

Covid-19 Pandemic and Financial Technology: Analysis the state of funding in MENA region

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Abstract:

This study aims to analysis the state of financial technology (FinTech) funding in the Mena region pre-covi19 pandemic and after. We are analyzed the data from several reports for the period 2015-2019 and compared it to the period 2020-H1'2021.

The study concluded that the number of deals and total funding of FinTech tripled in the period of pandemic , and the covid-19 was accelerator of fintech industry in MENA contrary to others regions, while the UAE and Saudia Arabia dominate total MENA funding into Fintech during this period, but for the north African countries, they had the weakest investments. To keep this level of growth we suggest the coordination between the countries in the area.

Keywords Financial Technology (FinTech); Funding; MENA; Covid-19.

JEL Classification Codes: G29 ,G310 ,R110,I15.

ملخص:

الهدف من هذه الدراسة هو تحليل حالة تمويل التكنولوجيا المالية في منطقة الشرق الأوسط وشمال إفريقيا قبل وبعد جائحة Covid19. أين تم تحليل البيانات من عدة تقارير للفترة 2015-2019 ومقارنتها بالفترة 2020 - النصف الأول من عام 2021.

توصلت الدراسة إلى أن عدد الصفقات وتمويل التكنولوجيا المالية قد تضاعف ثلاث مرات خلال فترة الوباء ، وأن كوفيد - 19 كان بمثابة مسرع لصناعة التكنولوجيا المالية في منطقة الشرق الأوسط وشمال إفريقيا ، على عكس مناطق العالم الأخرى ، كما تهيمن الإمارات العربية المتحدة والمملكة العربية السعودية على إجمالي تمويل التكنولوجيا المالية في المنطقة خلال هذه الفترة ، في حين أن دول شمال أفريقيا لديها أقل الاستثمارات، وللحفاظ على هذا المستوى من النمو في المنطقة ككل ،يمكن التوصية بالتنسيق والتعاون بين دول المنطقة.

كلمات مفتاحية: التكنولوجيا المالية، التمويل، منطقة الشرق الأوسط وشمال افريقيا، كوفيد-19.

تصنيفات JEL:G29 ,G310 ,R110,I15.

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1. Introduction

In the last decade, the global financial systems have known the financial technology revolution, which has developed at an increasing speed and has affected the traditional map of finance due to its provision of a variety of financial services. Technology can improve financial services through its influence on cost reduction, improved decision making or execution, and broadened access ((Lu, Bingzhong , Qing , & Jing , 2020). From digital payments, digital currencies, digital lending, wealth management and other services, deployment of financial technology (Fintech) via artificial intelligence, data analytics, cloud and blockchain have reimaged the financial services sector resulting in innovation, efficiency and greater financial inclusion. (TENG, 2019)

What is more is the wave known to the sector, which attracts many startups and entrepreneurs wishing to invest in it, due to the speed and low transaction costs. For example (Lu, Bingzhong , Qing , & Jing , 2020) , substantial reductions in the cost of computing, storage, and devices will facilitate the affordable analysis of massive volume of data and thus improve the accessibility of financial services. This development has also reached the MENA region, achieving a remarkable breakthrough in this field. FinTech in MENA has seen immense growth in a very short period.

However, the recent Covid-19 pandemic has significantly affected financial systems around the world; it was created one of the most complicated challenges faced by the financial sector globally, including the provision of digital financial services and the functioning of financial technology markets. Recent evidence shows that the social and economic shocks associated with the global pandemic have severely disrupted some FinTech sectors (The world bank & CCAF, 2020), creating opportunities for others and creating a state of flux for many.

Thus, it is of great importance to gain a deeper understanding of the impact of the pandemic across different types of companies and across regions, and investment in financial technology is considered as an indicator of the growth of FinTech industry, Based on the foregoing, we ask the following question:

How has covid-19 impacted Fintech industry in MENA region in terms of funding?

The purpose of this study is to analysis the state of Fintech funding and investments in MENA region before and after the corona pandemic, in order to identify the impact of Covid 19 in resilient that FinTech firms have been across MENA , and the operational challenges and emergent risks facing the FinTech industry today.

In order to answer the problematic of the research, we will follow the deductive approach through the descriptive method in order to present various literature, and we

will use the inductive method through its analytical method based on data and statistics on developments of fintech in the MENA region.

2. Literature

2.1 Financial technology (FinTech)

The development of technologies and digitalization lead to a huge change in the financial industry, and the emerging of financial technology (FinTech).

The history of technological innovation in the financial sector began with the emergence of checks as a means of payment (1945). Subsequently, the Bank of America produced the first credit card (1958), and ATMs appeared to help process financial transactions in 1967, followed by the issuance of a debit card as a transaction tool. In the 1990s, supported by the advancement of the Internet, Internet banking was launched. In the 2000s, fintech developments of mobile payments and crowdfunding were introduced. This shows that fintech is a fast-growing industry. (Ashta & Biot-Paquerot, 2018). The evolution of advances in e-finance and mobile technology for financial companies, which drove the innovation of FinTech was after the global financial crisis 2008. This development was characterized by integration in e-finance innovation, Internet technology, social networking services, social media, artificial intelligence, and big analytic data (Suryono, Budi , & Purwandari, 2020).

The FSB defines FinTech as “technologically 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 and the provision of financial services. FinTech innovations are affecting many different areas of financial services” (Financial Stability Board’s, 2021)

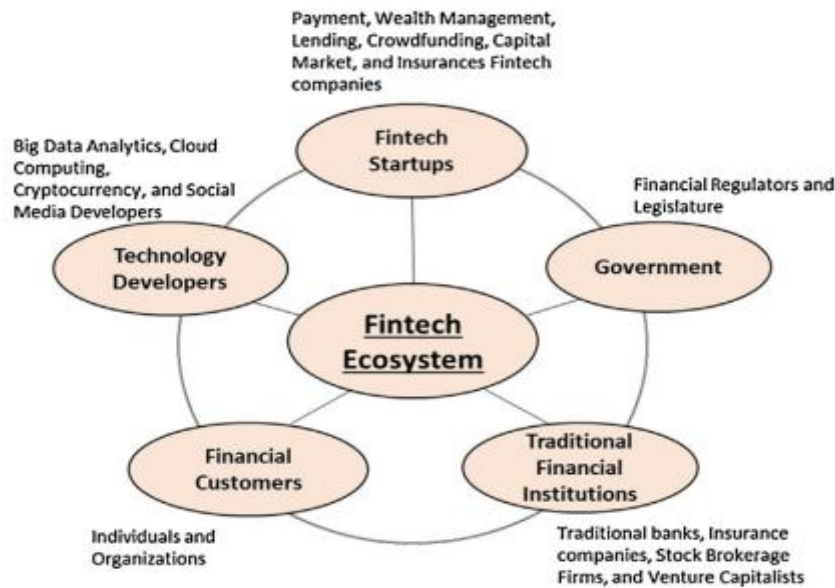
(Leong & Sung, 2018) Considered FinTech as “any innovative ideas that improve financial service processes by proposing technology solutions according to different business situations while the ideas could also lead to new business models or even new businesses”. In addition the term “FinTech” can be interpreted as the application of information technology in the fields of finance, financial innovation, and digital innovation, in addition to start-ups (the financial service industry) (Zavolokina, Dolata, & Schwabe, 2016). Sahay & al (2020) defined FinTech as a 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 (Sahay, 2020).

