The State of Financial Health Startups in the Middle East & North Africa

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About the Organizations

Village Capital
Village Capital runs the most active accelerator for financial health startups in the world, having managed more than 20 accelerators for impact-driven fintech startups in the United States, Latin America, Europe, South Asia, Sub-Saharan Africa and the MENA region. Village Capital is the winner of the 2019 Finovate Award for Best Fintech Accelerator/Incubator. To learn more, visit vilcap.com

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Silicon Badia is a venture capital firm that partners with passionate, bold entrepreneurs to solve some of the world’s biggest problems in unique ways. Silicon Badia partners with and learns from some of the smartest, most ambitious entrepreneurs in a diverse range of sectors globally. To learn more, visit siliconbadia.com

MetLife Foundation
MetLife Foundation believes that financial health belongs to everyone. They bring together bold solutions, deep financial expertise and meaningful grants to build financial health for people and communities that are underserved and aspire for more. To date, their financial health work has reached 9.9 million low-income individuals in 42 countries. To learn more about MetLife Foundation, visit metlife.org

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INTRODUCTION

Fintech is reshaping the financial landscape in the Middle East and North Africa, recently becoming the most-active sector for startup investment in the region.

While much of the media coverage around fintech startups has focused on digital payments and e-commerce, this report highlights fintech innovation that is improving financial health for the region’s most marginalized communities: tech that helps people manage their income and expenses, weather financial shocks and plan for a healthy financial future.

The need is real. MENA has the largest number of unbanked globally. Less than 1 in 5 adults in MENA hold bank accounts. Electronic payments are still nascent. 85% of all transactions are still cash based. Only 5% of banking opportunities cater to SMEs. There is a $260 billion lending gap in MENA. Each a problem searching for a founder to decipher.

The startups in this report are working at the intersection of fintech and impact: helping low-and-middle income people get their first bank account, find a loan to start a small business, improve their financial literacy, or build their nest egg for retirement.

The following pages are informed by Village Capital’s work in the Middle East and North Africa, including an accelerator we held in November 2019 in Amman, Jordan with MetLife Foundation. Since then, the coronavirus pandemic has slashed revenue from tourism, ravaged refugee communities and exacerbated inequality overall. There is a tremendous market and moral opportunity in the Middle East and North Africa to invest in technology to improve financial health – now more than ever.

Allie Burns
CEO
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Village Capital
The energy was palpable. It was just several months ago, in November 2019, under the banner of Village Capital and MetLife Foundation’s Finance Forward, that hundreds gathered together from across the Middle East and North Africa, huddled in the Arab Bank’s fintech hub to nurture 10 fintech startups tackling financial health.

Those startups, many still nascent, pre-seed and seed stage opportunities, came from Tunisia, Morocco, Egypt, Lebanon, Jordan, the United Arab Emirates, and the US. They were seeking financing, support, and guidance to address micro-lending, regtech, blockchain, digital identity, personal finance, factoring, and other pain points they are facing in the region.

There to greet those founders, to guide them, and to help them grow were accelerators, incubators, angel investors, VCs, and corporations from across the region as well. Be it impact, inclusion, or returns, be it generational or immediate, there was an incentive for anyone and everyone to work together. And why not. There was a fintech opportunity, hidden under a broader regional need.

MENA’s ecosystem is showing strong momentum, delivering a record 564 tech startup funding events in 2019 and dozens of new institutions investing in the region. Governments are taking note and beginning investing themselves into fund of funds and relevant reforms. Exits are being realized. A full-cycle ecosystem is being born.

The disruption of the financial sector is likely to have a profound impact on a reboot and rebound for the region. The region has a young population of digitally savvy consumers, and an increasing appetite for digital financial services. Fintech needs to lead the way. History consistently shows us that action in times of such disruption can be rewarding: for societies, for investors, and for founders and their teams. We are the call to action.

Emile Cubeisy,
Managing Partner,
Silicon Badia
FINANCIAL SERVICES FOR SOME, BUT NOT FOR ALL.

There are significant gaps in access to financial services in MENA, especially for underserved groups like women and rural communities.

VAST ECONOMIC INEQUALITY:
The region leads the world in economic inequality, as the top 10% of the population receives at least 60% of the region’s income.

