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Fintech in MENA: A Balancing Act Between Present Challenges and Future aspirations

التكنولوجيا المالية في الشرق الأوسط وشمال افريقيا بين تحديات الحاضر ورؤى المستقبل

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Article info:	Abstract
Article history:	This study aims to shed light on the growth in the field of financial technology in the Middle East and North Africa region, as this region is witnessing a qualitative transformation in financial services, and has become a key factor in supporting innovation and expanding the scope of financial inclusion.
<i>Received :03-11-2024</i>	
<i>Accepted : 13-12-2024</i>	The study relied on the deductive approach with its two tools: description for the theoretical aspect and analysis for various statistics and figures related to the region in the practical aspect.
Key words:	
<i>Fintech</i>	
<i>MENA zone</i>	The study concluded that the financial technology industry in the Middle East and North Africa region faces many challenges that affect its growth and development. In addition, the technological infrastructure poses issues such as lack of development and cybersecurity concerns. As for future visions, they include the growth of digital payments, open banking, crowdfunding and digital lending, and artificial intelligence. The size of the financial technology market in the region was estimated at about 3.5 billion dollars in 2023.
<i>Digital financial services.</i>	

ملخص	الكلمات المفتاحية:
تهدف هذه الدراسة الى تسليط الضوء على النمو في مجال التكنولوجيا المالية في منطقة الشرق الأوسط وشمال افريقيا، إذ تشهد هذه المنطقة تحولاً نوعياً في الخدمات المالية، وأصبحت عاملاً رئيسياً في دعم الابتكار وتوسيع نطاق الشمول المالي.	التكنولوجيا المالية الشرق الأوسط شمال افريقيا
اعتمدت الدراسة على المنهج الاستنباطي بأداتيه الوصف للجانب النظري والتحليل لمختلف الاحصائيات والأرقام المتعلقة بالمنطقة في الجانب التطبيقي	شركات التكنولوجيا المالية
توصلت الدراسة الى ان صناعة التكنولوجيا المالية في منطقة الشرق الأوسط وشمال افريقيا تواجه العديد من التحديات التي تؤثر على نموها وتطورها. بالإضافة إلى ذلك، تطرح البنية التحتية التكنولوجية قضايا مثل الافتقار إلى التنمية ومخاوف الأمن السيبراني، أما رؤى المستقبل، فتشمل نمو المدفوعات الرقمية، الخدمات المصرفية المفتوحة، التمويل الجماعي والإقراض الرقمي، الذكاء الاصطناعي. قُدر حجم سوق التكنولوجيا المالية في المنطقة بحوالي 3.5 مليار دولار في عام 2023.	الخدمات المالية الرقمية.

1. Introduction

The financial landscape in the Middle East and North Africa (MENA) region has experienced remarkable changes in recent years, driven by the rapid adoption of fintech innovations and the integration of artificial intelligence (AI). These advancements have not only improved the efficiency and accessibility of financial services but have also led to higher levels of financial inclusion. From digital payment solutions to AI-powered financial analysis, fintech and AI are transforming traditional banking services, making them more accessible to a broader audience, including marginalized communities.

Efforts to enhance financial inclusion in the MENA region have been a central focus for policymakers and international organizations due to its potential to stimulate economic growth and alleviate poverty. Despite progress in certain areas, challenges such as financial illiteracy, lack of trust in financial systems, and inadequate technological infrastructure continue to exist. For instance, while the UAE boasts an 87% financial inclusion rate among individuals over the age of 15, other countries in the region fall significantly behind.

The fintech sector in the MENA region faces various obstacles that hinder its development. These challenges include a scarcity of talent, underdeveloped regulatory frameworks, and inconsistent digital infrastructure. Nevertheless, fintech innovations offer new business models and tools that can improve financial market efficiency by connecting capital with enterprises and reducing transactional barriers. The ability of technology to enhance financial inclusion at both micro and macro levels positions fintech as a crucial element for the future economic development of the Middle East.

