

Interview on digital innovation & financial inclusion in MENA in Global Retail Banker, Feb 2017

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Digital innovation driving financial inclusion in the Middle East

Digital innovation within the financial services industry is set to have world-wide benefits, and is likely to have the most meaningful impact on the unbanked populations of the world, according to Dr Nasser Saidi, a leading economist for the Middle East and North Africa (MENA) region. The Middle East presents a unique opportunity for certain sectors of society to be empowered through financial access, particularly young and female populations. Saidi shared his thoughts with RFi Group’s Sarah Hollinshead on how innovation across the Middle East is accelerating and what the outcomes will be.

To set the scene, only about 14% of adults in the Middle East have an account at a financial institution, and more than 85 million adults in the region remain unbanked.^[1] Yet over half regularly use the internet and mobile penetration is extremely high. Amongst the top digital users are the youth segment, and with 60% of the population aged under 30, the opportunity to mobilise the young is clear.

“You have a very young population, using modern technologies. Yet, the financial and banking side is lagging. Fintech therefore can play a very important role in financial access

and inclusion.”

Equally promising is the extension of female empowerment. According to Saidi, women’s access to banking services in the Middle East is extremely low compared to access in developed countries. Saidi claims just 9% of women have an account in the Middle East compared to an average 47% globally. Through making digital financial services available, women can be primary beneficiaries.

“If you give women access to digital banking, then you can increase account ownership. Women who stay at home or work in part-time jobs would be able to access their accounts remotely and organise their money, which allows them more control over their lives.”

Zooming in on the second biggest economy and one of the most digitally advanced countries within the MENA region, the United Arab Emirates (UAE), the possibility for change is not too far away, according to Saidi.

“I believe fintech and digital innovation only needs two years to make a significant difference. There is already plenty of funding going that way as well as innovative programs hosting fintech companies. For example, the recent launch of Dubai International Financial Centre’s Fintech Hive, the region’s first fintech accelerator, while the Abu Dhabi Global Market has set-up a regulatory sandbox”.

Traditional banks are also investing heavily in digital, with Emirates NBD investing some Dh500 million into multichannel processes and financial literacy programs over the next three years. They intend to launch the first digital only bank aimed at millennials in the region.

The potential for change is being driven by demand. RFi Group research highlights an unprecedented appetite for digital services. Of the banked population, 85% are likely or very likely to try using mobile payments, if they were to become available in the UAE. Actual usage of digital channels has also been increasing, with 65% more consumers frequently using a banking app on a mobile device in 2016 versus two years prior.[\[21\]](#)

The UAE is well positioned to encourage digital innovation through a multitude of other differing factors, allowing for a fast path to financial inclusion.

“When you combine the UAE’s human capital, regulatory environment and availability of infrastructure, you have a very positive story,” Saidi explains.

Let’s break this down a bit further.

The expatriate nature of the bulk of the population in the UAE, 85% no less, has created phenomenal human capital to lead change within the industry.

“With the free mobility of labour and being able to access the expertise of an educated labour force, you are able to jump start things without having to wait for your own population to catch up”.

The banks are also under pressure from the government, who are the leaders in driving innovation in e-Government. The UAE is the opposite of many Western markets in its interplay between public and private sector in this way. Local governments push forward in technology, whilst the financial sector is struggling to keep up.

“Dubai and Abu Dhabi are morphing into smart governments. For example, Dubai is aiming to have free Wi-Fi for the entire city by the end of this year, with Abu Dhabi likely to follow. More and more services are being provided digitally, and that is where the banks have the incentive to integrate into smart government services delivery and complete the cycle for payments.”

The level of preparedness in terms of infrastructure for technology to thrive is also contributing, Saidi believes.

“The UAE has good telecoms infrastructure, they are performing 4G. With the infrastructure framework in place, it is easier to build innovation on top”.

The final piece of the puzzle is a knock-on effect from the UAE to other regions. Saidi predicts that with 40-50 banks operating in this market, international expansion is inevitable.

“If you compare the size of the UAE with the number of banks,

you could easily make an argument that it is overbanked and ready for bank consolidation. My prediction is that bigger UAE banks will be forced to expand internationally if they wish to grow. Some have already started, for example Abu Dhabi Islamic Bank are now present in Egypt and other markets.”

If you consider consumer demand, the nature of the population, government drivers, and technological infrastructure within the UAE as well as the propensity for local banks to expand elsewhere, financial inclusion through digital innovation in the Middle East could be just around the corner.

[\[1\]](http://www.worldbank.org/en/news/press-release/2015/04/15/massive-drop-in-number-of-unbanked-says-new-report) 2014 Global Findex, World Bank.
<http://www.worldbank.org/en/news/press-release/2015/04/15/massive-drop-in-number-of-unbanked-says-new-report>

[\[2\]](#) RFi Group UAE Priority and Retail Banking Council H2 2016