ENORMOUS UNDERBANKED POPULATION:
86% of the adult population is underbanked, which means they face barriers to accessing financial services.

LOWEST RATE OF MSME LENDING IN THE WORLD:
Micro, small and medium-sized enterprises (MSMEs) account for 96% of registered companies and about half of employment in the region, yet only receive 7% of total bank lending — the lowest in the world.

REFUGEES LACK IDENTIFICATION:
The per-capita refugee populations of Jordan and Lebanon have become almost two to four times greater than any other country in the world. Refugees often lack identification and face barriers to accessing financial services.
FINTECH ON THE RISE IN MENA

RECORD LEVELS OF EARLY-STAGE INVESTMENT.

Startup funding in the MENA region reached $704 million in 2019, and the total volume of deals reached 564, a 31% increase over 2018 (excluding Careem and Souq.com).

INTEREST FROM OUTSIDE INVESTORS.

A big reason is that foreign investors are pouring money in. Some 25% of funding in 2019 came from outside the region, marking a record high.

The high-profile exits of e-commerce company Souq and car-sharing company Careem, showed the potential for unicorn-level returns in the region.

FINTECH IS ON THE RISE.

Fintech investment in MENA has steadily risen over the past five years. It’s now the most popular sector in the region, beating out headline-grabbing sectors like e-commerce.

- Fintech investment in MENA totals US$18 million.
- Fintech becomes the #1 industry by number of deals in the region with 44 total deals.
- A single investment surpasses total prior year investment - a $20M round raised by Saudi Arabia-based payment platform PayTabs.
- Fintech accounted for 13% of all deals, remaining the #1 industry by number of deals in the region.
Financial health startups are building on top of the payments infrastructure to serve a young and growing population

Whenever fintech arrives in a region, the first generation of technology centers around mobile payments technology. This was true in the MENA region, where 86% of the adult population did not have a bank account as of 2018. The ability to digitize payments has made it easier to pay rent, start a business or purchase goods in rural areas.

However, payments are just the first step. Countless financial health startups are building on top of the payments infrastructure to serve a young and growing population. Here are some of the other financial services that are being democratized.
Building Savings and Wealth:

Smart investing is key to a successful retirement, but most investment management firms in MENA have high fees, and only work with wealthy clients. Also, the barriers to entry for sources of investment income like real estate tend to be high.

Financial health startups are democratizing access to investment services and unlocking assets for people in the region.

Rumman (Palestine) is a personalized micro-saving investment app that rounds up daily spending to the nearest dollar (or local equivalent). Rumman also provides financial literacy content to advise users on the best ways to save and invest their money.5

SmartCrowd (UAE) is a digital real estate investment platform that aims to lower the barriers to entry for real estate investing by allowing individuals to access investments through fractional ownership (as little as $1300).6

Employment Tech:

Half of the population in MENA is under 25 years old, and the region is home to the highest rate of youth unemployment.7 As of 2017 an estimated 30% of young people were unemployed.8

Financial health startups are creating systems that support organizations and job seekers, making it easier for people to find employment and the stability needed to become financially healthier, and gain access to insurance and credit.

Kader (Jordan) is digitizing the recruitment landscape for high-turnover jobs in the hospitality and retail sectors. For employers, profiles are simple to set up, taking only one minute, and posting a job is as easy as writing a text message.9

Khtwteen (Egypt) is a non-traditional recruitment solution aiming to reorganize the labor market and empower job seekers to grow their income and have a better work-life balance through location-based jobs and part-time work.10 Khtwteen is launching a new service empowering companies to manage remote workers as a response to the Covid-19 crisis.
Digital Identification:

Some 86% of the adult population in MENA is underbanked, and a key reason for this is that many people are unable to provide basic identification, which prevents them from accessing formal financial services like a bank account. Many of the underbanked are migrants or refugees who arrive in their new home without any paperwork. As governments roll out stimulus plans in reaction to the Covid-19 pandemic, a lack of access to formal financial services will even further exclude vulnerable populations from financial support.

Financial health startups are creating tech-based solutions to create digital identities for individuals and displaced populations.