The problem of the study :

The research problem revolves around the intellectual debate regarding the current state of fintech and the potential to enhance its application in North Africa and the Middle East, in light of the rapid global

advancements in fintech and the challenges it faces. The research problem can be articulated through the following question: What is the current state of fintech in the Middle East and North Africa, the challenges it faces, and its future prospects?

Study objectives :

The primary objective of this report is to explore the obstacles encountered by Fintech enterprises in the Middle East and North Africa (MENA) region. With the rapid proliferation of Fintech platforms in MENA, which currently represent 12% of transactions, there is a pressing need for financial sector regulators to establish the necessary technological infrastructure and regulatory frameworks to support the sector's advancement. The goal is to examine how traditional financial institutions influence the growth of Fintech firms in MENA, along with the technological infrastructure challenges that hinder their progress.

Furthermore, this study aims to assess the competitive landscape for Fintech companies in MENA.

Study importance

Studying the topic of fintech in North Africa and the Middle East holds great significance for several reasons:

- It helps in understanding the structural changes in the economies of various countries in the region.
- It highlights the role of technology in expanding financial services to marginalized groups and aids in identifying strategies to increase access to financial services.
- It uncovers areas of innovation in the financial sector, assisting companies and institutions in understanding new trends to maintain their competitiveness.
- It clarifies the role of fintech in the broader digital transformation of economies and helps in identifying the infrastructure needs for this transformation.
- It defines educational and training needs in the field of fintech, guiding educational institutions in developing appropriate programs.

This multifaceted importance makes the study of fintech in the region essential for understanding ongoing economic and social transformations and for strategic future planning.

2. The Financial Technology and Its Modern Techniques

The world today is witnessing a wave of development and innovation, which has become an integral part of human life and a necessity for continuity and competition in order to achieve goals set according to research and development strategies. The term “financial technology” has become the most common and widely used among various segments of society, garnering unprecedented attention from researchers, investors, and government entities.

2.1 Definition of Financial Technology

Financial technology is defined as companies or representatives of companies that combine financial services with modern and innovative technologies, providing the market with a range of online and application-based products and services. These offerings aim to attract customers by being more user-friendly, efficient, and transparent compared to previously available products and services. The term “FinTech” is an abbreviation for “Financial Technology.” (Gregor & Lars, 2016)

It is also defined as referring to a group of companies that provide innovation in financial services using modern technologies (AGUSTIN , 2017). The Financial Stability Board (FSB) further defines it as a technology-enabled innovation in financial services that can result in new business models, applications, processes, or products with a material impact on financial markets, financial institutions, and the delivery of financial services. (Financial Stability Board, 2020).

The Basel Committee on Banking Supervision (BCBS) defines FinTech as:

“Technology-enabled innovation in financial services that could result in new business models, applications, processes, or products with an associated material

effect on financial markets and institutions, as well as the provision of financial services.” ((BCBS), 2018)

It can be said that financial technology represents the fusion of modern technological tools and applications with financial and banking processes to deliver new financial products and services that are characterized by innovation, quality, and ease of access and use from anywhere at any time.

2.2 Content of Financial Technology and Its Techniques

Financial technology specifically includes the internet, big data, cloud computing, blockchain, and artificial intelligence—essentially all innovations in financial services, such as market-based lending platforms, payment innovations, smart trading, and financial innovation. By using financial technology, the financial industry can become more efficient in one or more aspects of its operations, reducing costs, increasing efficiency, and improving the user experience. (Zhang & Yang , 2018).

