

Shane Greenstein:

This is professor Shane Greenstein with the HBS Digital Initiative from the 2019 future assembly at Harvard Business School. We are pleased to present Flash Talks: Exploring Technology in a Multidisciplinary World.

Raja Al Mazrouei:

take you through a presentation on the FinTech opportunity and, specifically, a financial inclusion in the Middle East, Africa and South Asia regions. If you look at the global data points, basically there are more than 1.7 billion people that are unbanked today. 50% of these people are in the region of the Middle East, African, South Asia region. And the banked population in those regions are 48% compared to a global average of 69%.

Raja Al Mazrouei:

With an approximate population of 3 billion people, the [inaudible 00:01:07] has a huge potential for a financial inclusion that definitely can be tapped on and include so many people in the system. 70% of the adults in the Arab world today lack access to basic bank accounts. So if we look at the financial inclusion opportunity, 69% are unbanked and 23% are underbanked. So the properly banked population in this region is only 8%. What can we do as FinTech to really capture that opportunity and include as many people into this system? By the way, two thirds of the 1.7 billion unbanked population have access to mobile phones.

Raja Al Mazrouei:

And then we look at what's working in FinTech today. There is an increasing understanding of the impact of FinTech in our region, continuously developing infrastructure. There are more partnerships that are shaping to address this as a problem and to increase the funding gap for these technologies to grow. Government and private entities are collaborating to create a nurturing environment for startups and ecosystems to develop creative solutions to solve this problem.

Raja Al Mazrouei:

More banks are aware that FinTechs are complimenting rather than competing. And I will share with you my own experience in the region where I work with about 22 financial institutions looking at creative technologies from all over the world, bring them to the region and try and collaborate to provide something to solve the problem. There is growing talent and tech in our region. Increasing number of FinTech startups are already established in the region.

Raja Al Mazrouei:

What's not working though or what's missing fit for purpose regulations, regulations are lacking and the regulators are not taking enough risks or bold steps to really address this problem. So some of the financial institutions thinks it's going to take much longer time for them to be confronted, to really work with technology or to include fast access to their services. Legacy frameworks that are forbidding startups to revolutionize the system, more education and awareness about the impact of digitization and open banking regulation, which is not there as of yet. However, the consumer's demands are changing in our region. There's a huge young population, high digital penetration, high mobile penetration, who all of them require fast access to financial services. It's a tech-savvy generation, and they want and demand reduced fees and transparency.

Raja Al Mazrouei:

And then we looked at building an enabling FinTech ecosystem. I work for the financial center, and we realized that the financial services sector is being disrupted. Instead of fighting this, we really wanted to figure out a way to enable this change and transform the financial center in a way that will work with technology to be a FinTech hub as well. So the main components of enabling an ecosystem is really availability of capital, talent, demand and policies.

Raja Al Mazrouei:

And to do that, we looked at engaging the VCs and the funds that are interested to fund all of these technologies, and also launched a hundred million dollar fund specifically focused on FinTech investments. Growing talent in the region, engaging them in the system, looking at the number of applications we've received over the past couple of years compared to now is actually tripling. Demand, and we're creating this demand or enabling this demand by engaging the financial institutions into this game because the FinTechs today cannot go to consumers directly. So they either go unregulated, or work with financial institutions. We enabled this conversation with the financial institutions, and also at the same time push the agenda towards enabling regulation for the B2C technologies.

Raja Al Mazrouei:

So we launched the FinTech Hive back in 2017, and this is a picture from the second cohort I guess. The FinTech Hive, what it does is we go around the world, look for innovative technologies, bring them to the region, create or educate them about the opportunities, the challenges, and also engage them with the financial institutions. We've accelerated so far 34 companies, and we have about 80 companies registered in the center specifically looking at FinTech. And I'm actually here in Boston and going to San Francisco for [inaudible 00:06:12] because we believe there's a lot of innovation that's happening in this part of the world that could actually address the issues that we're facing.

Raja Al Mazrouei:

Will the big players fill in the gaps? They're trying. It has to be mutual effort by both the FinTechs and the banks. The banks have the trust and the database, the big names, but the FinTechs definitely have the creative solutions. Entities must focus on fostering collaboration between them rather than one or the other. How can we enable innovation to bridge the gap for financial inclusion? This is what I would like to take out from all of you today, maybe crowdsource some of the ideas in the sessions. So I look forward to discussing this further with you all. Thank you.