**HAWIYATI**

Hawiyyati (Jordan/US) is a digital identity that will allow mobile populations to record important information about their credit history and employment, facilitating their access to finance and employment both abroad and once they return to their home countries. In 2019, 1,425 Hawiyyati users accessed an average of $500 in credit from partner financial institutions. User repayment was equal to or better than that for participating financial institutions’ normal portfolios.¹¹

**Valify Solutions** (Egypt) offers service providers tools that enable them to digitally identify their customers, verify official documents remotely and extract information from valid data sources. Valify provides a variety of different services to its customers, including eKYC, facial recognition, liveness detection and optical character recognition.¹²

Gaining Financial Skills:

Skills like saving and budgeting are rarely taught in schools or homes in MENA. For instance, in Yemen the financial literacy rate is 13%, one of the lowest in the world.¹³

Financial health startups are offering new ways for people to learn about and manage their financial lives through mobile phones, including gamifying useful financial skills.

**Finllect** (UAE) is a money management application that gives users the ability to track and categorize their spending and build a budget. The service incentivizes users to make smart money choices through personalized rewards, and provides bite-sized videos, podcasts and articles designed for a young audience.¹⁴

**Merakido** (Egypt) is a personal wellness app that uses gamification to improve users’ financial, mental and physical well-being, focusing on building financial well-being for consumers.¹⁵
Access to Financial Services for Small Businesses:

In places like MENA with large informal economies, small and medium-sized businesses account for a large percentage of employment and economic activity. MSMEs account for 96% of registered companies and about half of employment in MENA, yet those businesses receive only 7% of total bank lending — the lowest in the world.

Financial health startups present a considerable opportunity to increase access to finance for these small businesses.

**Fawaterak** (Egypt) provides an invoicing system for small and medium-sized enterprises (SMEs) to collect money from their customers. The platform also tracks sales and customers’ data insights, which its users may leverage to improve cash flow.¹⁶

**Fundbot** (Lebanon) is a digital factoring solution that allows SMEs to access bank credit to fund working capital needs.¹⁷ A user can sign in through Fundbot, upload an invoice and after finalizing the KYC internally, the approval is granted and the user gets funded.

Alternative Lending:

New lending applications offer more equitable and transparent access to capital for growing companies. In the Middle East, tight regulations have led to a $360B credit gap for SMEs.¹⁸ MENA has seen slow innovation in alternative lending compared to other regions such as the US and Europe, but progress is being made. A lack of consumer trust in such platforms is one of the primary hurdles alternative lending platforms need to overcome for success.¹⁹

Financial health startups include:

**Ciwa** (Morocco) is a digital lending application that offers traceability to previously informal financial transactions. Ciwa allows for the creation of transaction histories that better qualify transactions, promote financial inclusion through the creation of credit scores for users, and secures the workflow and lifecycle of a tontine within a community.²⁰

**Solfeh** (Jordan) is a micro-lending platform that provides same-day emergency advancements to salaried employees. It offers its product to businesses and acts as a third-party, offering employees online access to nearly instant microloans up to $1,400 USD, and deducts the installment directly from their salaries in coordination with the employer.²¹
When Merakido’s Adham Abd El Salam conducted a survey of Egyptians, he found that 96% prioritized financial wellbeing and mental health. Merakido is an Egyptian-based gamified habit-building financial wellbeing application. The product is a game, similar to the Sims, with an underlying structure that helps the players develop habits that contribute to their overall financial health. Merakido targets companies, offering products that are of interest to firms that are trying to retain talent. The average user is between 25 and 40 years old.

In the long term, Merakido aims to add customized and tailored content and tools focusing on financial habits which would help university and high school students, and also those over 40 years of age as they plan investments for their families and retirement. The overarching goal of Merakido is to develop financial literacy and habits needed for long-term financial health.

CASE STUDY - Building Financial Wellbeing

In 2016, Egypt made waves by unpegging its currency, the Egyptian pound, from the US dollar. In two days, the Egyptian pound lost nearly 50% of its value.

The people who were most affected by the devaluation were the majority of Egyptians, who soon saw their purchasing power cut almost in half.
PART 2

RISE OF THE REST

Innovation needs to come from across the region

Look beyond Dubai, and you’ll see that every corner of the MENA region is teeming with financial health innovation. Investors need to cast their net beyond the highest profile “tech hubs”.

