

Fintech landscape

Introduction

Fintech is short for financial technology. It refers to companies that mainly use technology to provide financial services to customers.

Fintech has been transforming how we manage, invest, and spend our money (and even what we consider money with the rise of cryptocurrencies).

This blend of finance and technology is redefining the financial industry, offering consumers and businesses more accessible and cost-effective services.

When fintech, the term, emerged a few decades ago, it typically referred to technologies enabling ATMs and the like, as well as other backend financial operations. But in the last decade, developments have been far more directed toward consumer-facing technologies and have found uses in retail shopping, education, fundraising, and community nonprofits.

You no longer need to visit a bank branch to apply for credit or wait in line to transfer money, people mostly do this from home now. As a World Bank report puts it, "Fintech is transforming the financial sector

landscape rapidly and is blurring the boundaries of both financial firms and the financial sector."

FinTech in Egypt

Between 2017 and 2022, the number of fintech companies in Egypt increased by 5.5 times, soaring from a mere 32 players five years ago to now 177. This rapidly expanding ecosystem is arising on the back of soaring demand for digital financial services and fintech-enabled solutions.

According to the report, the Egyptian fintech sector is growing at a fast-pace amid rapid adoption of digital financial services and increased demand for digital capabilities. Nearly nine in ten consumers in Egypt reported last year that they had used at least one emerging payment method over the prior 12-month period, a 2022 Mastercard survey found. These consumers included 35% who used tappable smartphone mobile wallets, 27% who used a digital money transfer app, and 24% who used QR codes.

Usage of digital banking is also on the rise with data from the Central Bank of Egypt revealing in December 2022 that 14.4 million people out of the country's 104.4 million population were Internet banking users, while 13.2 million were mobile banking users, implying a 10%+ penetration rate in both cases.

Findings of the industry survey found that Egypt's 177 fintech companies combined a total of 99.9 million registered individual and business customers. Of these 99.9 million, 55%, or 54.7 million are active customers.

About 90 of the Egyptian fintech companies polled said they generated a combined EGP 62 billion (US\$2 billion) in revenue last year. These companies processed 11 billion transactions for a total value of EGP 342 billion (US\$11 billion).

According to the CBE, 48.1 million Egyptians owned some form of a transaction account in H1 2024, including bank accounts, Egypt Post accounts, mobile wallets, and prepaid cards. This translates to a financial inclusion rate of 71% of all Egyptians eligible to open a transaction account. At least 64% of eligible women and 52% of eligible youth are financially included.

The government's focus on financial inclusion through digital channels is also encouraging a surge in mobile banking users and the rise of digital wallets. According to the CBE, there are at least 29 e-wallets in the Egyptian market, backed by 21 local banks, some through partnerships with NBFS players and the nation's four mobile network operators.

Key subsectors:

1. Payments and Remittance: The leading sector in Egypt, with prominent players like Fawry and Paymob establishing extensive networks for electronic transactions, mobile wallets and point-of-sale solutions. The Central Bank of Egypt (CBE) has also launched the Instant Payment Network (InstaPay), in the form of a mobile application facilitating immediate money transfers.

2. Buy-Now, Pay-Later: This sector has experienced significant growth in recent years, led by major players such as ValU and MNT-Halan.

3. Regtech: Tools like electronic identity verification and anti-money laundering (AML) systems are enhancing compliance and safeguarding the financial ecosystem. Multiple players exist such as Digified and Valify.

4. Wealthtech: Robo-advisors and investment platforms are democratizing wealth management and making investments more accessible. When operated by non-banking financial institutions, these platforms fall under the regulations of the Financial Regulatory Authority (FRA). We can find in this subsector Thndr, Dash and Bel Baqy.

5. Digital Banking: While digital wallets have seen remarkable growth, Egypt currently lacks fully established digital banks. However, the 2023 regulations issued by the CBE provide a framework for their creation.

Islamic FinTech

In this era of the digital economy, the emergence of Sharia-based financial technology (fintech) is a potential solution to develop the Sharia economy while responding to the challenges of the times.

Islamic fintech improves access to finance and aligns with Sharia principles such as transparency, fairness, and the avoidance of *riba* (interest) and *gharar* (excessive uncertainty).

With the application of advanced technologies such as blockchain, cloud computing, and crowdfunding, Islamic fintech offers more efficient, transparent, and secure solutions in the Islamic financial ecosystem.

This innovation also plays an important role in increasing financial inclusion for Muslim communities with difficulty accessing conventional financial services.

Islamic Fintech has continued to grow apace, with over 490 Islamic Fintechs globally, covering a wide range of customers and financial needs via several emerging technologies with a market size of USD 161 Bn in 2023/24, projected to grow to USD 306 Bn in 2028.

The industry continues to expand, with Saudi Arabia emerging as a leading market alongside Malaysia.

Islamic Fintech in Egypt

Egypt's Islamic fintech segment, while still emerging relative to the broader financial technology ecosystem, shows clear signs of growth. As of 2023/2024, there were 11 Islamic fintech companies operating in the country, forming a distinct subset of Egypt's total 177 fintech firms. The Islamic fintech market was estimated at approximately \$646 million USD, reflecting increasing interest in digital financial services that comply with Sharia principles such as avoiding riba (interest) and excessive uncertainty. Although Islamic fintech represents a small portion of the overall fintech field in Egypt, at 5%, it benefits from the wider digital finance momentum and the country's expanding fintech infrastructure. This data underlines that Egyptian Islamic fintech is gaining traction as part of the broader push toward digital, inclusive financial services.

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