

# Landscaping for Fintechs in the Arab world

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**AMF Fintech Working Group**

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# Agenda

|     |                                |
|-----|--------------------------------|
| I   | Context & Rationale            |
| II  | Quantitative Findings          |
| III | Identified Trends              |
| IV  | The 6 Countries of Focus       |
| V   | The Bigger Story in Conclusion |



1

# Context & Rationale



# Financial inclusion in the region

Much remains to be done!

**70%**

or 168 m adults (15+)  
do not have access to  
an account  
(CGAP estimate)

**90m**

individuals borrow  
informally, of which  
20% for micro-  
enterprises

**99%**

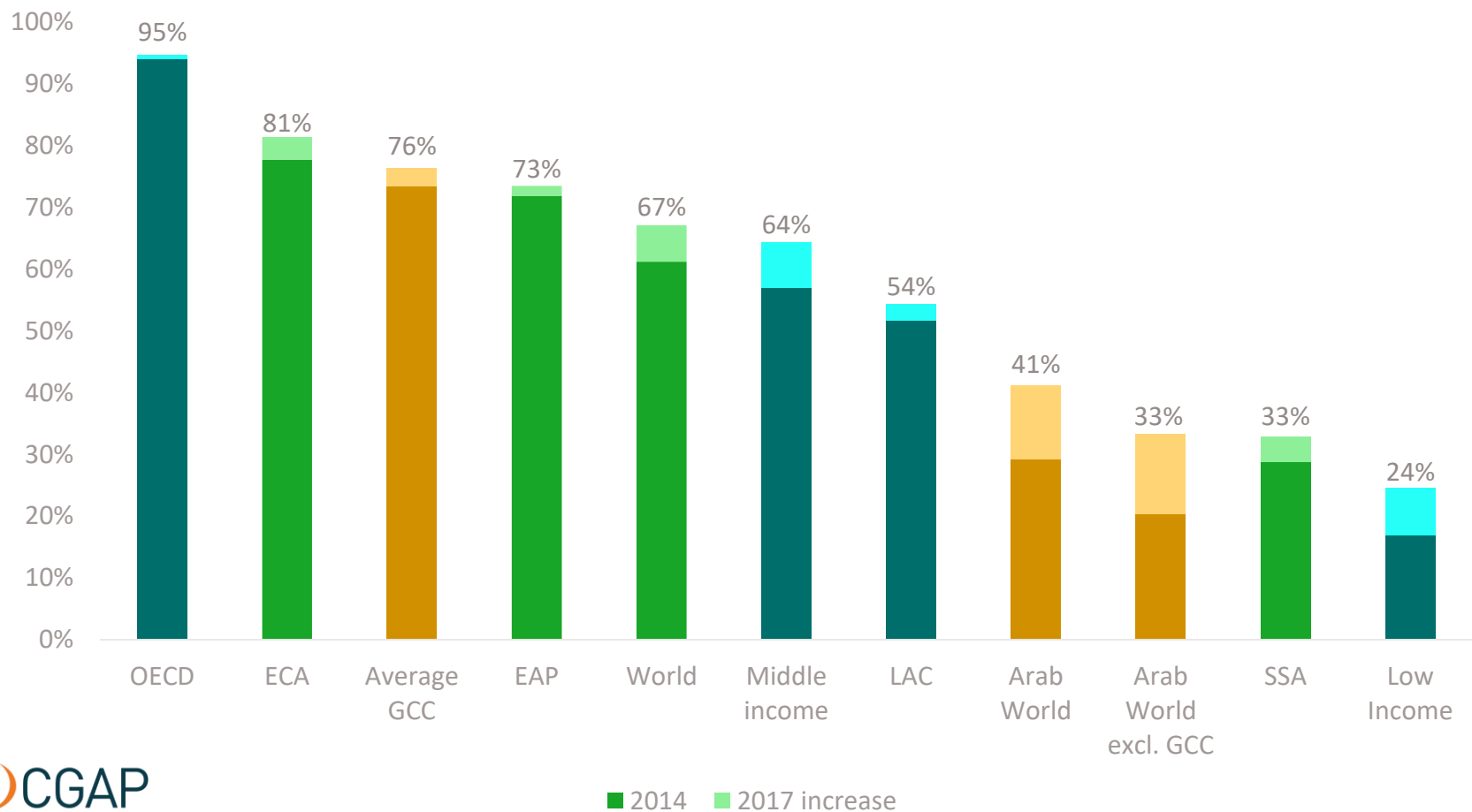
or 240 m do not  
have access to  
insurance

**63%**

of ~20m MSMEs  
do not have  
access to  
finance (gap:  
200+ bn\$)

# Progress in account ownership but the region still lags behind

Regional improvement driven by large countries that recorded a significant increase in account ownership (Iraq, Egypt) or are included for the first time (Libya)



# Fintech landscaping: Rationale

## -- The facts --

- Financial exclusion is most acute in the Arab world
- DFS Regulations have been evolving positively
- Access to mobile & smartphones is high

## -- The research --

Conduct a fintech landscaping study countries to identify:

- 1) **emerging solutions** in light of regulatory changes
- 2) **likelihood to reach the low-income + women + MSMEs**

## -- The scope --

- 22 countries of the Arab World
- Specific focus on: Egypt, Jordan, Lebanon, Morocco, Tunisia, UAE

# Fintech landscaping: Methodology

- Desk research
- Field visits to the 6 countries of focus looking at 5 pillars:
  1. Regulation
  2. Infrastructure
  3. Capital
  4. Talent
  5. Demand
- Interviews with 150+ institutions: fintechs, regulators, incumbent FSPs (banks, NBFIs, MTOs, MFIs, Insurance companies), support institutions (accelerators, incubators), and investors
- Numerous conferences & workshops



100M\$ Question:

**What's a fintech?**



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“Technology-enabled innovation in financial services that could result in new business models, applications, processes or products with an associated material effect on the provision of financial services.”

*Financial Stability Board (Terms of Reference)*

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“... how technological innovation is changing the provision of financial services...”

*Bali Fintech Agenda (BFA)*

“Use of technology to deliver financial services in a better way – and can be done by anyone from a tiny start-up to an MNO to a bank to Facebook.”

*Greta Bull, Afro-Asian Fintech Festival*

“Fintech companies combine technology with access to data to deliver new financial services and experiences to customers.”

*CGAP, Fintechs and Financial Inclusion*

“Tech-enabled products and services that improve traditional financial services (...) in most cases (...) developed by startups.”

*Wamda Payfort, State of Fintech in MENA*

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**Solutions** combining innovative business models and **technology** to enable and/or enhance **financial services** provision, distribution, and/or infrastructure.