Briefly, we can say that FinTech is a new field of financial industry applies technology to improve financial activities (Schueffel, 2017).

FinTechs contain subsectors with a multitude of service offerings. Some service offerings focus on either consumers or enterprises, others are linking consumers and enterprises by facilitating transactions between the two parties, While part of an overall ecosystem (Sweid & Moftah , April 2020) , the analysis of Fintech

ecosystem help to understand the competitive and collaborative dynamics in fintech innovation, (Lee & Shin, 2018).

Fig.01: The five elements of the FinTech ecosystem



Source: Lee, I., & Shin, Y. (2018). Fintech: Ecosystem, business models, investment decisions, and challenges. *Business Horizons*, 61, 35-46.

Finance and Private Capital Market Fintechs, consumer demographics and characteristics are more important to the viability of these Fintech. Most important for nearly all sub-sectors is regulation. The financial services industry remains one of the most guarded from a regulatory perspective. Thus, without the regulatory framework, Fintechs cannot exist (Sweid & Moftah , April 2020).

The Fintech ecosystem is highly interconnected, in order to fully empower one part of the system, the entire system must be elevated.

(Leong & Sung, 2018) Classify the FinTech applications into four major operational business processes: payment, advisory service, financing and compliance. , while Lee and Shin there are six FinTech business models: insurance services, crowdfunding, payment, lending, wealth management, and capital markets ((Lee & Shin, 2018).

2.2 Global impact of Covid-19 on FinTech industry

Corona Virus popularly known as the Covid-19 started in the Wuhan province of China in November 2019, Since then, it has already reached and made a mark in almost every country of the world (Hassan, Rabbani, & Abdullah, 2021).

The Covid-19 pandemic has disrupted the way in which humans interact with one another and their surrounding environments. As a result, it is also affecting the ways in which financial services and products are accessed and used. According to world Bank group the Covid-19 pandemic is accelerating the use of FinTech as it facilitates the remote provision of financial services.

The Global Covid-19 FinTech Market Rapid Assessment Study by (The world bank & CCAF, 2020) is one of the largest empirical studies to date on the impact of Covid-19 on FinTech firms globally. It is positive to see that, despite tough economic conditions in 2020, FinTech firms are reporting on average higher growth compared to Q1-Q2 2019, especially in emerging and developing economies. The study also highlights that many FinTech firms are suffering a deterioration in their financial position and are concerned over their ability to raise capital in future.

After slow start, 2020 rebounds to healthy finish, powered by surge in venture capital, where after the global pandemic brought many deals to a halt in H1'20, H2'20 reversed the trend as investors and FinTechs learned to do business in a new normal. (KPMG, Pulse of Fintech H2' 2020 ., 2020) . Global fintech investment continued its remarkable rebound in H1'21, rising from \$87 billion in H2'20 to \$98 billion in H1'21 and Fintech deal volume hit a new record of 2,456 during H1'21.

Based on data from KPMG H'1 2021 report the growth of e-commerce and contactless payments during the pandemic, partly driven by more connected consumers, has created a perfect storm for FinTech investors (KPMG, 2021).

In terms of FinTech subsectors, Payments sector keeps top spot for FinTech investment globally with \$19 B of funding from 327 deals. InsurTech investment remained solid in Q1'21, with total funding of \$7.1 B, Investment in RegTech surged in H1'21, particularly in the Americas and Europe where the Regtech space is maturing at a rapid pace. Global investment in WealthTech boomed in H1'21 , surpassing the total investment seen in 2020 and nearing the record annual high set in 2015 and achieve total funding in H1'21 of \$1.4 B. For Investment in Blockchain and Cryptocurrencies heated up dramatically in H1'21, with investment more than twice the level seen in 2020 and soaring past the previous annual record high set in 2018 (KPMG, 2021).

3. MENA FinTech Environment

The MENA region has been ripe for disruption and financial inclusion as the World Bank estimates that two-thirds of the adult population in the Arab world don't have a bank account, while lending to small & medium enterprises is much lower than the global average, according to (Belouafi, 2021) financial systems are not deepening yet. The regulatory environment in the FinTech sector started growing in 2017 and the Middle East has become a focal point for regulations.

First in MENA, Fintechs were largely focused on payment and lending solutions at the outset and the majority on the digital payments, transfers and remittance areas. Lately as the ecosystem expands, startups are now looking further afield to technologies such as blockchain, AI and big data (Business Worldwide Magazine, 2021).

3.1 FinTech drivers in MENA

3.1.1 Regulations and sandboxes

Economic diversification is top of the agenda for most of MENA countries, as result FinTech is becoming the first priority of many governments across the region , they have taken significant strides in accommodating the FinTech industry's need for light-touch regulation so that they can have the much-needed space to innovate (Velmie, 2021) .

Many governments have increasingly become active, looking to support startups through regulations, licenses, sandboxes accelerators, and free zones, and other regulatory efforts. Where FinTechs can develop ground-breaking propositions without being hamstrung by demanding regulatory requirements (Velmie, 2021) (Sweid & Moftah , April 2020).

In 2016, the CBE issued new regulations for cashless payments using, and by 2019 , eight MENA countries have created sandboxes or RegLabs for FinTech startups to use (See appendice.01), and nine of sandboxes and RegLabs that have been set up by regional governments to support FinTech startups (Magnitt & ADGM, 2019).

Creating a conducive ecosystem for the Fintech industry to flourish is a common objective among the respective governing agencies in these countries, so coordination across countries is key for mass scale FinTech implementation and effectiveness.