It’s true that the two biggest headline-grabbing investments in the region, Careem and Souq, are both based in the UAE. But according to Magnitt, 70% of investment in MENA went to other countries. Financial health technology will only reach its full potential if innovation comes from all corners of the region.

Each country has its own strengths and areas of expertise, and entrepreneurs that have unique lived experiences that inform the startups they are building. These countries are looking to become fintech hubs — putting themselves in competition with places like Abu Dhabi and Dubai. But they also tend to have populations that would benefit immensely from financial health startups.
Turkey is known as an e-commerce hub in the region, thanks in part to the nearly 50 million daily active internet users\(^\text{24}\) and 229 million debit and credit cards in the country.\(^\text{25}\) Widespread adoption of the internet and online banking among the country’s youth led to a 38% increase in credit card use online in 2018.\(^\text{26}\) Leading players in the space include Gitti Gidiyor (Ebay), Hepsiburada, Sahibinden and Trendyol.

"Turkey also hosts emerging new e-commerce models like Getir (instant delivery of goods in urban areas) or WorqCompany (blending digital and physical business services). Covid-19 accelerated the change in business dynamics and Turkish startups quickly adapted to the emerging digital and e-commerce needs of businesses (either digital or conventional). Strength in e-commerce will make Turkish businesses recover faster and use agile adoption capacity to scale further in the MENA region."
- Cem Baytok, Managing Partner, idacapital

In Turkey, Western and Arab competitors pale in competitiveness with startups built by Turkish entrepreneurs. Home-grown companies such as Yemeksepeti, Bitaksi, Sahibinden, Hepsiburada and Gitti Gidiyor dominate in comparison to foreign competitors such as Talabat, Uber, Craigslist or Amazon.

- Alicia Sornson, Manager, Programs and Partnerships – MENA, Village Capital

Egypt has the largest fintech scene on the African continent, with 88 startups securing investment in 2019.\(^\text{27}\) The government recently passed regulation that allows for digital sandboxes, which will be a key driver for financial health innovation.\(^\text{28}\) Egyptian e-payments startup Fawry recently became the first VC-backed Egyptian company to go public; Fawry has helped Egypt’s mostly unbanked population of 94 million people carry out a broad range of financial transactions on their mobile phones.

"Egypt is capitalising on the tech talent within the country by encouraging innovation through the Central Bank’s regulatory sandbox. This can help to backstop some of the risks associated with innovation. That kind of cross-stakeholder coordination is vital to increase rates of financial inclusion."
- Reda Maamari, Founder, Arab Financial Inclusion Innovation Prize
The Jordanian fintech scene has been bolstered by powerful supporters coming onto the scene. The Innovation Startups and Small and Medium Enterprises Fund (ISSF) launched in 2018 with $98M earmarked for the development of the entrepreneurial ecosystem in Jordan. Also in 2018, the Central Bank of Jordan launched a regulatory sandbox for fintechs in an effort to drive financial inclusion. This initiative comes after the Central Bank of Jordan pioneered the National Financial Inclusion Strategy (NFIS), focusing on fintech and financial inclusion for women and displaced people. Arab Bank also launched a $30M fund to invest in fintech alongside a state of the art innovation hub and accelerator program. In 2020, a consortium-led fintech incubator and ecosystem builder, FinTech Bay, was launched to continue the growth of Jordan as a fintech leader in the region.

The ISSF was established to help create a new economic reality in Jordan fueled by the creative and technical talents of its entrepreneurs. Fintech is a promising sector not only because it has the prudent and timely backing of the Central Bank of Jordan but also because the Jordanian financial legislative environment will provide entrepreneurs a structured haven to develop competitive, needed and exportable skills to serve the region.

- Laith Al-Qassem, CEO, ISSF

Jordan has been a key fintech innovator in the region related to payment wallets and digital loans for SMEs and individuals. Coronavirus conditions have exacerbated the need for fintech innovation for MENA’s majority unbanked populations and cash-based economies. I believe this particular urgency and demand may drive even more fintech innovation from countries outside the gulf.