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*Not only startups but also incumbents*

WE NOW HAVE A SCIENTIFIC DEFINITION OF FINTECH  
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# Caveat

## Our study of fintech solutions excludes:

- **Internet banking services** (e-banking application) whereby people access and transact using their bank account applications
- **Services offered by incumbents** (*impossible task!*) except for mobile wallets offered by banks
- **Large foreign companies** offering services in the region, when the region is not their main operating area or headquarters
- Companies enacted by a **special law**
- Fintech solutions at a **very preliminary idea stage** (no incorporation, no license, no proof of concept, no minimum viable product, not in a sandbox...)

200M\$ Question:

**What is a fintech  
with a financial  
inclusion mandate?**

In our context: as a solution that

EITHER has a clear **financial inclusion mandate**

OR **offers the same product** than another company who has a clear financial inclusion mandate

OR offers the same product than another company who **already had a material impact** on financial inclusion



# Quantitative Findings

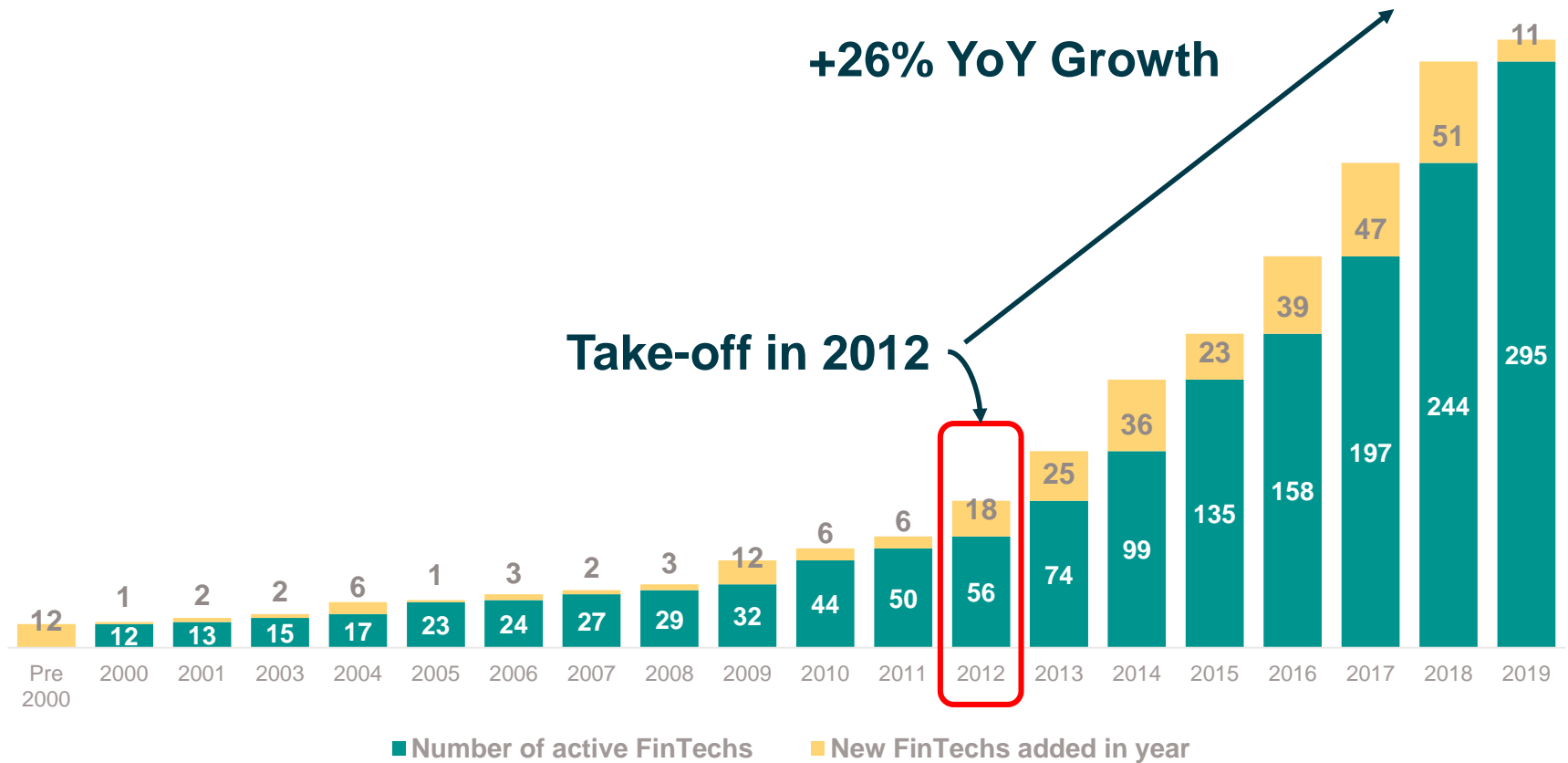
*Preliminary Results*

# Quantitative Findings: Key Stats *(Preliminary)*

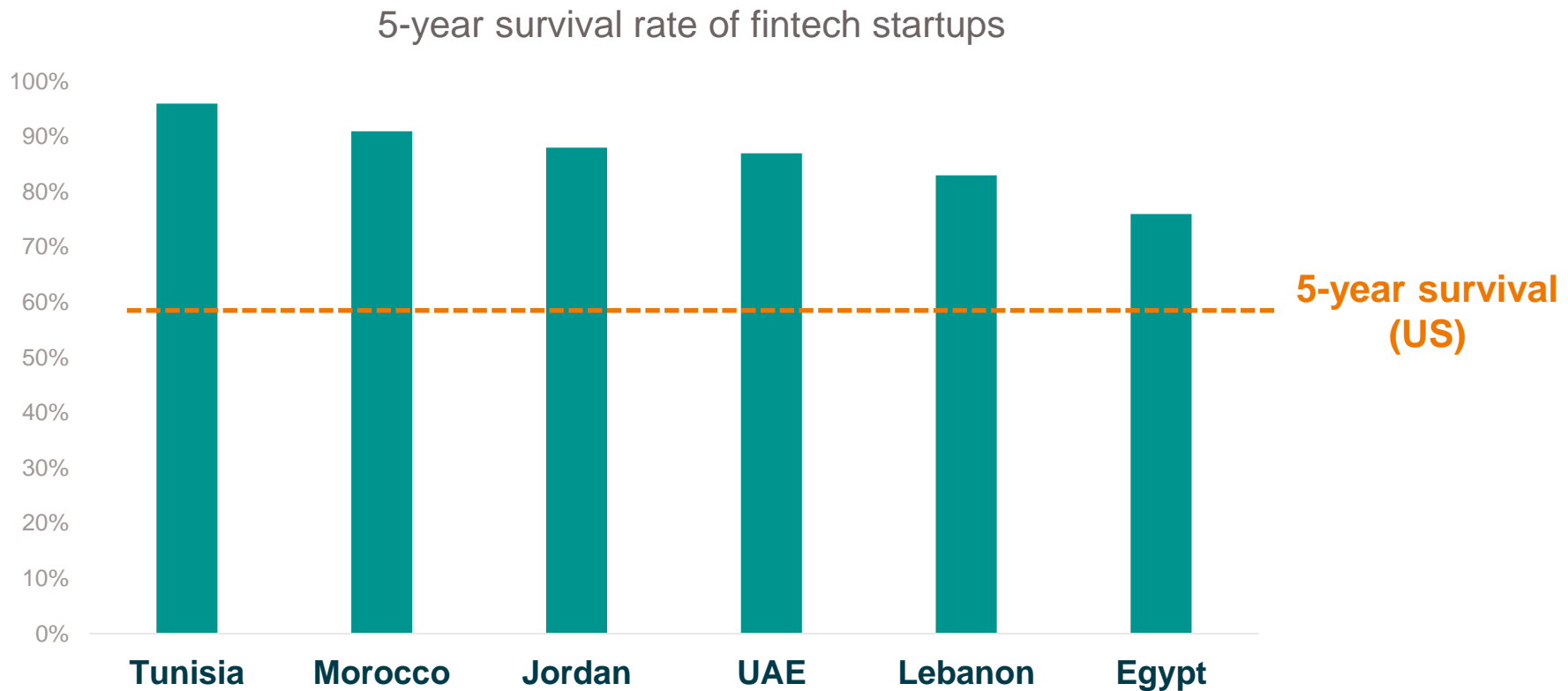




# 20+ new fintech solution per year since 2013...

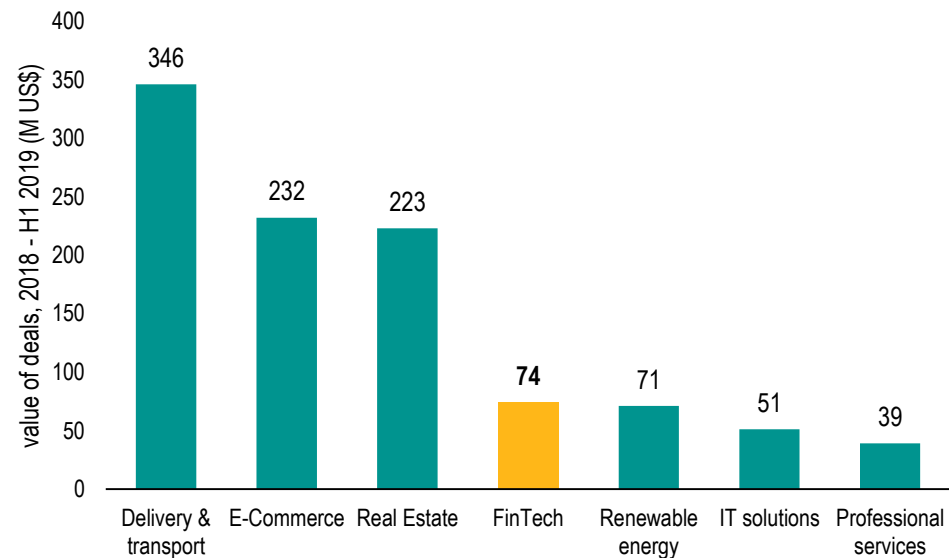
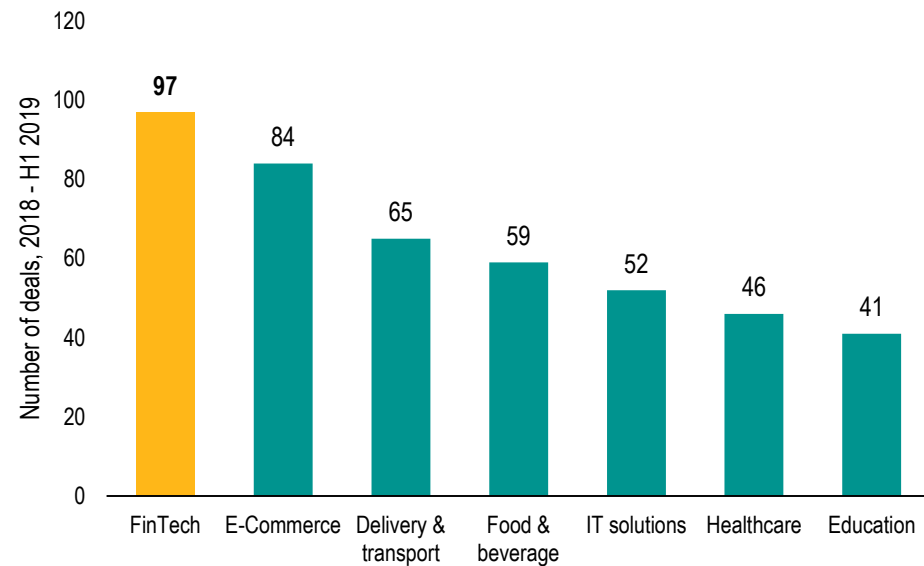


... with a better survival rate than average firms



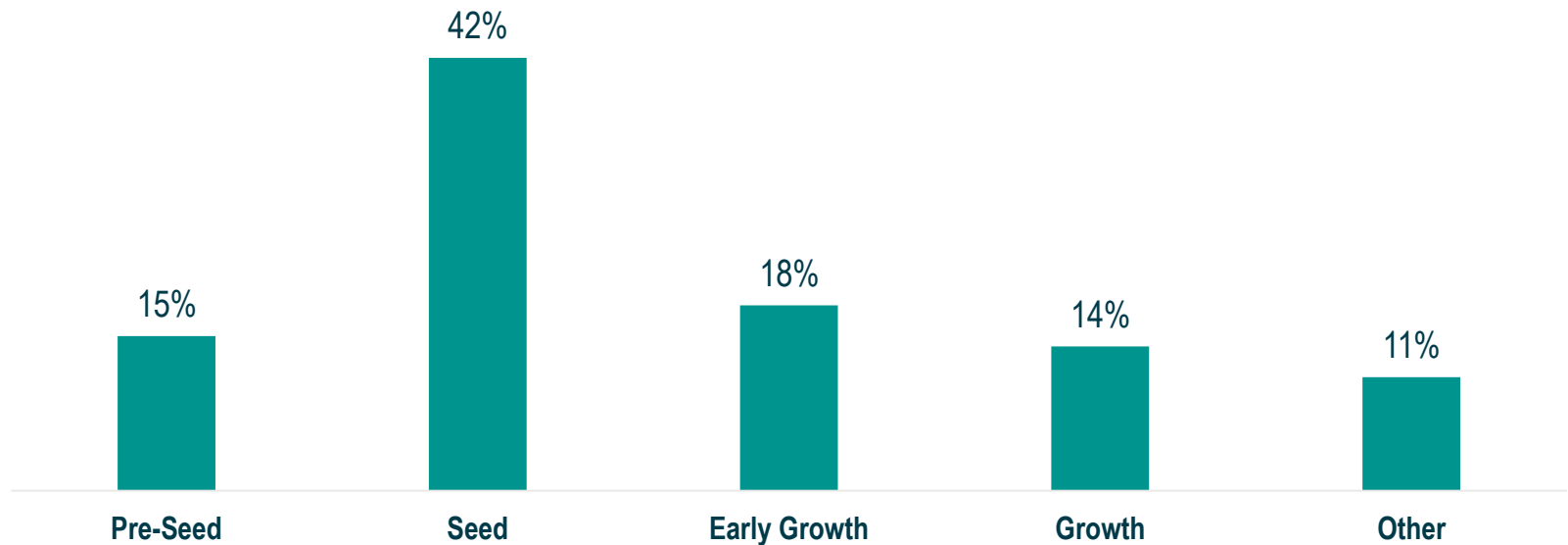
# This could explain why fintech is the n°1 category of investment in the region