Financial technology companies are divided into four main sectors according to their distinctive business models. By comparing them with traditional value-added areas of a global bank, FinTech applications can be distinguished based on their participation in financing, lending and borrowing operations, asset management, payments, international money transfers, and other financial uses represented by a wide range of companies that perform additional functions. (Gregor & Lars , The FinTech Market in Germany, 2016)

2.3. Types of Modern Financial Technologies and Their Uses

Modern technological and informational innovations have introduced several technologies and applications that the financial sector has been able to exploit and benefit from. Among these are:

- **Blockchain:** A globally distributed and decentralized ledger or database that operates on different computers. It is created by a collection of immutable blocks that appear simultaneously on all devices

connected to the system. Due to this synchronization, it offers a high level of transparency, as no external parties can intervene to alter or form each block. Blockchain is equipped with strong encryption, and transactions are confirmed by the system after approval from all devices linked to it. (Keizer , 2017)

- **Artificial Intelligence:** An innovation that uses computers and algorithms to enhance the simulation of human intelligence. It relies on big data and modern statistical methods to provide accurate and specific predictions and answers. Additionally, it enables automation processes to achieve greater effectiveness and efficiency. (Jayant & Rachel , 2019).

- **RegTech (Regulatory Technology):** The Basel Committee on Banking Supervision (BCBS) defines RegTech refers to the use of technology to help financial institutions comply with regulatory requirements more efficiently and effectively. This encompasses a range of technologies and tools that leverage innovations such as big data analytics, artificial intelligence, and machine learning to enhance compliance processes, reduce operational risks, and improve reporting. RegTech aims to simplify the complexity of regulatory compliance by providing automated solutions that streamline data collection, analysis, and reporting, thereby reducing the burden on financial institutions while maintaining high standards of regulatory adherence. ((BCBS), 2018)

- **A smart contract**

is a self-executing contract where the terms of the agreement between buyer and seller are directly written into lines of code. These contracts automatically execute, control, or document legally relevant events and actions according to the terms written in the code. Smart contracts typically run on decentralized blockchain platforms, such as Ethereum, ensuring transparency and security without the need for intermediaries. ((BCBS), 2018)

- **Cryptocurrencies**

are digital or virtual currencies that use cryptography for security and 1 to control the creation of additional

units. They are decentralized, meaning they operate independently of a central bank or other single authority. Transactions are verified by the network of computers on the blockchain, a distributed ledger (Cryptocurrency, 2024)

4. Challenges Faced by Fintech Companies in MENA

4.1. Impact of Traditional Financial Sector on Fintech Growth

The conventional financial sector in the MENA region presents formidable hurdles for the expansion of Fintech enterprises. One of the primary challenges encountered by these businesses involves maneuvering through the intricate maze of laws and regulations governing financial services across countries in the Middle East and North Africa. The existing regulatory frameworks are often outdated and ill-suited to accommodate the innovative business models of Fintech firms.

For example, in the UAE, companies operating in financial free zones like ADGM and DIFC must still acquire licenses in onshore jurisdictions to offer their products and services. This necessitates Fintech entrepreneurs to navigate through a myriad of regulations from entities such as the UAE Central Bank, Emirates Securities and Commodities Authority, and UAE Insurance Authority. These regulatory obstacles can hinder or even halt the growth of Fintech companies seeking to expand into multiple jurisdictions within the MENA region.

Furthermore, compliance issues present an additional layer of complexity for Fintech startups operating in MENA. Securing licenses, meeting security requirements, and ensuring adherence to local regulations can be a time-consuming and expensive process. The specific licensing criteria vary significantly from one country to another, with distinctions between Sandbox and Financial services licenses.

To effectively tackle these challenges, it is recommended that companies seek expert advice and consult professionals with a deep understanding of

local regulations. By proactively addressing potential compliance issues, Fintech ventures can lay a solid groundwork for their operations in the MENA region. This approach not only streamlines the licensing procedure but also helps mitigate risks associated with non-compliance.

