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## Online payment services and individuals' behaviour: new evidence from the MENAP

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**Abstract:** This study aims to analyse the relationship between individuals' characteristics and the use of online payment services in daily life in the Middle East, North Africa, Afghanistan and Pakistan. The analysis reveals that the use of online payment tools in the MENAP region is still at the minimum. The results also indicate that people with higher education are more familiar with using online services than people with less education. Future research could focus on the relationship between the use of online payment systems and the performance of financial intermediaries; it could also study the influence of using online payment services and firms' profitability in the region. Also, there is a need to investigate the relationship between the 2020 COVID 19 pandemic and using online-banking services in daily life in the MENAP, and whether a lack of accessible online financial services is impeding economic stability in the region during a time of crisis.

**Keywords:** online banking; MENAP; financial services; financial inclusion.

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**Biographical notes:** Fadi Shihadeh is currently working as head of Commercial Vocational Department. He is also working as an Assistant Professor in Business and Economics Faculty in Palestine Technical University-Kadoorie (Palestine). He completed his Bachelors in Finance and Banking from An-Najah National University (Palestine), where his Master's degree in Financial Management from the Arab Academy for Banking and Financial Sciences (Jordan). He completed his PhD degree in Finance from Hunan University (China). His research interest in financial inclusion, financial services, banking, and stock market

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### 1 Introduction

Online tools, such as mobile banking, internet services and electronic cards, are used to make financial transactions or access financial services locally and internationally. Banks provide these channels to offer and promote their services and enhance their investments and profits. Therefore, banks earned more profits from offering online payment channels through attracting new clients and encouraging them to use their formal financial

services. Increasing the use of online tools allows banks to invest more in these tools; it also reduces banks' operating costs. Offering online banking as a service will decrease the number of visits to branches and reduce the associated costs of providing in-person banking services (Humphrey, 1994; DeLone and McLean, 1992; Simpson, 2002; Shihadeh et al., 2018), particularly in the use of paper and the time spent on rendering services at the branch on a person-to-person basis. These are banking issues that need to be addressed during normal times; however, the current global pandemic (COVID 19) points to the critical need to access banking services without physically visiting banks. The COVID 19 pandemic poses a new challenge for the financial institutions in their efforts offer services and adopts new applications for continuous trade and to help clients perform financial transactions to meet their daily life needs.

Through online banking, customers can easily access financing, transfer money, and pay their utility bills. In addition to helping customers meet their daily needs, these services increase monetary turnover, assist in business innovation, and help create work opportunities in the economy (Frame and White, 2012; Shihadeh, 2020). Moreover, due to the lower cost of online banking, banks can increase their revenues from individual transactions and earn other revenues by offering services that do not directly originate online (Shihadeh and Liu, 2019). This is because banks usually offer their initial online services to clients free of charge to encourage them to use this service as well as these banks' other services.

By providing online banking, banks can encourage customers to open accounts, transfer money, and make deposits at any time and, thus, earn more profits and achieve greater efficiency than other banks (Onay and Ozsoz, 2013). Earning profits and enhancing banks' performance through online banking depends on several factors, such as access to and the ability to use the internet, internet costs, and financial awareness (Atay, 2008; Stoica et al., 2015).

The MENAP is a region of low financial inclusion, especially regarding online financial services; it also suffers from chronic high unemployment rate (Shihadeh, 2018; Shihadeh et al., 2017). This study will contribute to the literature on the use of online services and financial inclusion as it presents new evidence from the Middle East, North Africa, Afghanistan, and Pakistan (MENAP). This study's originality is that it focuses on a sensitive region whose special circumstances point to the need for innovative approaches to financial inclusion. As such, it recommends that policymakers aim to enhance the financial-inclusion indicators of the countries in this region.

The study investigates the influence of individual characteristics on the use of online payment services – as a factor of financial inclusion – in the daily lives of the population in the MENAP. Therefore, the study hypothesises that:

H: An individual's characteristics have a significant influence of on the use of online payment services in the MENAP.

This paper is organised as follows: The next section presents the literature review. In Section 3, the methodology is outlined. Section 4 presents the empirical results. Section 5 presents the conclusions and offers some policy implications.

characteristics. People across all age levels are not linked to the use of online payment systems. Females and those in low-income quantiles are less likely to make online payments in their everyday lives; however, people with higher education are more likely to use these payment systems in the MENAP region.

Enhancing the internet infrastructure in the region and developing online methods (i.e., cell phone applications) could enhance the use of these kinds of payment channels and, thereby, enhance the level of financial inclusion in the region. Developing the appropriate infrastructure in the region should work together with making services more convenient and affordable. This would help achieve the financial-inclusion targets that would spur economic development and bring economic sustainability to the region. More research needs to be directed toward youth and females to determine the obstacles that impede their access to online banking. In addition, banks and other financial intermediaries could offer more services through mobile applications. Moreover, future research could investigate the relationship between the current pandemic (COVID-19) and the use of online banking in developing countries. It is also necessary to study the influence of use of online payment systems and services on the firms' performance.

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