Number and value of investments in MENA FinTechs, 2018 – H1 2019



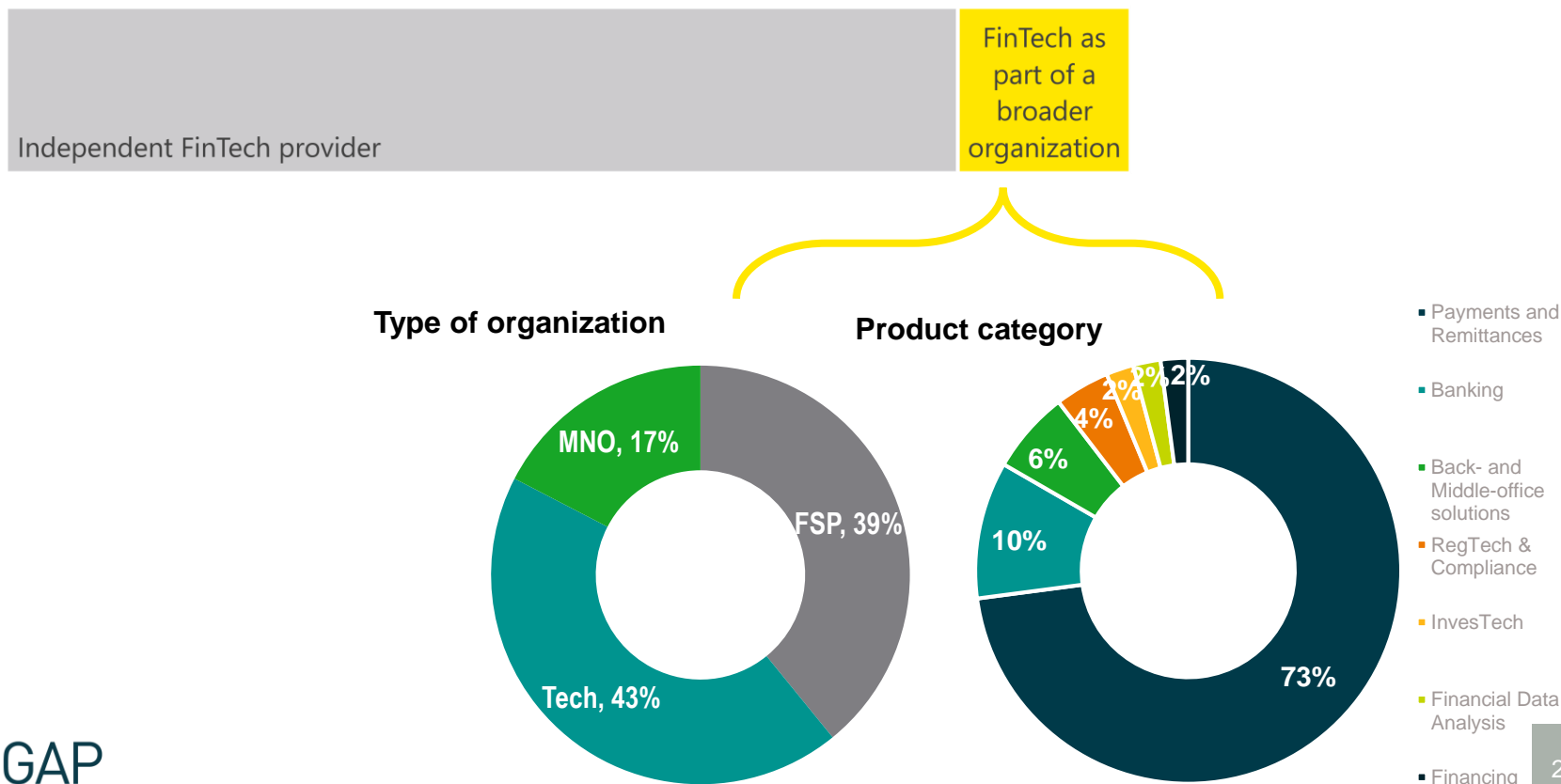
# Most solutions are offered by relatively young providers

- The majority of fintech solutions fall under the seed or early growth stages i.e. **impact is yet to be felt**
- 75%+ of startups have raised pre-series A financing: as companies grow, there will be a need for **larger investments** to help solutions realize full scale



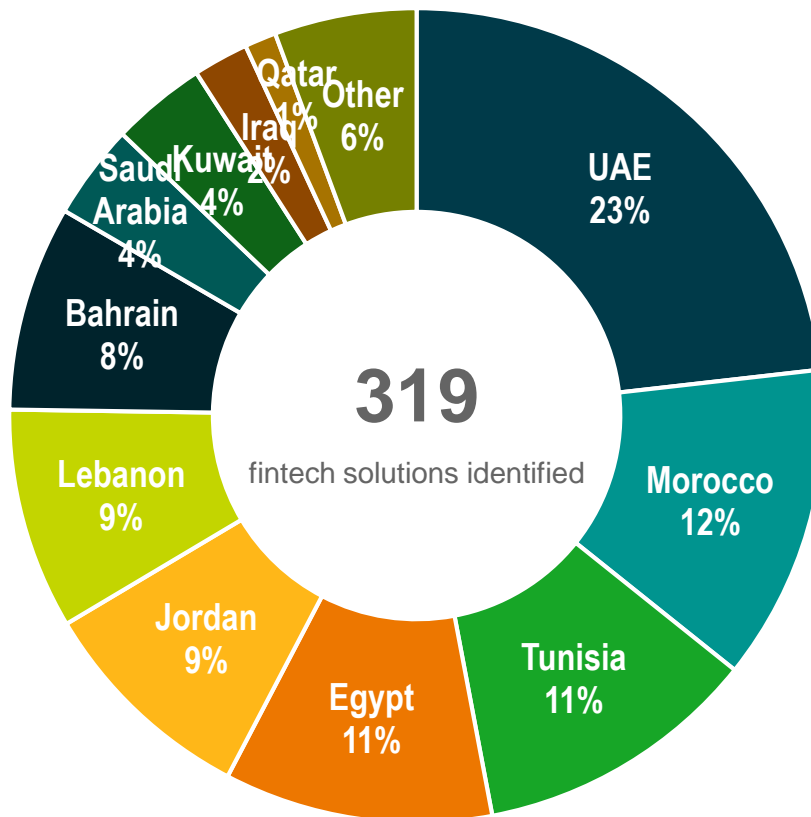
# Independent providers form the vast majority