- Tamer Al-Salah, Managing Director, Beyond Capital

Across the globe, incumbent financial institutions play a fundamental role in bolstering FinTech startup ecosystems. It is even more crucial for incumbents to collaborate with startups in a market that is as fragmented as the MENA. While incumbents provide trust and industry knowhow, startups are highly specialized and agile, and hence, faster to market. This creates a win-win opportunity. As Arab Bank Accelerator, we apply our own recipe to co-create, invest, and fintegrate with startups. We are an early adopter of startup solutions as well as an early stage investor, with a regional and global mandate.

- Hala Zahran, Management of Arab Bank Accelerator.
Despite considerable economic challenges in the country, Lebanon ranks #3 amongst the region’s most advanced fintech startup ecosystems and is home to 14% of the region’s fintech startups. Lebanon’s success is spurred by its highly educated and resilient populace, as well as a strong diaspora. The country boasts of one of the highest literacy rates in the region (around 75–88%) and also has high mobile penetration nationwide. Lebanon has produced successful fintechs such as Sarwa and PinPay. In 2019, StartechES FinHub launched - the first fintech hub in the country. The ecosystem is supported by local banks eager to collaborate, as well as accelerators such as Berytech, the UK Lebanon Tech Hub, speed@BDD, and Smart-ESA.

"Realizing the increasing need to introduce relevant regulatory, licensing, and digital transformation reforms to support an effective fintech sector and a meaningful collaboration with a progressive banking system in the country, the UK Lebanon Tech Hub nurtured and graduated top fintech start-ups with a global outlook over the last 5 years and facilitated a cross-pollination with UK partners through its international accelerator program. Some of our fintech start-ups include Bluering, InfoSysta, among other prominent ventures.

- Houssein El Sayed, UK Lebanon Tech Hub"

"Lebanon is home to a good number of the fintech ideas operating across the Arab world. To unleash the sector’s potential and continue to export its excellency in the region and beyond, Lebanon needs to put in place a clear and transparent pathway to fast-track financial innovation and experimentation, including an active dialogue with regulators, investors, and entrepreneur hubs.

- Nadine Chehade, Senior Financial Sector Specialist, CGAP"

Tunisia’s 2018 Startup Act is seen as a pioneering piece of regulation in the region. In addition to removing many regulatory roadblocks for financial health startups and other startups, the regulation is expected to boost youth employment and the international competitiveness of Tunisian startups. Tunisia is already a leader in financial inclusion, with roughly half of the population accessing financial services through the La Poste Tunisienne service. Tunisia’s entrepreneur ecosystem was rated first in Africa and sixth in MENA in 2019.

"More and more young educated Tunisians are engaging their efforts and creativity developing solutions to financial inclusion problems. All this energy will catalyze positive change. We are crafting a more diverse and resilient Tunisia.

- Walid Hached, Co-Founder, Afkar"
While investors and accelerators are key to the growth of any startup ecosystem, there’s another important player: government. Regulation can make or break a startup ecosystem. The regulatory landscape across MENA is complex, with a lot of variation between countries, creating challenges for entrepreneurs. For instance, roughly half of fintechs in the region have business models that involve selling directly to consumers (B2C), but they often find they must adapt to a business-to-business (B2B) model to comply with regulations.

Some countries have gained a head start by passing “startup acts” – legislation specifically designed to support startups, clarify regulatory barriers and provide a legal framework for entrepreneurship. Tunisia is a leader in this space. In 2018 the country passed the Tunisia Startup Act to incentivize entrepreneurship in the country. The legislation was praised as a “bottom up” bill that was designed alongside entrepreneurs. It included government support for entrepreneurs (ie a “startup grant” that covers living expenses for a year, and exemptions from corporate taxes), while also adding clarity to the definition of a startup.

Still, a startup act is only a first step in what needs to be an evolving conversation about technology and regulation. The Startup Act was helpful for Tunisian entrepreneurs generally, but left many open-ended questions for fintech startups specifically, especially companies working in the complex area of providing financial health for the underbanked.

One example is Kaoun. Kaoun is a startup in Tunisia that helps people get access to a bank account through eKYC technology that helps them prove their digital identity - a game changer for the hundreds of thousands of Tunisians who live in rural areas far away from bank branches. Like many digital identity startups, they initially found themselves running up against unclear anti-money laundering laws. After working with fintech entrepreneurs, Tunisia passed a bill called the Payment Establishment Circular, which provided a clearer framework for fintechs around digital identity.

