cards.

**Table N°6**

**Services Provided by Atms of Jordanian Islamic Banks Until the End Of 2022**

Bank Name	Direct cash deposit	Cash withdrawal in dinars	Balance inquiry	Obtain a mini account	Pay bills (water, electricity)	Transferring funds between	Cash withdrawal in other	Transferring funds between	Transfer money to accounts	Credit card payment	Submit a check book request	Submit an application for a	account statement request	PIN change	eye print	Anti-skimming
Jordan Islamic Bank	■	■	■	■	■	■					■		■		■	■
Islamic Arab Bank	√	√	√	√		√		√			√		√		√	√
Safwa Islamic Bank	-	-	-	-												-
Al Rajhi Bank	×	×	×	×		×		×			×					×

Source : ( Association of Banks in Jordan, 2022)

The table shows that **Jordan Islamic Bank** and **Islamic Arab Bank** stand out for offering a wide range of services through ATMs, including direct cash deposit, cash withdrawal, balance inquiry, bill payments, and fund transfers, reflecting their diversity in services and a strong commitment to meeting customer needs comprehensively.

In contrast, **Safwa Islamic Bank** and **Al Rajhi Bank** provide limited ATM services, which may restrict customer convenience when performing financial transactions through these machines. In conclusion Jordan Islamic Bank and Islamic Arab Bank excel in the variety of available services, while Safwa Islamic Bank and Al Rajhi Bank offer more limited options.

- **Digital Islamic finance has played a crucial role in enhancing financial inclusion in Jordan.** It has expanded access to financial services, improved efficiency, promoted financial literacy, reduced transaction costs, and leveraged Sharia-compliant microfinance to bolster the local economy. However, challenges such as lack of awareness, limited access, insufficient digital skills, technical issues, and regulatory constraints remain.

Addressing these challenges requires collaboration between the public and private sectors and maximizing the potential of digital Islamic finance in Jordan. By offering Sharia-compliant financial services and utilizing modern technology, access to these services can be facilitated. This approach can increase the inclusion of groups traditionally excluded from the financial system and enhance their participation in economic activities

### **3.3 The Difference Between Digital Islamic Finance In Enhancing Financial Inclusion In Malaysia And Jordan**

Based on the above, we will focus on the key differences between Malaysia and Jordan:

**Table N°7**  
**the key differences between Malaysia and Jordan**

<b>key differences</b>	<b>Malaysia</b>	<b>Jordan</b>
Regulatory and Legislative Framework	A supportive regulatory and legislative environment for digital Islamic finance, such as issuing licenses for Islamic digital banks and supporting initiatives like the Financial Sector Blueprint 2022-2026	The legislative framework is still in the early stages of developing a digital Islamic finance framework, with technical challenges hindering its progress
Digital Infrastructure	has an advanced digital infrastructure with widespread internet and mobile phone penetration, where an observed remarkable of the population uses digital financial services	It has witnessed considerable development in Over the past few years, as it strives to gradually expand access to underserved groups through digital wallets, especially given the gaps between urban and rural areas
Financial Awareness and Education	Emphasis on enhancing knowledge about Islamic finance through financial education programs, which has contributed to achieving higher levels of financial inclusion	More efforts are needed due to obstacles related to the lack of awareness about Islamic financial products and digital skills
Services and Products	Startups and traditional financial institutions, both conventional and Islamic, offer a variety of digital Islamic financial services	Focus on classic financial services with a lack of diversity in Islamic financial products
Economic and Social Challenges	Despite the success in achieving financial inclusion, there are still challenges such as the difficulty of aligning technology significantly with Islamic principles,	Faces significant challenges due to weak digital infrastructure, economic challenges, poverty, unemployment, and lack of technological knowledge

	financial awareness challenges, and the economic needs of certain group	
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**Source :** Prepared by the researchers based on the aforementioned discussion

Based on the information discussed in the previous table, we can infer that Malaysia stands out as one of the most successful countries in the field of financial inclusion through digital Islamic finance. In contrast, Jordan is still in the early stages of its journey and could benefit from Malaysia's experience to achieve greater progress in financial inclusion and digital Islamic finance.

## **Conclusion**

In conclusion, digital Islamic finance plays a crucial role in promoting financial inclusion by offering Sharia-compliant financial solutions through modern technologies. It enables access to financial services for underserved and excluded groups, particularly in rural and remote areas, where traditional banking services are limited. By providing innovative products such as digital banking, microfinance, and mobile payment systems, Islamic digital finance helps bridge the gap in access to financial services. This, in turn, supports social justice, economic empowerment, and sustainable development, ensuring that marginalized communities can participate more fully in the financial system. Despite existing challenges, the potential of digital Islamic finance in enhancing financial inclusion remains significant and offers a path toward more equitable and inclusive economic growth.

## **Results**

The study wrapped up with several key findings, most notably:

- Digital Islamic finance contributes to Bolstering financial inclusion through the provision of digital Islamic financial services, especially for deprived groups;
- By supporting startups and (SMEs) enterprises, digital Islamic finance can be part of a broader journey to achieve comprehensive financial and economic development;
- The comparison between Malaysia and Jordan highlighted the importance of the regulatory framework, digital infrastructure, and the diversity of financial services in the success of digital Islamic finance;
- There are various challenges and risks that must be overcome to successfully achieve Islamic financial inclusion.

## **Recommendations**

Some suggestions that can be provided based on this study:

- Authorities should develop legal and regulatory frameworks that support the digital sector while ensuring its compliance with Islamic principles. Additionally, investing in infrastructure, especially in remote areas,
- Enhancing financial literacy through educational programs and awareness campaigns is crucial to highlighting the significance of digital Islamic finance and demonstrating its practical applications;
- Foster partnerships between the public and private sectors to create digital Islamic financial solutions that meet the needs of all societal segments, turning them from excluded groups into productive members of society;
- Address challenges and risks to enhance the investment environment in the field of digital Islamic finance;
- Study successful experiences from countries like Malaysia and attempt to apply best practices in this field.



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