- **85%** of all solutions are offered by **independent providers**
- Others are offered by large tech companies, FSPs, and MNOs, with 3 in 4 products in the payments space



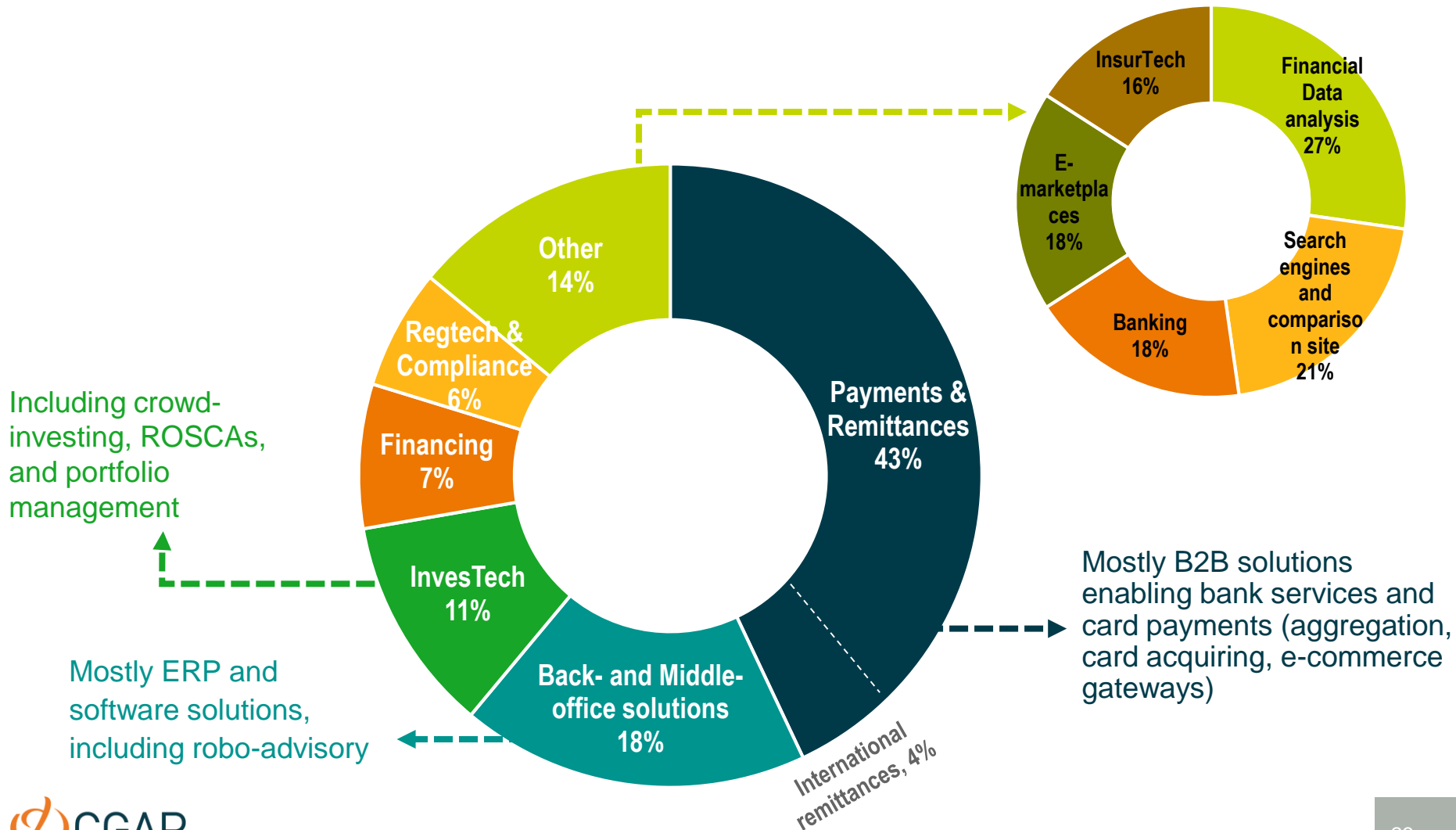
# They are located primarily in the GCC, followed by North Africa, then Levant

- **Bahrain** is the fastest growing in fintech solution development and roll-out
- 17 solutions (5%) are **headquartered globally** though most of their operations occur within the Arab World



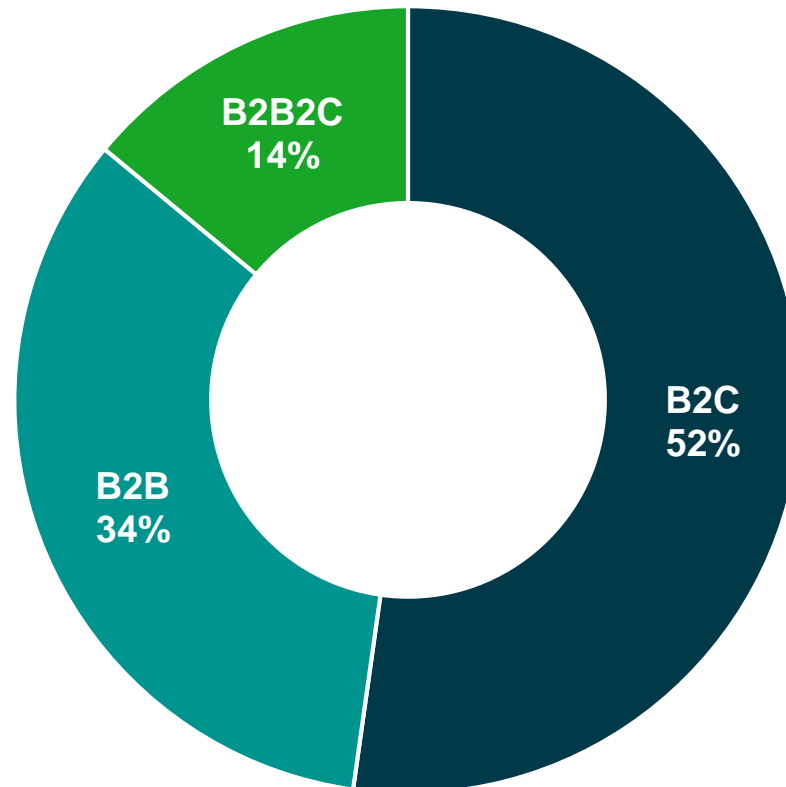
\*Other includes:  
Somalia (1.3%)  
Yemen (1.0%)  
Libya (1.0%)  
Oman (0.7%)  
Djibouti (0.7%)  
Syria (0.3%)  
Algeria (0.3%)  
Palestine (0.3%)