Kaoun’s belief is that ongoing, open conversations between regulators, fintechs and financial health partners will ultimately improve opportunities for low income clients.
The “plug and play” model of exporting Silicon Valley models will not always work in a region where lived experience is key to startup success.

We hear it all the time: MENA could be the “next Silicon Valley”. Startups and investors alike look to Silicon Valley’s thriving startup ecosystem as a model for success, and welcome American and European tech companies that launch operations in places like Dubai and Abu Dhabi. But the most meaningful innovation in the region will not come from outside; it will be homegrown. Investors should take note.

Just look at Uber’s battle against Careem. In 2013 Uber launched an office in Dubai, and sought to compete with several homegrown rideshare startups, including Careem. However, Careem achieved market dominance in a way that Uber could not, through its intimate understanding of the market.

Although it may have taken a cue from Uber’s translation of car sharing into a disruptive innovation, the credit ends there. For example, Careem’s founders understood immediately that they were operating in a cash-dominant society and were nimble enough to incorporate cash payments early on. Uber took much longer to roll out that feature.
Similarly, the team’s knowledge of its local markets meant it prioritized innovative ways of route mapping to overcome the lack of accurate map coverage, street addresses or the rapid construction of new neighborhoods – giving it a jump over Uber. In 2019, Uber raised the flag and purchased Careem, giving the region an exciting exit and validating the idea that homegrown innovation is the best bet.

The lived experience argument is especially true in the financial health sector. Startups like Ciwa and Bankey are solving deep-seated problems that are unique to the region, and drawing on their own lived experience and the experience of their families, neighbors and communities to build culturally sensitive technology and market to a consumer segment that they know and understand – even if they don’t have Silicon Valley credentials.

LIVED EXPERIENCE ACROSS VILLAGE CAPITAL’S NETWORK

“We have seen, from our global work, that local problems require local solutions. At the early stage, lived experience is more about defining a problem that needs solving, and setting up operations that demonstrate a sociocultural alignment with the community.”

- Deepak Menon, Chief Programs Officer, Village Capital

**Siembro** (Argentina) creates agrocredits that break the barrier between farmers and the traditional financial institutions that farmers typically struggle to access. Siembro addresses a local pain point from a local perspective, and after success in Argentina is now scaling to Mexico.

**Piggyvest** (Nigeria) is the first online savings app in West Africa. It has created a solution tailored to the local market, allowing Nigerians to save in small increments, catering to the low-and-middle-income segments of society often excluded from traditional financial services.

**Oyo Rooms** (India) aggregates the fragmented budget hotel sector in India, providing a platform for hotels to offer their products, with a consistent ranking system and standards across all hotels on the platform.
The MENA region is home to cultural practices that have existed for centuries, distinct among them being sharia compliance, and tontines. The latter are an ancient practice that predate modern financial institutions, whereby a group of individuals contribute equally to a collection of cash that is distributed to a different individual each month. This practice is prevalent in some other regions of the world, but minor distinctions make MENA tontines unique. To illustrate, models in central and southern Africa involve more complex schemes that can include interest and bidding, which are not seen in MENA for religious reasons. It is difficult to quantify the scope of tontine use in MENA. However, 80% of the population reports not having access to formal savings, and a majority have used informal savings practices instead.

Ciwa is a Morocco-based digital solution for securing and managing tontines, rotative savings and credit communities. More than half of the users on the platform are women, who both informally and formally run tontines. Ciwa co-founder Eric Aswar explains, “Baseline assumption on savings circles is that they are a substitute for more formal, modern financial practices. They are a step above keeping money under the mattress, and there is actually a lot more going on than simply an imperfect practice for managing money.”

Savings circles contain an important social component, and the meeting of a circle is a social gathering. In rural communities, it is one of the few common gatherings in which women participate. In the workplace, these circles again act as a form of social glue among colleagues. These circles also serve a religious purpose, with extremely-high-net-worth individuals commonly organizing savings circles in lieu of non-halal savings accounts accumulating interest. In this way, tontines provide opportunities to remain sharia compliant while also contributing to the local populace.