In conclusion, successfully navigating the legislative landscape and compliance hurdles is essential for the sustainable growth of Fintech enterprises in MENA. By comprehensively understanding and addressing these barriers, Fintech startups can surmount regulatory challenges and contribute to fostering innovation and financial inclusion in the region. (Tomych, 2023)

4.2. Technological Infrastructure Issues

Challenges abound for Fintech companies in the MENA region due to technological infrastructure issues. The lack of skilled labor, exacerbated by a significant portion of adults without bank accounts, poses a major obstacle to the growth and development of these firms. Having the right talent is imperative for success in this rapidly evolving industry.

Moreover, the digital gap in the region has been underscored by the pandemic, which has left many individuals without internet access. This deprivation hinders their ability to engage with mobile money and digital financial services, limiting their participation in the digital economy. (Salah, Tooska, Haifa, & Rabab, 2023)

Additionally, cybersecurity threats loom large over Fintech companies in MENA. The increasing frequency of cyberattacks poses a risk to technology-driven business models and can impede the adoption of digital financial products. The complex threat landscape and inadequacies in cyber risk management frameworks further exacerbate cybersecurity risks for companies operating in the region.

It is crucial for policymakers and regulators to prioritize cybersecurity as a key policy objective. Developing robust cybersecurity frameworks that encompass prevention, detection, information

sharing, monitoring, and recovery plans is essential to mitigate cyber threats effectively. Regulatory oversight should ensure that banks and financial institutions maintain strong cybersecurity measures across all aspects of their operations.

In conclusion, addressing technological infrastructure challenges like developmental constraints and cybersecurity issues is vital for nurturing growth and innovation within the Fintech sector in MENA. (Farah, Sitara, Asma, & Muhammad, 2022)

5. Competitive Landscape for Fintech Companies in MENA

5.1. Competition with Traditional Financial Institutions

The competition landscape for fintech companies in the Middle East and North Africa (MENA) region is undergoing rapid transformation, as emerging fintech firms exert pressure on traditional financial institutions. These new players are disrupting fundamental financial services and challenging the enduring dominance of conventional banks. A recent report highlighted the swift emergence of digital banks, or neobanks, as a significant threat to traditional lenders due to their exposure to higher risks in consumer lending and securities portfolios. The untested risk management systems of neobanks could potentially give rise to systemic risks during an economic downturn. (JACKSON & MICHAEL, 2020)

The competitive environment driven by fintech companies is especially pronounced in countries like the United States, where aggressive growth strategies by fintech mortgage originators have significantly affected the profitability of traditional banks. This trend is expected to continue as fintech firms rapidly venture into new business areas. The race to “capture the customer” is intensifying, with fintech companies targeting high-margin products and services to gain market share from established players. (Erik, Jon, & Leonardo, 2021)

In addition to competing with traditional financial institutions, fintech companies in the MENA region

face challenges related to technological infrastructure and dependence on remittances. The diversity of the financial sector has increased with the emergence of various types and sizes of fintechs and big tech firms providing a wide range of financial services. While some incumbents have formed partnerships with fintechs or created new digital units to adapt to the evolving landscape, others are struggling to compete effectively at scale. **(Antonio Garcia Pascual, 2022)**

Furthermore, collaboration between fintech startups and established players is becoming increasingly vital in fostering a supportive ecosystem for innovation within the financial services sector. Accelerators in Bahrain and the UAE have been launched to enhance connectivity and coordination between innovative startups and established financial institutions.

As competition escalates between traditional financial institutions and fintech companies in MENA, it will be crucial for regulators and supervisors to carefully navigate this evolving landscape to ensure financial stability, fair competition, and consumer protection. **(JACKSON & MICHAEL, 2020)**

5.2. Competition with Other Startups

When examining the competitive environment for fintech companies in the Middle East and North Africa (MENA), it is essential to consider the diverse range of participants entering the financial industry. In addition to traditional financial institutions, there are various types and scales of fintechs and big tech corporations offering a wide array of financial services. Some fintech firms have evolved from focusing on a single product or service to expanding their offerings, as seen with Square and PayPal's transition from payments to lending. This ongoing transformation within the fintech ecosystem poses challenges for startups in MENA.