# Payments is the n°1 product category, consistent with global trends



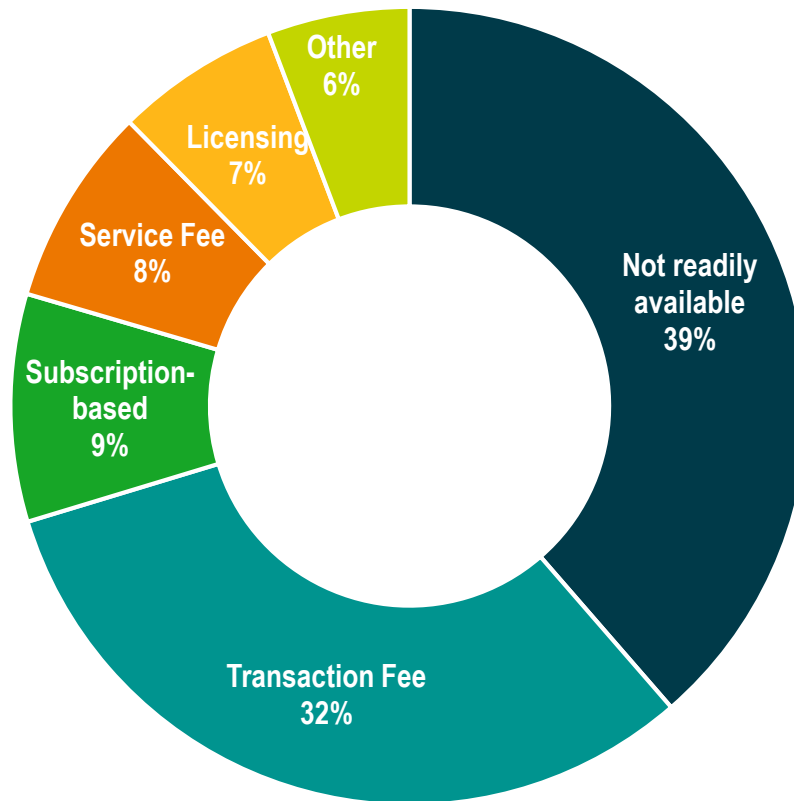
# B2C Solutions represent half of the solutions

- Payments and transactional accounts dominate within
- Due to regulatory limitations, a number of B2C solutions end up changing their offering to B2B or B2B2C



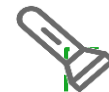
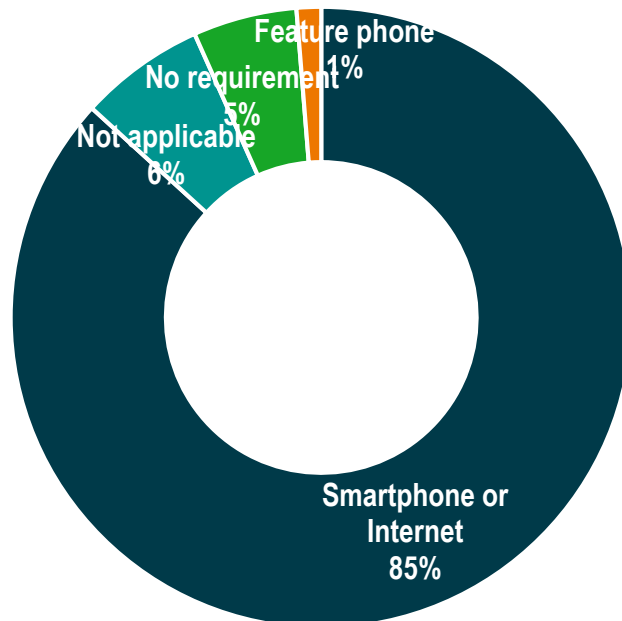


As a result, transactional fees are the most prevalent revenue model



# Almost all B2C solutions require a smartphone or internet access, which might be a barrier to low-income segments

- GSMA however expects 74% of all connections in the region to be initiated from smartphones by 2025
- The majority of fintechs with no end user requirements have a financial inclusion mandate



## FinTech in the spotlight:

### Ahmini

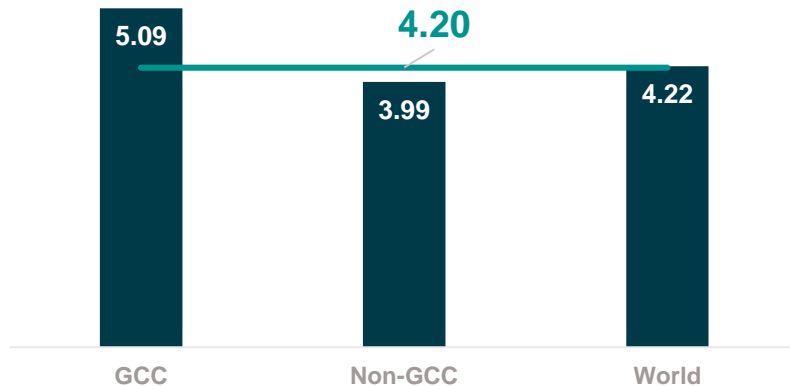
Ahmini, an InsurTech from Tunisia requires **solely USSD services** as an end user requirement. It offers women in rural areas to pay their social security dues via mobile phone.



**Some of the  
identified trends**

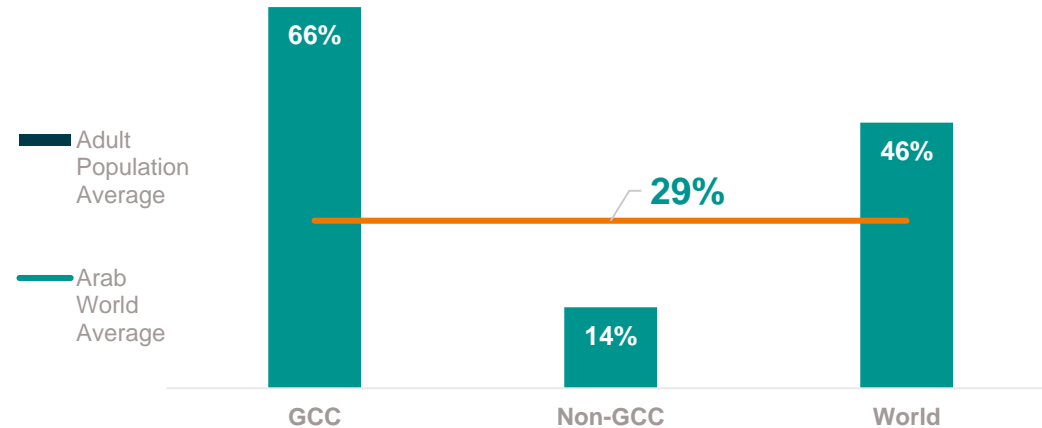
# People in the region are tech-savvy, yet still prefer cash over digital...