3.1.2. Fintech funds & accelerators

Governments in MENA region have gotten into financial and alternative support solutions depending on the experience of international Fintech Hubs , including funds open to FinTech startups and FinTech-specific accelerator programs and incubators have launched with the purpose to foster Fintech innovation and growth. Through these initiatives, governments look to directly or indirectly support FinTech startups in the region (Sweid & Moftah , April 2020).

In 2017, the accelerator DIFC Fintech Hive is launched from DIFC in partnership with Accenture. The accelerator has subsequently hosted two cohorts of firms and recently opened applications to its third cohort. The reputation of the accelerator program has continued to grow, receiving over 300 local and international applications for entry into the 2018 cohort, triple the number received in 2017 (Sweid & Moftah , April 2020).

By 2019 the cumulative size of those FinTech funds launched by governments became 1.4 B USD (Magnitt & ADGM, MENA FinTech Venture Report, 2019).

3.2.3 Consumer demographics

For any startup seeking venture investment, including FinTech startups, a large market size is key to attract funding, changing demographics are further fueling the growth prospects in the region. Where the MENA region has key characteristics that

make it interesting, with a young, large population, a high GDP per capita, or a combination of the three. On average, close to 40% of the population is aged 39 or under27 (See appendice.02).

The MENA population in general is characterized as ultra-connected, with high mobile broadband penetration rates, and increasing smartphone ownership. Increasingly positive sentiment among tech savvy consumers is also paving the way for the Fintech industry (Magnitt & ADGM, MENA FinTech Venture Report, 2019).

3.2.4. Private capital availability

Lastly, the capital availability from the private sector has increased as well over the years, with more investors making investments in MENA- based startups. Reporting an increase in the number of investors from investors 16 in 2015 to 37 investors in 2019 , with a 191% increase in regional investors in MENA-based FinTech startups since 2015 (Magnitt & ADGM, MENA FinTech Venture Report, 2019).

Moreover, there has been an increase in the number of private accelerators and venture capital firms with a specific focus on FinTech.

3.2 MENA Fintech Challenges

Despite the boom in MENA fintech , some countries are still far from the advanced countries such as China, India and others. Accordingly, the countries of the region suffer from a number of challenges that prevent access to optimal and full use Fintech, the most important of these challenges are:

- The slower progress of the North African Countries is attributed to the quality of their infrastructure, lack of capital, limited adoption, with a few exceptions.
- One of the main barriers of FinTech in the area is the customer behavior , in the fact while online shopping has been widely adopted, fewer people are comfortable with online payments, based on Wamda Research Lab report other financial service receives a very mixed reception from bank customers – mainly driven by thre reservations (WAMDA & Payfort, 2016):
 - ✓ Customers are not aware of new services offered by startups;
 - ✓ Customers prefer cash on delivery (COD), mainly due to security concerns;
 - ✓ Customers think new companies might be a scam.
- Another challenge is a lack of awareness of FinTech startups, where huge untapped potential because of a lack of understanding services available among the banked population, especially in the North African countries.
- Security concerns are a key reason for cod (cash on delivery) preference among the banked population, and fear of scammers keep unsatisfied bank customers loyal to banks.

4. Analysis of FinTech Funding in MENA region

The MENA region is a key part of the frontier markets continuing to show significant potential for future economic growth. This is aligning with a surge in fintech activity in the region.

Against this backdrop, and according to Richard Teng " FinTech in MENA has seen immense growth in a very short period of time. Based on the MENA FinTech venture report by ADGM/ Magnitt FinTech is the top industry across MENA by deals in 2018 and 2019. The statistics also revealed that the UAE is MENA's largest FinTech Hub and accounts for the highest amount of funding in the same period". (TENG, 2019)

In the following points, the reality and development of Fintech fundig in MENA region and its development before and after the Covid -19 pandemic will be presented in order to clarify its effects.

4.1 State of Fintech investment in MENA per-Covid 19

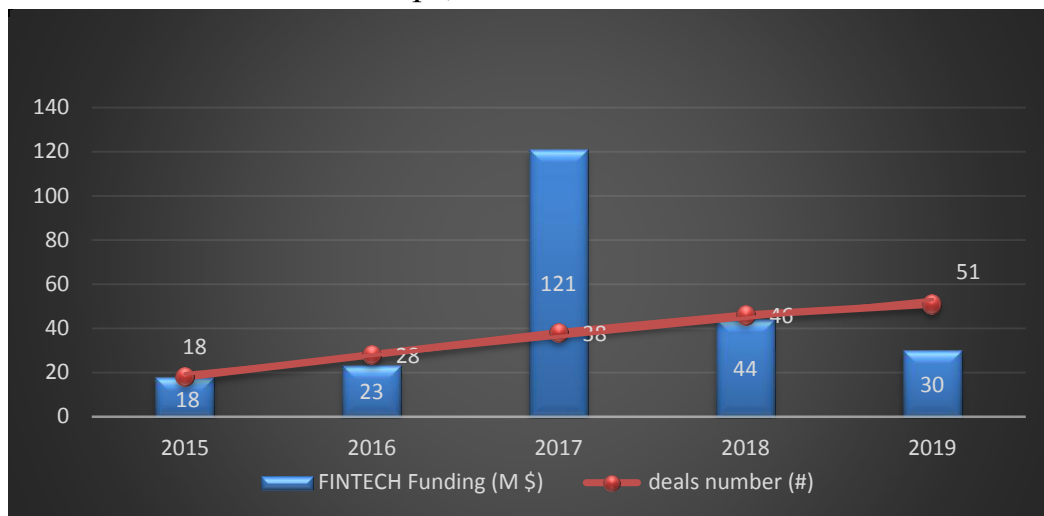
4.1.1 Funding Evolution

➤ The state of FinTech investments in the region between 2015-2019

Investor interest in MENA FinTech sector has been growing in recent years. Apart from the relative slow growth in investment size, number of deals have been steadily increasing where the Percentage of total MENA startup funding attributable to FinTech between 2015 and 2019 was 7 % (Magnitt & ADGM, MENA FinTech Venture Report, 2019). This indicates an increasing number of investors interested in gaining exposure to the FinTech sector that is picking up in the region and worldwide. The **fig .02** shows that a total of \$237M has been invested in 181 deals since 2015 in MENA-based FinTech startups.

