

Open banking makes MENA an oasis of financial opportunities for investors

Economic growth in the MENA – Middle East and North Africa – region is on the rise, with Gulf countries leading the charge. The pace of innovation in places such as the UAE and Saudi Arabia is attracting foreign investment at a rapid rate, which, combined with dedicated tech programmes and an increasingly skilled workforce, sees the region stand out on a global front.

Although MENA's escalating influence is widely known, it's not necessarily talked about for facilitating financial progress in particular. Nonetheless, that's about to change. In the past decade, the region has carefully cultivated a fertile soil that's ready to flower. And it's starting to blossom thanks to technological advances driving concepts like open banking that have the power to transform our financial future forever.

The UK's longstanding relationship with

MENA

It's safe to say that the extensive opportunities haven't gone unnoticed in Britain. Over several decades, the UK has maintained strong business ties and fostered stable relationships with MENA countries. For example, the UK has consistently been one of the largest investors in the global hub city of Dubai. So, with such a strong history, why is now an especially opportune moment to take notice of Middle East fintechs?

The transformation of the financial ecosystems in the region is certainly clear. MENA's finTech sector is growing rapidly, with a compounded annual growth rate of 30%, paving the way for it to become a leading destination for digital financial activities in the very near future.

However, there is still plenty of room to maximise MENA's full financial potential. The great disruptor of open banking (not to mention the even more progressive world of open finance) will be a driving force in attracting British investors to the region.

MENA as an emerging hotspot for investment

Before discussing the opportunity for fintechs, let's take a step back. Why is there an opportunity in the first place?

The region's demographics should enthrall any investor looking for innovation. The MENA population is one of the youngest globally, with an estimated 60% of the population under 30. Much of the region's youth are also motivated to embrace new ways of thinking and leverage digital technologies to improve both their own lives and those of their communities. Internet penetration in MENA is one of the world's highest.

Furthermore, the local population has proved willing to adopt digital solutions for their financial needs. According to research by Deloitte in 2020, 82% of customers in the Middle East are eager to start using fintech solutions, which coincides with the rise of a cashless economy.

Savvy entrepreneurs are already stepping up everywhere to capitalise on this market demand. Backed by the financially progressive infrastructure – which provides fintechs with regulatory support and government incentives – the fintech sector in the region has a very high growth rate. The UAE has become a hive of fintech activity – 465 fintechs there are set to generate over \$2B in investment capital funding in the upcoming year, compared to merely \$80M

five years ago.

Open banking as the game changer

MENA is ready for disruptive innovations, which open banking can plentifully provide. Regulated access for fintechs to use financial data in order to provide solutions to a hungry audience will drive significant and sustainable economic growth. Consumers want more freedom to handle their finances and there is a need for better banking solutions, such as instant access to money and fully digitised payments.

Open banking makes all of this possible and more when banks, fintechs and even telcos work together to improve their products and put the customer in control. Against this backdrop, everyone can benefit if we move quickly to meet demand.

The emergence of a solid regulatory framework

We're seeing MENA tread in the footsteps of the UK when it comes to regulating open banking. The PSD2 directive, which kicked off the concept in the UK, informs much of MENA's recent developments in terms of its financial ecosystem. In Europe, the regulatory framework proved successful in levelling access to the financial services market and promoting the role of non-traditional financial institutions. As a result, the framework enhanced competition between financial service providers and provided consumers with better financial tools.

Similar regulations are shaping the evolution of MENA's financial landscape, offering security for investors while remaining flexible enough to stay relevant in the face of constant technological development. Although the regulations differ across jurisdictions, making it potentially challenging for fintechs to scale throughout the region, any obstacles are well worth overcoming.

How to navigate your fintech journey in MENA

Considering the whole picture, MENA should get your attention as a rising star of the global financial scene. It is easy to see how becoming part of an emerging, but promising ecosystem yields tangible benefits for investors.

To comply with the regional frameworks and regulations, interested parties should seek local experts who know which paths to travel and how to traverse them. The rise of open banking is already a fundamental factor driving MENA's financial environment forward, and its growth will only increase. As opportunity knocks, it's better to be at the front of the queue than at the end of it.

Justin Henry is executive director at *KMMRCE Pay*.

Article by JUSTIN HENRY