Digital skills among active population  
(1 = not all; 7 = to a great extent)



Source: WEF's 2018 Global Competitiveness Report

Adults using electronic payments to make payments (age 15+)



Source: World Bank's Global Financial Development Report

In some countries (KSA, Egypt, Jordan...), **cashless transactions are becoming mandatory** (e.g. by only accepting electronic payments in some public sector institutions).

# ... and prefer informal to formal financial services, for savings or for borrowing...

- 23+ million are participating in **savings associations**
- People are 8-10x more likely to **borrow informally**



## FinTech in the spotlight:

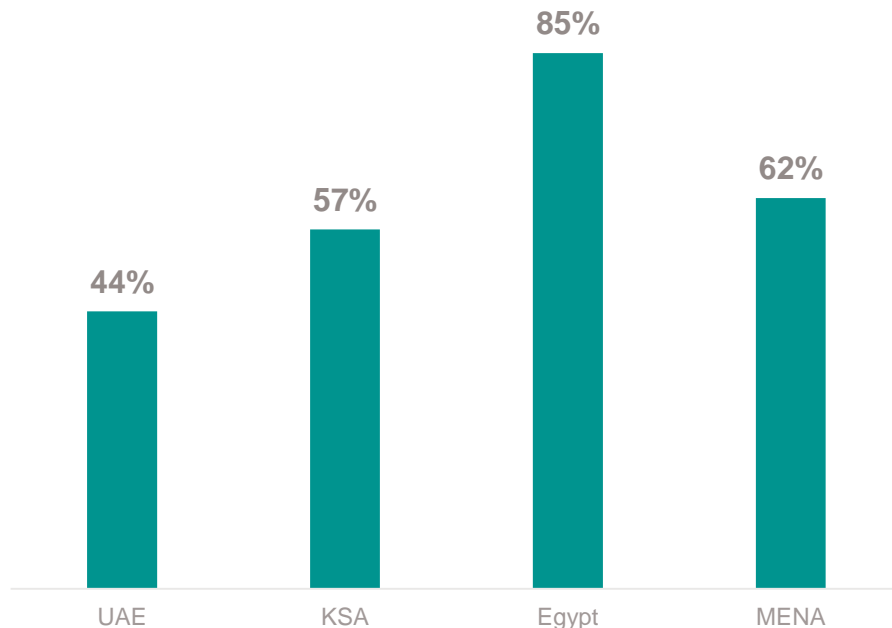
### Moneyfellows

Launched in late 2014, Moneyfellows is one of the earliest attempts in the region to **digitize the ROSCA model**. So far, Moneyfellows has raised around USD1.8 million from multiple investors, the latest being a Pre-Series A Bridge round in August 2019.

As part of its offering, Moneyfellows develops a credit score for its users by tracking their payment behavior which would later provide them access to third party financial services.

# ... also leading to the emergence of fintechs trying to solve COD as e-commerce grows

Percentage of consumers who prefer Cash-On-Delivery



Source: Bain & Company and Google

## FinTech in the spotlight:

### Tabby, UAE

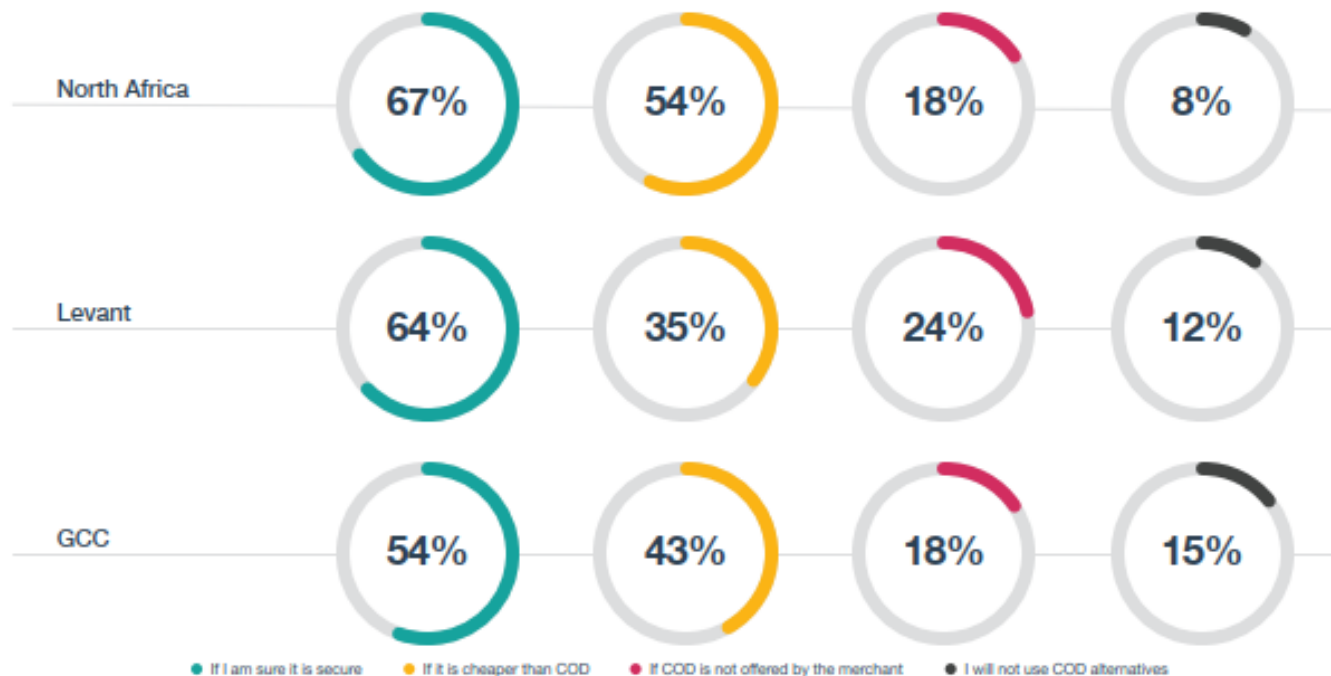
Founded in 2019, Tabby provides consumers in the UAE and Saudi Arabia with the flexibility to pay for their online and offline purchases either in a deferred single payment or in multiple installments. Tabby allows customers to **check out without the need to enter their credit or debit card details** when making a purchase and thus also intends to become an alternative to cash-on-delivery (COD).