Competition among fintech companies in MENA goes beyond traditional financial institutions; it includes other startups vying for market share. The race to attract customers has intensified, with fintechs engaging directly with consumers and targeting high-

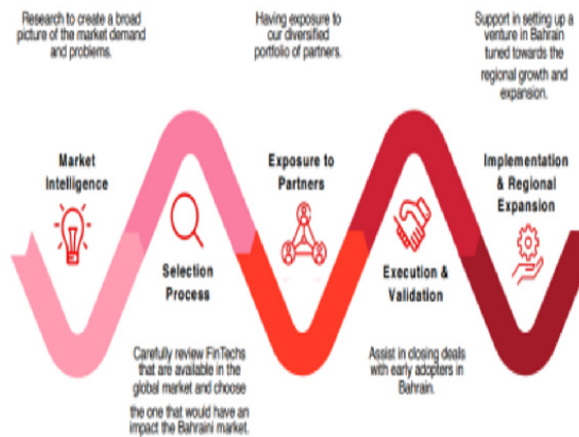
margin products or services that were once dominated by established players. For instance, companies like Wise (formerly Transferwise) and Remitly have successfully captured segments of the international transfer market, leaving traditional competitors with a less profitable product mix.

While some digital-only banks may diversify their services to compete on a larger scale, maintaining a broader product range could lead to lower margins for specific products or customer groups. Additionally, challenges arise when fintechs rely on established players for functions such as value storage and payment processing. Although partnerships with banks can be beneficial, they may also limit a fintech's independence and ability to innovate.

The entry of big tech corporations into the financial sector further intensifies competition for fintech startups in MENA. By utilizing economies of scale and scope in their core markets, these big tech firms can easily incorporate financial services into their existing ecosystems via Banking as a Service (BaaS) providers. This integration enables them to compete against both traditional providers and other fintechs while solidifying their role as gatekeepers to consumers.

The competitive dynamics within MENA's fintech ecosystem highlight the necessity for startups to differentiate themselves through innovative products, outstanding customer experiences, and strategic partnerships. As regulators strive to balance competition and consumer protection in this evolving landscape, fintech companies must navigate complex regulations while pursuing sustainable growth amid fierce competition from incumbents, other startups, and big tech entities.

In summary, understanding the competitive landscape is crucial for fintech companies in MENA to identify opportunities for collaboration, innovation, and expansion while addressing the challenges posed by diverse competitors across the financial sector. **(Erik, Jon, & Leonardo, 2021).**

Figure 01 :Bahrain FinTech Bay Venture Acceleration

Source :Program (JACKSON & MICHAEL, 2020)

6. Growth of the FinTech Sector in the Middle East and North Africa

6.1 FinTech Investment Volume in the Middle East and North Africa

Despite the impressive growth in the Middle East and North Africa (MENA) region, there remains a significant disparity in the distribution of venture capital funding globally. Since 2015, over \$350 billion has flowed into the global FinTech sector, but this funding has not been evenly distributed across different regions. The United States and Canada lead in the number of FinTech companies, with around 38% of the global total, followed by Europe at 37%.

However, when examining the gap between current funding and expected future revenues, notable differences arise between regions. For instance, Europe and North America received funding equal to 109% and 180% of the forecasted revenues for 2028, respectively, while the Asia-Pacific region received only 67%, Latin America 70%, and the MENA region 63%. This indicates that venture capital funding in MENA has yet to reach a level reflecting the sector's potential for future growth.

Since 2015, the FinTech sector in MENA has experienced remarkable growth, with a compound annual growth rate of 33%, one of the highest globally. In 2023, the share of local investors increased from 10% in 2015 to 47.5% in 2023. This rise reflects the maturation of the regional market, as local companies

began attracting greater investment from within the region. Funding in this sector reached \$1.9 billion across 93 investment rounds, up from just \$200 million in 2019. Leading companies contributing to this substantial growth include Tabby, Tamara, and MNT-Halan, which achieved “unicorn” status (valued over \$1 billion) in 2023.