2017 was the breakout year for FinTech venture investment across MENA, with large investments of (\$121M) including Network International (\$30M), PayTabs (\$20M) and Souqalmal (\$10M). and the average .The average deal size for FinTech Investments between 2015 and 2019 was \$1.8 M.The number of deals doubled from 5 deals in 2015 to 51 deals in 2019.

Fig.02: Annual number of deals (#) and total funding (\$) in MENA-based FinTech startups, 2015 – 2019 YTD

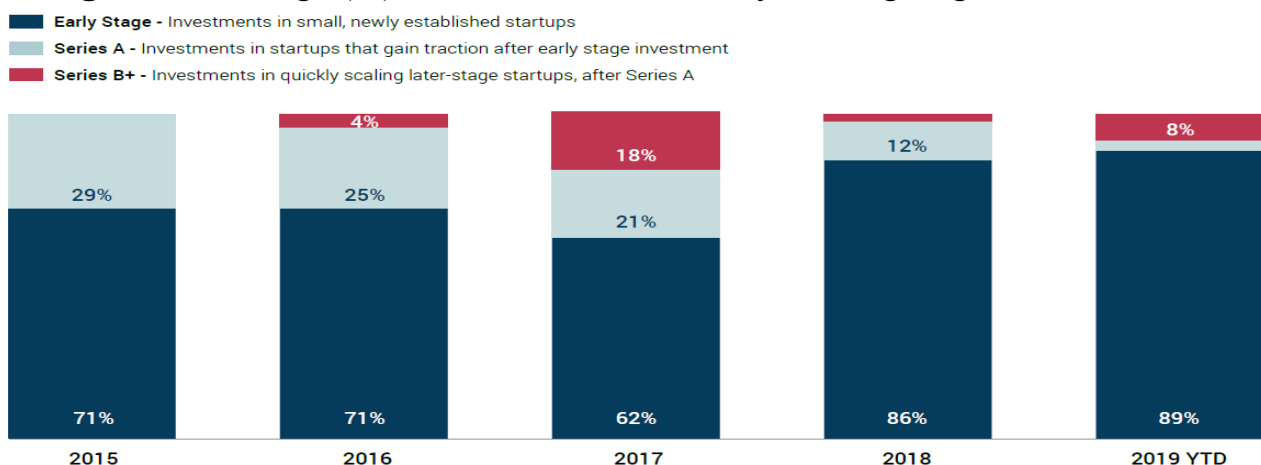


Source: Magnitt, & ADGM. (2019). *MENA FinTech Venture Report*. Abu Dhabi Market (ADGM),p:6.

➤ MENA FinTech investments by stage, 2015 – October 2019

FinTech, while quickly developing, is still a nascent industry within MENA startup scene. Early stage deals and investments (i.e. Seed and Pre-Seed) make up majority investment (81%) allocations in the region. **Fig.03** shows that Post Series A investments remain largely rare. Data also suggests that interest in Series A and Series B+ is slowing down, and interest in early stage investments has been growing, pointing to the need for more expert money in these stages to help FinTechs reach organic growth and business sustainability.

Fig.03: Percentage (%) of total FinTech deals by funding stage, 2015 – 2019 YTD



Source: Magnitt, & ADGM. (2019). *MENA FinTech Venture Report*. Abu Dhabi Global Market (ADGM),p:8.

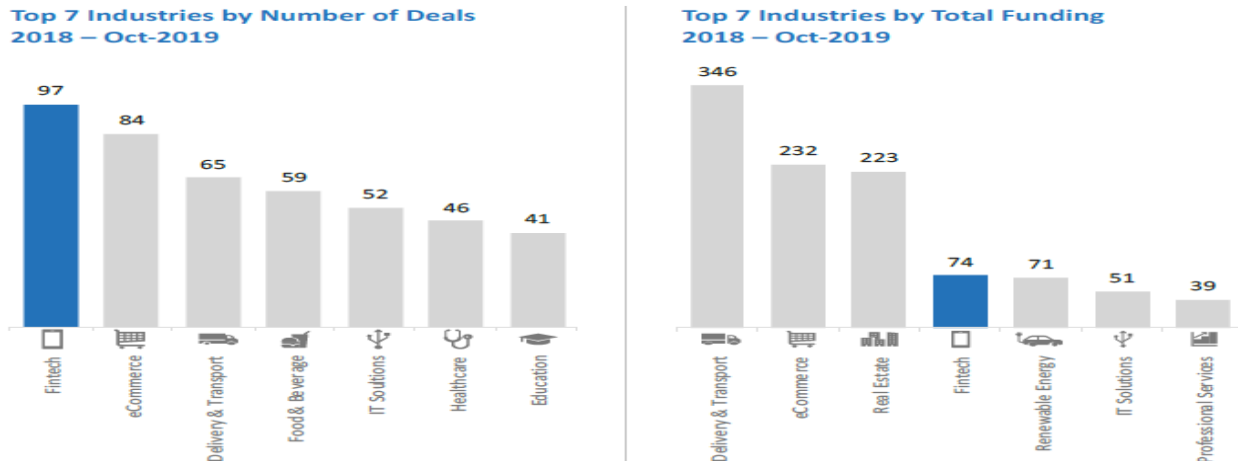
➤ Industry Comparison

The recent surge in Fintech investment means that it has become the industry with the highest deal volume since 2018 -2019 , surpassing traditionally invested industries, both e- commerce and Delivery & Logistics and it became the most

popular by number of deals across MENA.

From a deal value perspective, Fintech ranks fourth by total funding with 5% , reflecting the fact that most of the businesses in the industry are still at a relatively early stage of investment and these deals have predominantly been made by earlier-stage accelerator.