Tabby is one of three digital consumer credit solutions identified in the region.

# Efforts should focus on solving a key underlying issue: TRUST in digital transactions' security

## SECURITY CONCERNS ARE A KEY REASON FOR COD PREFERENCE AMONG THE BANKED POPULATION

Figure 16 | When would you abandon cash on delivery (COD) for another alternative? (n=547)



Source: Wamda Research Lab, 2016

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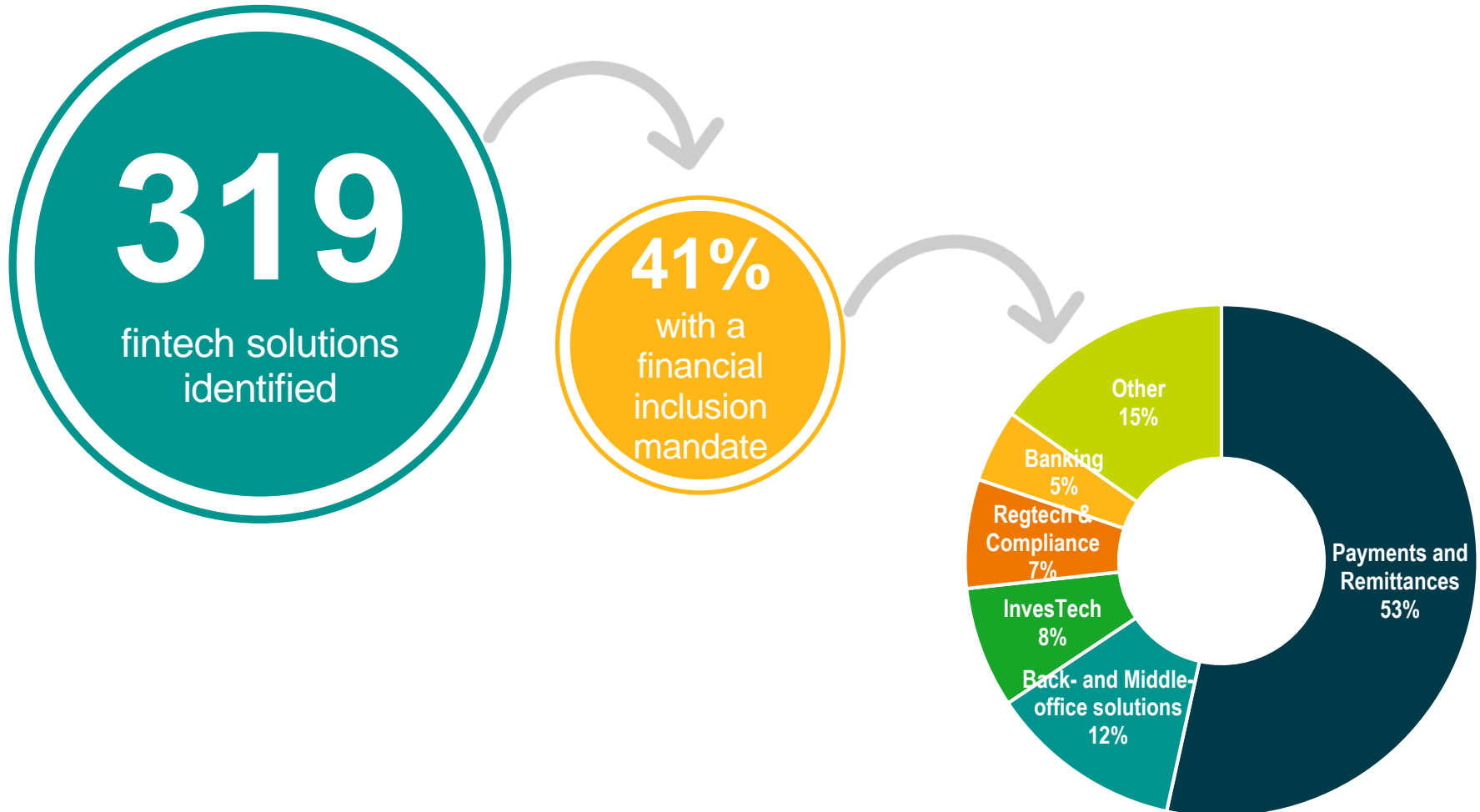
IV

# The 6 Countries of Focus

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# Preliminary findings for the financially inclusive fintechs are not significantly different



We computed the revenue potential of additional financial inclusion, assuming **50% of the untapped market** is reached for individuals & MSMEs by 2024 in the 6 countries of focus

getting to penetration levels similar to Uganda, South Africa, Ghana, Bolivia, Ukraine



We found a revenue potential of **~US\$ 7 billion**

notwithstanding the spillover effect such as jobs created within both the financial sector and the MSMEs



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# The Bigger Picture in Conclusion



- More access to financial services means **several billion US\$** of additional potential revenue
- This requires only **millions US\$ of investment**
  - There remain important funding gaps at angel & post-Series A
- Quality of education / talent / employability also needs to improve



- People in the region are **young and tech-savvy**
- If **home-grown solutions** do not emerge, large international companies might reap the digitization benefits
  - Regulations, including cross-border collaboration, will be key



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# Thank you

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# Merci

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| Product category                    | Product subcategory                               |
|-------------------------------------|---|
| Back- and Middle-Office solutions   | Chatbots  |
|                                     | Agent Management Systems                          |
|                                     | Software solution                                 |
|                                     | Roboadvisory                                      |
|                                     | POS terminals / ERP systems                       |
|                                     | eKYC  |
|                                     | API   |
|                                     | Smart Card Technology                             |
| Banking                             | Digital banking                                   |
| E-marketplace                       | E-marketplace                                     |
| Financial Data Analysis             | Credit scoring                                    |
|                                     | Financial Data Analysis                           |
| Financial Education                 | Financial Education                               |
| Financing                           | Peer-to-peer Lending                              |
|                                     | Crowdfunding                                      |
|                                     | SME lending                                       |
|                                     | Microcredit                                       |
|                                     | Asset Finance                                     |
|                                     | Receivable finance/ factoring                     |
|                                     | Digital consumer credit                           |
| Insurtech                           | Insurance -Life & Non Life                        |
| InvesTech                           | Savings   |
|                                     | Crowd investing                                   |
|                                     | Rotating savings and credit associations (ROSCAs) |
|                                     | Investments                                       |
| Payments & Remittances              | Transactional accounts & payments                 |
|                                     | Aggregators                                       |
|                                     | Payment solutions                                 |
|                                     | International Remittances                         |
|                                     | Digital currency                                  |
| RegTech & Compliance                | eKYC  |
|                                     | Fraud Detection                                   |
| Search engines and comparison sites | Search Engines & Comparison Sites                 |