When examining the distribution of FinTech funding by subsectors across regions in 2023, retail loans (covering consumer loans, such as car, student, education, and other loans) represented the second-largest FinTech subsector, attracting \$4.1 billion, with a significant portion directed towards the Asia-Pacific and MENA regions.

This boom is largely attributed to the unique demographics of the region. The young, educated population is among the highest globally, coupled with high smartphone and internet usage rates. These factors have directly contributed to increased demand for digital financial solutions offered by FinTech companies.

By 2030, Saudi Arabia aims to become the place where the best data and artificial intelligence become reality. Under this strategy, Saudi Arabia will implement a multi-phase and multifaceted plan that includes skills, policies, regulation, investment, research, innovation, and ecosystem development. This strategy could contribute an estimated \$135 billion to the GDP, equivalent to 12.4% of the national GDP.

Government support and FinTech-friendly regulations are further bolstering local entrepreneurship in the region and attracting global players. Countries in the region, particularly the UAE, Saudi Arabia, Egypt, and Bahrain, support the FinTech ecosystem through initiatives ranging from free zones like Dubai International Financial Centre (DIFC) to regulatory sandboxes, such as the Innovation Testing License (ITL) at DIFC, the FinTech Regulatory Sandbox in Egypt, and the regulatory sandbox of the Saudi Arabian Monetary Authority. The region is also demonstrating strong openness to cryptocurrencies, with the UAE and Bahrain leading the way in adopting and regulating cryptocurrencies.

6.2 Top Fintech Companies in the Middle East and North Africa

The MENA region is home to several leading fintech companies that have made significant contributions to the sector's growth. Among these are:

1. Tabby (Founded 2019, UAE and Saudi Arabia): A prominent buy-now-pay-later (BNPL) service, Tabby partners with over 10,000 global and local brands to offer flexible payment solutions. In January 2023, it raised \$58 million in a Series C round, bringing its valuation to \$660 million. Its active user base exceeds four million across several Gulf countries.

2.MNT-Halan (Founded 2018, Egypt): MNT-Halan is a fintech ecosystem focused on serving Egypt's underbanked with products like microloans, payments, and consumer finance. By early 2023, the company had disbursed over \$2.5 billion in loans, attracting \$400 million in equity and debt funding to fuel international expansion and reaching a valuation above \$1 billion.

3.PayTabs (Founded 2014, Saudi Arabia): Specializing in payment processing, PayTabs supports e-commerce through secure, API-based solutions that facilitate online transactions and QR code payments. It operates across MENA and recently expanded with acquisitions in Turkey and Saudi Arabia, making it a key player in the regional payment ecosystem.

4. Tamara (Founded 2020, Saudi Arabia): Another BNPL company, Tamara has quickly gained popularity by partnering with global brands like H&M and Ikea. It has raised \$366 million, including a \$150 million credit line from Goldman Sachs in 2023, and has a customer base of six million across Saudi Arabia, UAE, and Kuwait.

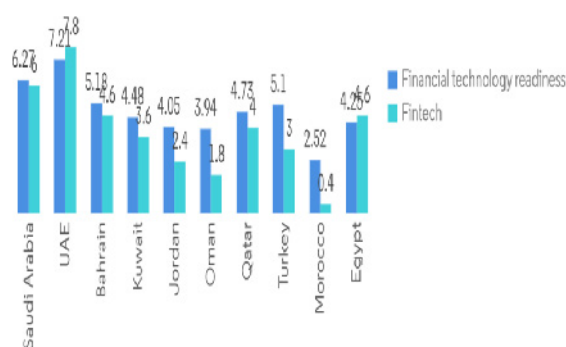
5. HyperPay (Founded 2010, Saudi Arabia): Known for its payment processing services, HyperPay provides solutions from fraud management to installment payments, serving over 5,000 merchants in seven countries. In 2022, it secured SAR 138 million (\$36.8 million) in funding led by Mastercard, which aims to support its regional expansion.