Fig.04: Top 7 industries by number of deals (#) and Total funding , 2018-2019

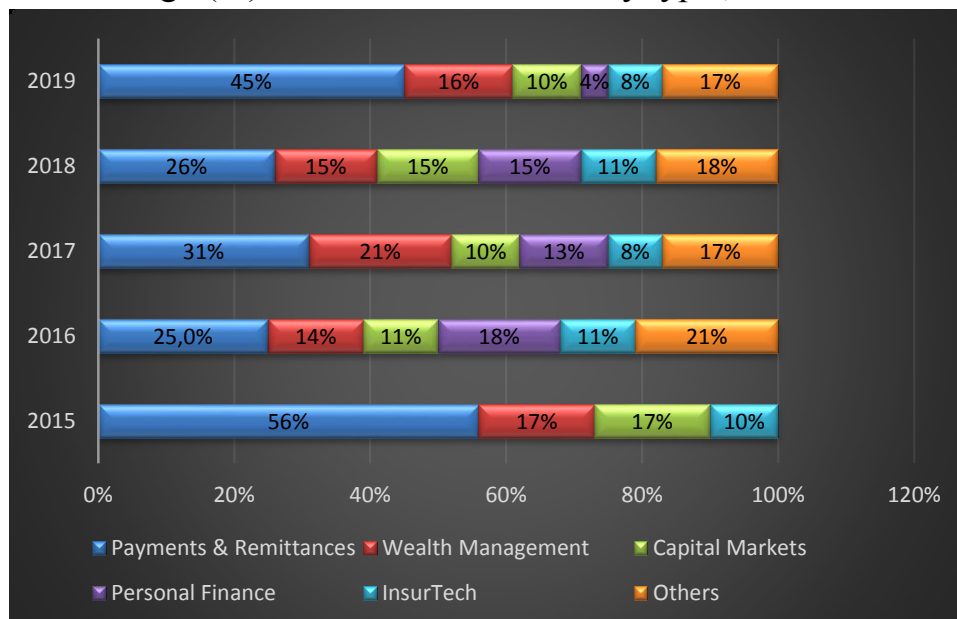


Source: Magnitt, & ADGM. (2019). *MENA FinTech Venture Report*. Abu Dhabi Global Market (ADGM).

4.1.2. MENA Fintech subsector analysis

There are many different types of FinTech startups, which have been divided into subsector. This includes Payments & Remittances, Wealth Management, InsurTech, Blockchain and others, which provides a clear overview of the spread of each across the region. The figure below shows the part of each types of fintech:

Fig.05: Percentage (%) of total FinTech deals by type , 2015 – 2019 YTD



Source: Magnitt, & ADGM. (2019). *MENA FinTech Venture Report*. Abu Dhabi Global Market (ADGM),p:19.

Historically, Payments & Remittances, Wealth Management & Personal Finance deals have been the most prominent, in 2019 the percentage of total FinTech deals in the payments & remittances vertical was 45% , accounting for nearly half of all deals with 19% increase in deals from 2018 to 2019 , table below shows that :

Table 01: Number of deals (#) and total funding (\$) in MENA-based Payments & Remittances / Wealth Management startups, 2015 – 2019 YTD

Source: by researcher depending on : Magnitt, & ADGM. (2019). *MENA FinTech Venture Report*. Abu Dhabi Global Market (ADGM).

Payments & Remittances startups have seen considerable growth in the number of deals over the years, with 2019 YTD nearly doubling the number in 2018. Most of these startups are early stage, but there are later-stage case studies such as *Fawry* (Fawry is an Egypt-based electronic payments network founded in 2008, offering financial services to consumers and businesses through a variety of channels). In addition, *Network International* (Network International is a provider of payment solutions in the Middle East, based in Dubai founded in 1994), which both had their IPO in 2019.

Wealth Management is also prominent FinTech vertical across the region with a strong presence in GCC countries especially. Examples that have recently raised funding include Dubai-based investment management startup *Sarwa* and *P2P* lending startup Beehive.

While Payments & Remittances and Wealth Management startups have seen a large number of deals, there are other, up-and-coming trends in FinTech as well, including corporations launching their own FinTech initiatives, as well as a recent increase in blockchain activity by startups and governments.

Table 02: Examples of emerging verticals & initiatives in MENA region.

	2015		2016		2017		2018		2019	
	# of deals	fundig M\$	# of deals	fundig M\$	# of deals	fundig M\$	# of deals	fundig M\$	# of deals	fundig M\$
Payments & Remittances	10	5	7	2	12	62	12	5	23	6
Wealth Management	3	5	4	7	7	62	6	5	8	6

FinTech Initiative	Retail	Majid Al Futtaim acquired Beam Wallet, a mobile wallet startup. The acquisition comes with full ownership of Beam's IP rights, branding and e-wallet services across the region
	Mobility	Careem announced a new leadership structure for its 2022 vision to become the region's Super App. The business will provide a range of services to customers, including financial services.
	Telecom	Saudi Telecom Company (STC) launched STC Pay, a digital wallet that provides digital payments solutions, including remittances and money transfer directly through the app
Blockchain Initiative	Money Transfer	The Saudi Arabian Monetary Authority (SAMA) and the UAE Central Bank have announced plans to launch a common digital currency. The Aber project will be used in financial settlements between Saudi Arabia and the UAE through blockchain.
	Crypto Exchanges	Several regional cryptocurrency exchanges have received licensing and funding, and are looking to expand their products and services in the Middle East and North Africa to offer cryptocurrency trading and custodian services
	Crypto Regulations	With international uncertainty on the regulation of this new technology, regional governments, including Abu Dhabi Global Market (ADGM) in 2018 and Bahrain in 2019, have introduced blockchain regulations to smoothen adoption and provide clarity

Source: by researcher depending on Magnitt, & ADGM. (2019). *MENA FinTech Venture Report*. Abu Dhabi Global Market (ADGM).

4.2. Fintech Funding in MENA post-Covid 19

The COVID-19 pandemic has created one of the most complicated challenges faced by the financial sector globally. The impact of the pandemic on banking services has been severe due to demand reduction, income reduction, closure of public and private sector and the overall curb on economic activities.

4.2.1. Funding evolution

Apart from the steady growth of financial services digitalization volumes, the year of 2020 has been experiencing a fundamental customer behaviour shift because of the increased preference for remote and contactless experience due to the COVID-19 and lockdown . It is projected that by 2022, some 465 FinTech companies in the Middle East will raise over \$2 billion in venture capital funding, compared to the 30 FinTechs that raised nearly \$80 million in 2017 (Sweid & Moftah , April 2020).

Although the food & beverage sector took the biggest share of funds invested, FinTech companies were involved in the most deals, according to the latest report 21'H from data platform Magnitt (Bignell, 2021). Investor appetite has shifted towards bigger opportunities in the Financial Services space, which put Fintech ahead of other industries, such as Food and Beverage, E-Commerce and Delivery and Logistics that thrived in previous years.

In terms of industry deal activity, Fintech led the way with 65 deals—worth

\$222million invested into the sector in H1 2021 across MENA, Pakistan and Turkey. Both Turkey and Pakistan saw greater investment in Fintech in the first half of 2021 than in 2020 as a whole (Bignell, 2021). The growth of Fintech in Pakistan has been particularly notable, with no deals closed in the first half of 2020, to seven deals valued at \$32million secured in the first six months of 2021.

