

Financial Inclusion In MENA—Is Fintech The Answer?

There is a lot of untapped potential in the banking space in MENA, particularly in regards to fintech. The region is growing into a global tech hub, as evidenced by its many highly-successful startups. More fintech could mean more people beginning to use banking services, which could supercharge the region's economies.

To date, bankers have not necessarily been incentivized to expand their services. The region is behind the rest of the world in regards to financial inclusion, with 86% of the adult population unbanked, meaning they don't have access to services and formal financial institutions. The widespread use of electronic payment systems in Tunisia, Algeria and Egypt are far below those of Mexico and Kenya.

The explosion of fintech over the last decade has proven that it can be a powerful force for equality, with blockchain, data analytics and mobile phone technology evolving at an unprecedented rate.

Governments in the UAE and Jordan are also investing in entrepreneurship and fintech SMEs as a priority. For example, Dubai International Finance Centre (DIFC) and Dubai Financial Services Authority (DFSA) are taking an active approach to nurturing fintech infrastructure. Partnerships between fintech firms and financial institutions have proven to be very effective in expanding access to the formal financial economy.

DIFC in particular has played a big role in building an environment that enables innovators and entrepreneurs to build their SME alongside financial institutions. It has established a Fintech Hive, which is the first fintech accelerator in the region. This was created with goal of allowing emerging tech entrepreneurs to be mentored by traditional banks, leveraging their expertise to enable them to develop a user-friendly end product.

DFSA has created the Innovation Testing Licence (ITL) to allow DIFC innovators to test their products with end users within a tested regulatory framework. This allows them to secure testing stages without the regulatory restrictions that typically apply to regulated firms. This sort of support is exactly what fintech SMEs need to develop truly innovative products.

The Middle East is ripe for disruption, and the potential is there for fintech to become as big an economic player as oil. However, according to a PwC survey over 80% of large financial institutions fear that their business is at risk from new players in the fintech space. For fintech to thrive, a cooperative and supportive financial ecosystem needs to be established.

New fintech ventures aren't entirely removing the need for traditional institutions. Instead, they provide a solution to keep up with an increasingly mobile economy. As people in MENA begin to realize the real-world uses for new technologies, mainstream support will follow and lead to economic growth in the region.

Ahmed Jacob is the CTO of INVAO.

<https://forbesmiddleeast.com/financial-inclusion-in-menais-fintech-the-answer>