These companies underscore the rapid development of fintech across MENA, particularly in payment

solutions and BNPL services, driven by high smartphone usage, internet connectivity, and a young, tech-savvy population. Government support and strategic investments are also key factors propelling the sector's growth across the region

Figure 02: Score of financial technology readiness and fintech MENA

Score of Financial technology readiness and Fintech, MENA, by country, 2021



Source:

<https://www.mordorintelligence.com/ar/industry-reports/mena-fintech-market>

5. Reliance on Remittances in MENA

5.1. Fluctuations in Remittance Statistics

The Middle East and North Africa (MENA) region heavily relies on remittances to fuel economic growth and enhance financial inclusivity.

The landscape of remittance services in Saudi Arabia and MENA has undergone a significant transformation with the emergence of digital platforms and fintech companies in recent years. Previously, remittance transactions were primarily carried out through traditional channels like banks and exchange houses. However, the widespread adoption of the internet and mobile technology has led to a shift towards digital platforms, offering users a more convenient, cost-effective, and efficient way to transfer money.

Digital remittance platforms have revolutionized cross-border money transfers by allowing users to send funds via their smartphones at any given moment, eliminating the need to physically visit a bank or remittance center. This not only saves time but also reduces the hassle for both the sender and

recipient. Moreover, these platforms typically provide competitive exchange rates and lower transaction fees compared to traditional methods, making them an appealing choice for those seeking affordable remittance solutions.

The speed and efficiency of remittance transactions have significantly improved thanks to fintech innovations. Users can now send money instantaneously with just a few clicks, a stark contrast to the lengthy processing times associated with traditional methods that involve paperwork and manual procedures. This digital shift has made remittance services more accessible to a wider audience in Saudi Arabia and MENA.

Partnerships between financial institutions, fintech pioneers, telecom companies, and governments have further accelerated the growth of digital remittance services in the region. These collaborations have introduced secure, user-friendly solutions that enhance accessibility for customers across borders. Strategic alliances such as the acquisition of WU by STC Pay or partnerships between Eniaz company with Thunes company or D360 Consulting Bank with Thunes company have facilitated seamless integration between remittance platforms, banks, and fintech firms.

Looking forward, future trends in the digital transformation of remittance services in Saudi Arabia and MENA are anticipated to be driven by technological advancements like blockchain technology, artificial intelligence (AI), mobile-centric solutions, regulatory adaptations, strategic partnerships, and a strong focus on meeting customer needs. The industry is shifting towards personalized, secure, and inclusive solutions that simplify transactions and promote financial inclusion among diverse populations in the region. (Mohamed, 2024)

7. Previous Studies on Challenges of the Fintech Ecosystem in MENA

Recent studies focusing on Financial Technologies for all citizens in the MENA region have illuminated the determinants and repercussions of digital financial inclusivity. By employing a diverse methodological approach, researchers have explored the factors

influencing the use of financial technology in everyday activities such as mobile banking, bill payments, and remittances.

A crucial aspect highlighted is the impact of individual characteristics on the adoption of financial technology in this region. Factors such as gender, age, education level, income quartiles, and workforce participation have been analyzed to understand their correlation with digital financial inclusion. Additionally, access to technology and internet infrastructure has been recognized as essential elements affecting an individual's chances of achieving financial inclusion through digital means.

Obstacles to financial inclusivity have also been examined, including issues like accessibility, affordability, lack of documentation, trust concerns, and religious constraints. These challenges significantly hinder the adoption of financial technologies among certain segments of the population in the MENA area.

Moreover, previous research has pointed out the potential of FinTech to enhance financial inclusion for marginalized groups, particularly women and the elderly, who are often excluded from traditional financial systems. Through innovative solutions and technologies, FinTech companies can help bridge these gaps and contribute to inclusive development in the MENA region.