The first half of the 2021 also marked the highest amount of Fintech funding raised within a period of six months in the MENA region reached a three-year high in rising by 163% year-on-year and also rose by 70% from the last quarter of 2020 .

The UAE and Saudi Arabia accounted for 60% of total MENA funding into Fintech during this time. Where Saudi Arabia saw the number of transactions more than tripling year-on-year, whilst total funding rose by an incredibly 2000%. Meanwhile, the UAE retained its leading position as a hub for the industry, with no less than 166 Fintech startups registered in the country (Magnitt, 2021).

The average MENA Fintech ticket size stood at \$3.0M in Q1 '21. Fintech deals in both UAE and KSA averaged above this number.

Bahrain and Lebanon saw significant developments as the two largest Fintech deals came from these countries.

Almost every 5th active investor in MENA's Fintech ventures was based in the United States of America

Digital banking startups—which before were slow to come to the region—are also beginning to take off: Egypt's Telda attracted \$5 million in pre-seed funding from investors including Sequoia Capital in May. Zand, the UAE's first standalone digital bank, is meanwhile reportedly preparing to launch.

The region's suddenly-booming digital payments market hasn't gone unnoticed by international operators. In April, Silicon Valley's \$95 billion giant Stripe announced that it was expanding into the region. Payments giant Checkout.com chose to establish a foothold by investing in Saudi Arabia's Tamara, while Tabby's roster of investors include a surprising addition: Delivery Hero, the Germany-based parent company of food delivery services like Talabat. Investor enthusiasm for the MENA fintech market doesn't show signs of abating (Magnitt, 2021).

4.2.2. MENA's top 5 Fintech funding rounds from Q1 2021

The table below presents shortlist of five MENA-based startups that closed the largest funding rounds in Q1 2021:

Table 03: MENA's top 5 Fintech funding rounds from Q1 2021

Sartups / Activity	Funding 2021 Q1	Investors
Tarabut Gateway Founded 2017, Bahrain Open Banking platform that connects a regional network of banks and Fintechs via a universal application-programming interface (API).	\$13M Seed funding round	Target Global, Kingsway, CE Ventures, Entrée Capital, Zamil Investment Group, Global Ventures, Almoayed Technologies, and Mad'a Investment.
NymCard - Founded 2017 / Lebanon Delivers leading-edge card issuing and processing solutions for financial institutions, banks, and Fintechs in the region.	\$7.6M Series A investment	- Shorooq Partners, OTF - Jasoor Ventures, Venture Souq
Lendo -co-founded 2019 / Saudi Arabia shari'ah compliant Fintech startup that offers SMEs a platform to digitally pre-finance their outstanding invoices.	\$7.2M Series A fundraising	- Derayah Ventures, - Seedra, - Shorooq Partners, 500 Startups, and Impact46.
NOW Money Founded 2016 /UEA Utilises mobile banking technology to improve the lives of low-income migrant workers in the UAE, by allowing them to have current accounts and access to a range of low-cost remittance services, thereby providing financial inclusion for them.	\$7M Bridge investment	Anthemis Exponential Ventures, Knuru Capital, Wamda, Commercial Bank of Dubai, DIFC FinTech Fund, Accion Venture Lab, Greenhouse Capital, and Hambro Perks Oryx Fund
Hala Founded 2016/ Saudi Arabia Offers to merchants a package of a POS device, a Visa/Mada card, an IBAN, and a simple app that gives them instant visibility on their transactions.	\$6.5M Series A funding	- Impact 46 Growth Fund, - Wamda, - Strategic investors

Source: by researcher depending on <https://www.magnitt.com/news/mena-top-fintech-rounds-q1>.

Based on the table above the top 5 funded FinTech startups raised over \$28.3 M in venture funding from various institutions from Q1 2021. The investor landscape has changed drastically over the last few years, with 2020 already seeing more investors than any previous years. This means that Regional investors are increasingly becoming interested in the FinTech space.

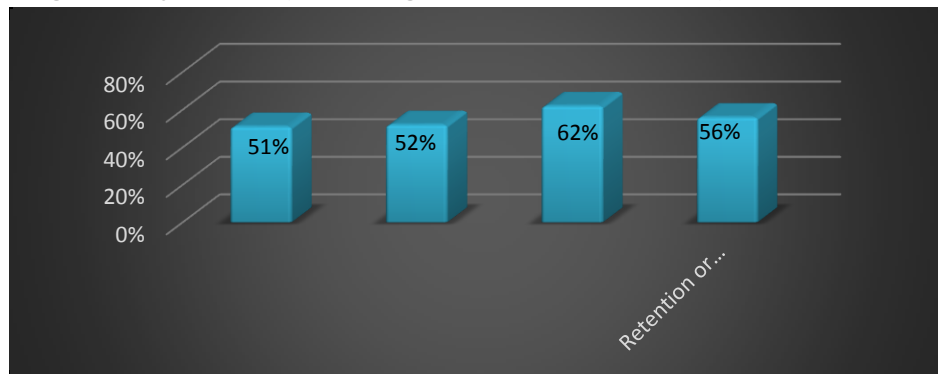
4.2.3. Performance indicators of fintech industry

According to the Global Covid-19 FinTech Market Rapid Assessment Study by initiative of the Cambridge Centre for Alternative Finance (CCAF), the World Bank Group and the World Economic Forum, on average, firms in all regions reported growth, firms in the MENA regions stood out as they reported a much higher year-on-year change (The world bank & CCAF, 2020). Figures below show three main performance indicators of fintech industry in Mena region after Covid 19 pandemic:

- Digital Payments,
- Digital Lending,
- Digital banking.

Firms reported markedly more positive growth compared to other regions in terms of transaction volume, number of new customers and the retention of existing customers.