In summary, these key findings emphasize the importance of addressing challenges related to digital financial inclusion in MENA countries. By understanding the determinants of FinTech usage and recognizing barriers to access, policymakers and international institutions can develop targeted strategies to improve financial inclusion and drive economic growth in the region. (Zakaria & Aoma, 2024)

8. Conclusion

8.1. Summary of Main Challenges

The hurdles encountered by Fintech companies in the MENA region are complex and substantial. One of the main obstacles is the influence of the conventional financial sector on the development of Fintech. The scarcity of skilled workforce, gaps in digital infrastructure, and restricted access to digital services

due to insufficient knowledge about mobile money are impeding the advancement of Fintech enterprises in the area. Moreover, concerns regarding data security and gender disparities are creating barriers to Fintech progress.

Additionally, the heavy reliance on remittances in the MENA region adds another layer of complexity. Variations in remittance data can impact the stability and expansion of Fintech companies operating in the region. Insufficient regulatory frameworks for crowdfunding and virtual currencies also present challenges for Fintech startups. Distrust in digital currency and financial institutions, coupled with limited awareness about financial services among individuals, contribute to the challenges faced by Fintech firms in MENA.

Furthermore, existing issues such as privacy concerns, cybercrimes, financial disruptions and instabilities, exploitation of social norms and values, increasing disparities, and non-compliance with regulatory authorities are significant hurdles for Fintech startups in MENA. These obstacles not only impede innovation but also create financial instability within the region. Regulatory issues related to FinTech have also been identified as potential barriers to growth.

To conclude, overcoming these obstacles requires a united effort from policymakers, regulatory bodies, countries in the MENA region, and fintech developers. Addressing skill shortages, enhancing data security protocols, and promoting regulatory changes to support innovation while ensuring stability are essential steps towards creating a favorable environment for Fintech advancement in MENA. (Farah, Sitara, Asma, & Muhammad, 2022)

Conflict of Interest

I declare that I have no conflict of interest.

8.2. Recommendations for Addressing Challenges

To address the challenges faced by Fintech companies in the MENA region, it is essential to implement tailored strategies that can help overcome these obstacles. A key recommendation is to focus on regulatory frameworks that provide transparency

and certainty for Fintech transactions. It may be necessary to amend existing laws to clearly define licensing requirements, enabling smoother operations for Fintech startups. Additionally, establishing regulatory sandboxes can assist in understanding the risks associated with Fintech firms and in developing appropriate regulations.

Another important suggestion is to prioritize cybersecurity within the Fintech sector. Cybersecurity should be a primary concern to mitigate threats that could impede the adoption of Fintech solutions. Developing comprehensive cybersecurity frameworks that include prevention, detection, information sharing, monitoring, and recovery plans is crucial. Moreover, investments in technologies that enhance cybersecurity should be coupled with training programs to raise awareness among staff and prevent exploitation by cybercriminals.

Furthermore, promoting collaboration between Fintech companies, traditional financial institutions, and government agencies can significantly enhance financial inclusion efforts in the MENA region. By combining resources and expertise through joint initiatives focused on financial literacy, improvements in technological infrastructure, and enhancements to regulatory frameworks, holistic solutions can be developed.

It is also vital for policymakers to encourage internet access and provide citizens with mobile phones as part of efforts to improve digital financial inclusion. Offering financial literacy programs and protecting personal data are critical steps towards building consumer trust in financial technologies. Policymakers should consider options for facilitating infrastructure sharing and interoperability while balancing the need for innovation with fostering competition in the sector.

In conclusion, addressing these challenges requires a multi-faceted approach that includes clear regulations, prioritization of cybersecurity measures, collaboration among key stakeholders, promotion of digital inclusion strategies, and continuous policy assessment and adjustment in response to evolving trends in the Fintech landscape in the MENA region.

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