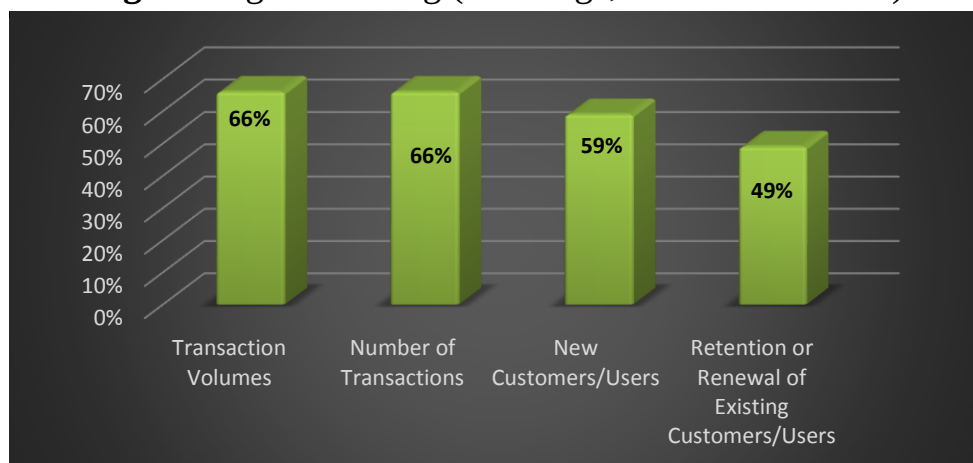
Fig.06: Digital Payments (% change, 2019 on-2020 H1)



Source: by researcher depending on Appendices 03.

Digital Payments firms, showed significantly positive growth compared to other regions, reporting a 62% increase in the number of new customers or users, along with a 52% and 51% increase in transaction volume and the number of transactions respectively. In addition, the increase in percentage of retention or renewal of Existing Customers/Users was 56%.

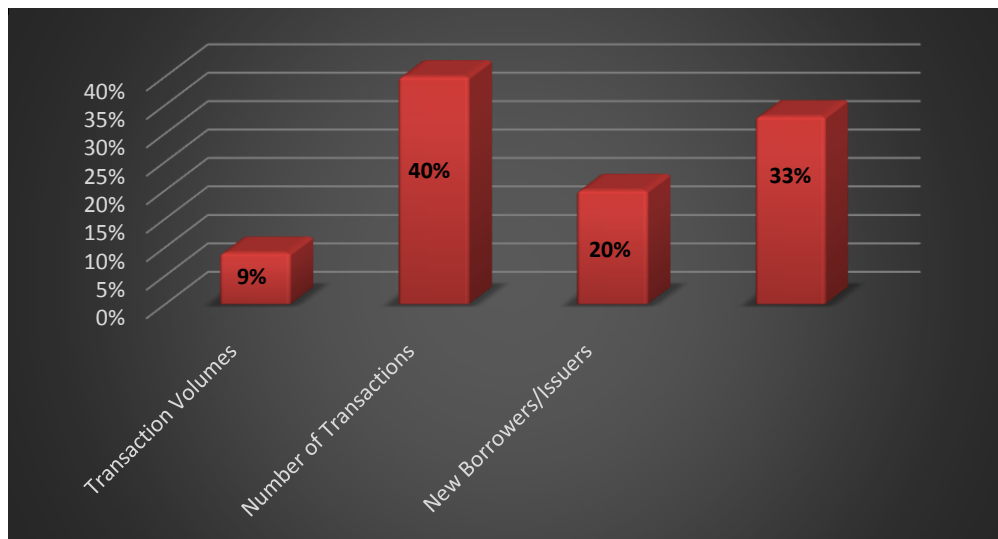
Fig.07: Digital banking (% change, 2019 on-2020 H1)



Source: by researcher depending on Appendice 03.

Digital banking firms, similar to digital payments showed significantly growth compared to other regions, reporting a 59% increase in the number of new customers or users, along with a 66% increase in transaction volume and the number of transactions. In addition, the increase in percentage of retention or renewal of Existing Customers/Users was 49%.

Fig.08: Digital lending (% change, 2019 on-2020 H1)



Source : by researcher depending on Appendices 03.

Furthermore, the growth exhibited by Digital Lending firms in MENA runs contrary to trends in other regions that saw a decline in lending activity for digital lenders. Digital lending in MENA reporting a 20%% increase in the number of new Borrowers/Issuers, along with a 9% and 40% increase in transaction volume and the number of transactions respectively. In addition, the increase in percentage of Repeat/Existing Borrowers/Issuers was 33%.

5. Discussion

The findings from this study provide that present situation has forced MENA businesses, consumers and financial intermediaries to shift focus on crafting a strategic response across the fintech and banking ecosystem. The pandemic has undeniably acted as a catalyst in enabling rapid adoption and use of FinTech platforms, as contactless offerings become the new norm.

The MENA region is a key part of the frontier markets continuing to show significant potential for future economic growth. This is aligning with a the burgeoning fintech invest in the region, and increasing early stage investments is testament to the types of solution ns being presented by entrepreneurs in the region and the investors' belief in their ability to reach their intended target markets (Bignell, 2021).

As well as The region has seen a surge of fintech startups over the last 5-10 years and this could have a major effect on the financial industry, and could even tip the balance of power in the global economy further towards the region. Since the spread of covid 19 across the world the banking institutions cutting staff and working from home, the traditional finance sector is in cost-cutting mode. This allows the fintech upstarts to creep up on the big names and take market share in the MENA region (The world bank & CCAF, 2020). The virus has cause many new users adapting to areas such as online banking due to the fear of being outside and this will only advance the downfall of bricks-and-mortar financial powerhouses and speed the

path towards digital providers.

The covid 19 pandemic has actually been an accelerator of technology and digital adoption in frontier markets. Digital payments have been growing in the likes of Africa, with millions now using telecoms platforms for payments. Egypt is emerging as a leading digital technology and e-payment platform, with 194k point-of-sale (POS) machines in the country (Bignell, 2021).

For Dubai and the UAE economy, the pandemic hit at a time when the country was moving its economy away from oil-focused investment and towards the hospitality and tourism sectors. These were the hardest-hit areas of the global fallout from the coronavirus.

The government of UAE has taken measures to provide local businesses and individuals with support from a total of four stimulus packages valued at 6.8 billion AED (\$1.85 billion) into the year-end. Dubai is emerging as a major financial hub for the MENA region and this was boosted by the government's early efforts to support the entry of western financial interests.

Despite the rapid expansion of FinTech in the MENA region, FinTech investments in the region still make up only 1% of global FinTech venture capital investment.

6. Conclusion

In this study the purpose was to analysis the MENA FinTech funding pre and post the Covid 19 pandemic, based on the data from reports , the environment of investments FinTech in MENA , the most important finding of the study are as following:

- In time of the pandemic , Firms in MENA reported markedly more positive growth compared to other regions in terms of transaction volume, number of new customers and the retention of existing customers in digital payments and banking, moreover, it reported increase in the digital lending inverse the trends in the other regions in the world.
- Apart from the steady growth of financial services digitalization volumes, the year of 2020 has been experiencing a fundamental customer behavior shift because of the increased preference for remote and contactless experience due to the Covid-19 and lockdown, so this last one was as accelerator of Fintech industry.
- International benchmarks and regional success stories in the tech space such as Careem and Souq have left investors with an appetite for MENA Fintech investments.
- The first half of the 2021 also marked the highest amount of Fintech funding raised within a period of six months in the MENA region reached a three-year high in rising by 163% year-on-year and also rose by 70% from the last quarter of 2020.

- The GCC predominate the Fintech funding in the Mena region , north African countries registered the weak investments in the area because of the state of their infrastructure, lack of capital, limited adoption, problems of regulation and lack of technological trust and awareness, that situation that not attract both investors local and international.

Based on the results above we recommend that the and coordination between countries will help the continuous of this booming in the FinTech industry in Mena region , where the GCC as UAE can share it experiences to the north African countries .

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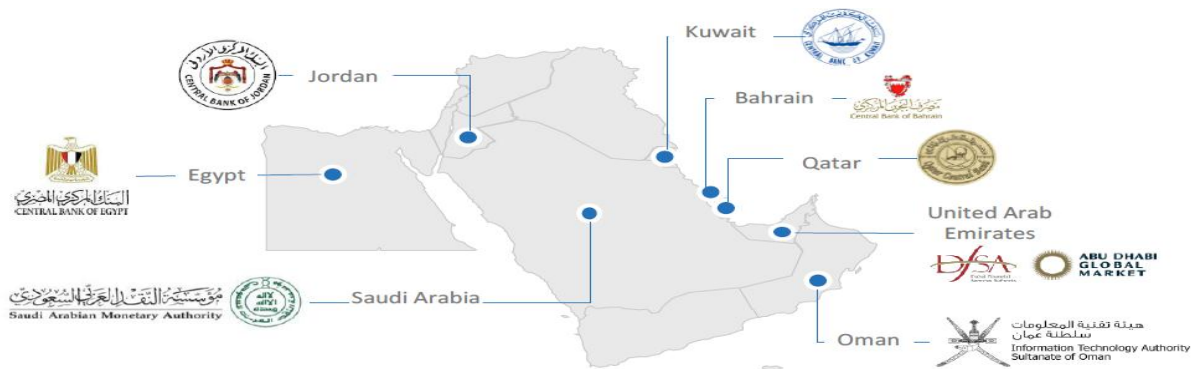
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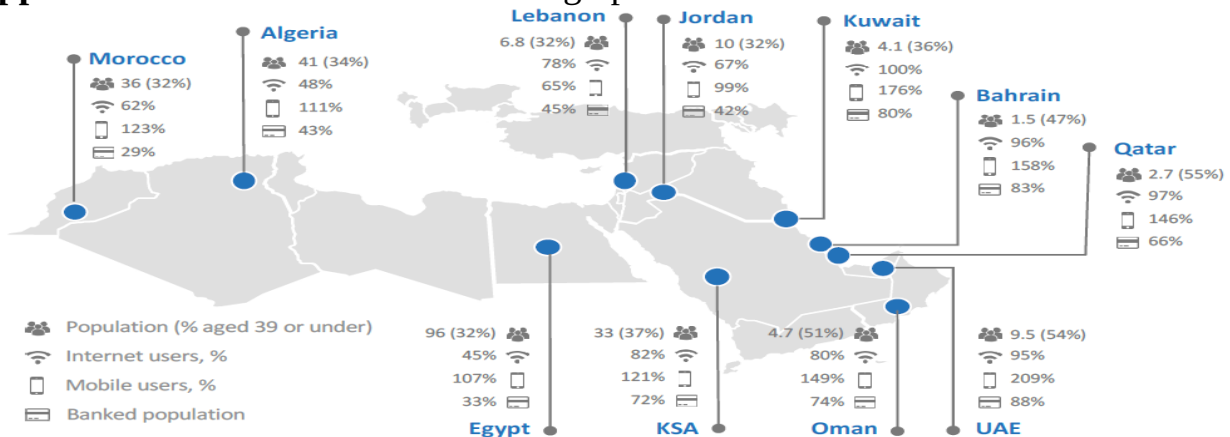
8. Appendices

Appendice.01 : Government Sandboxes & Regulatory Environments



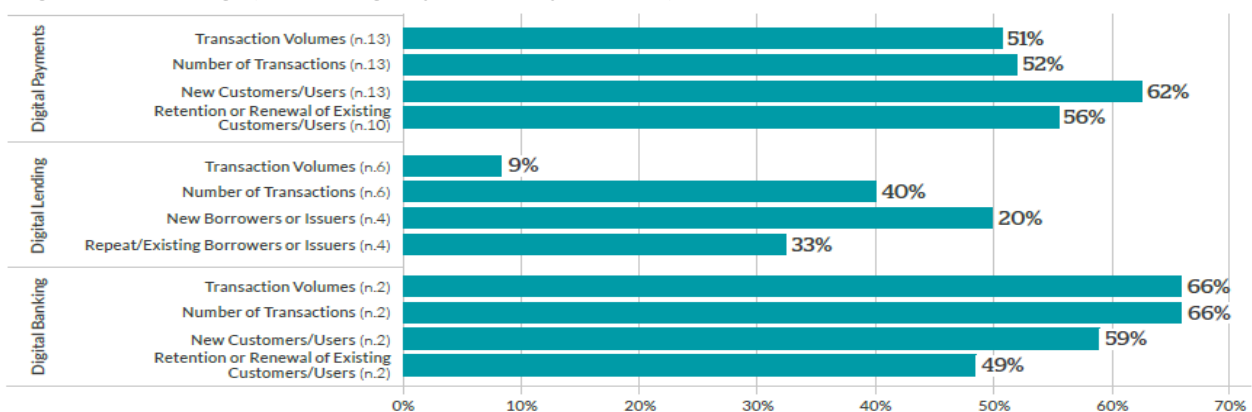
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Appendice.02 :MENA Macro & Demographic Factors



Source: Sweid , N., & Moftah , B. (April 2020). *Fintech in MENA An Overview 2020*. venture .global,p:23 available on: <https://globalventures.docsend.com/view/ic72ap73a82qnwtn>.

Appendice.03: Market Performance Indicators, Digital Payments, Digital Lending & Digital Banking (% change, year-on-year H1).



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