Ciwa founders cite the primary challenge of their product as transitioning trust from a network to their platform. In France, platforms such as Bla Bla Car, where consumers put their trust in the platform to provide safe car sharing, are popular. In Morocco, car sharing within one’s social network is much more popular. Consumers in MENA typically trust personal connections, even distant ones, over a third-party platform. In order to accommodate, Ciwa has focused on fostering trust in the platform and its users. To do this, it looks for those already organizing savings circles to do so on the application. Once Ciwa has found trusted leaders to serve as platform administrators, it is much easier to gain the trust of current and potential users.

Ciwa aims to compete against fintechs coming in from outside MENA. The founders draw a competitive edge from their deep understanding of local individual and corporate culture, as well as partnerships with local companies, NGOs, telecoms providers and financial institutions. The team has also spent significant time understanding local user behavior and successfully advocating for legislation on crowdfunding in Morocco. Use of Ciwa’s product provides users with a credit score, a critically important key to access financial services and a huge source of exclusion in the region. Similar to the way Jamalon beat out Amazon in the region by meeting an overlooked demand, Ciwa’s inclusion of a credit-scoring mechanism with use of their savings product provides what fintech giants eyeing the region from outside do not — true financial inclusion.
After a turbulent 2019 in Lebanon, dollars have been hard to come by. Since 1975, the Lebanese pound has been pegged to the dollar. Businesses and consumers that buy certain products (such as gasoline) in dollars have been severely impacted in 2019 and into 2020. Watching the country’s recent political, economic and health crises intensify, Moataz Alobaid knew he had a solution to the problem of finding dollars.

Bankey is a secure mobile money platform that extends financial services to refugees, migrants and other unbanked people by connecting them to a network of banked individuals and businesses known as “keys”. Co-founder Moataz is a key himself, helping unbanked family members and using Bankey outside of the US to cover important remittances. The idea for the company started as a solution for the unbanked in rural areas, where people are very connected and trust each other more than in cities. Bankey’s solution today focuses on connecting diasporas, the unbanked and small businesses for better use of remittance money. People are already using corner stores, barber shops and other trusted locals to access cash when needed.

Moataz’s own personal story underlies his passion for Bankey. Growing up in a family of eight in rural Lebanon, Moataz was entirely cash dependent until he moved to Turkey to attend university. Now as a Lebanese diaspora, Moataz has difficulty sending money home as no one has a bank account. However, everyone has a smartphone. Cash exchange is already happening informally throughout MENA. Bankey’s thesis is that banked people can extend banking services for those who are not, evolving from the way in which Moataz’s own family dealt with being unbanked.

In a manner similar to Ciwa, Bankey plays the role of the improbable victor against more traditional fintech companies by using technology to build upon an already concrete cultural practice. Bankey has a competitive edge over startups outside the MENA region in that the platform cross-border connects unbanked people with a community of individuals or businesses by converting their paper cash to digital cash. Beyond a remittance platform, Bankey provides a mechanism for the unbanked to securely store cash, establish a financial footprint and build a bridge towards a formal banking relationship. This evokes a sentiment of inclusion within the community and empowers the economy of Lebanon, as it relies significantly on remittances.
FINANCE FORWARD
MENA 2020

Village Capital and MetLife Foundation are launching an investment readiness program for MENA and Turkey-based startups that are using tech to help low-income individuals and families manage their day-to-day finances, and build short- and long-term savings and wealth. The accelerator is a collaboration between Village Capital, MetLife Foundation and PayPal. We are encouraging applications from entrepreneurs building high-growth, scalable solutions focused on the following regional challenges:

Gender inequality. The World Bank reports that 1.2 billion adults have secured a bank account since 2011. While there has been considerable improvement in global financial inclusion, this progress has not developed in all regions and sections of society proportionally. Of the 380 million people living in the MENA region, 52% of men and only 35% of women have an account with a financial institution or mobile money provider, resulting in the region having the world’s largest gender gap and some of its largest unbanked populations. Women’s labor force participation in the region is also the lowest in the world, negatively affecting their economic security.

Youth Unemployment. Some 60% of the population in MENA is under 30 years old, and the region suffers from the highest rate of youth unemployment in the world, meaning that by 2025, an additional 20 million jobs need to be created to stabilize youth unemployment. A lack of stable income-generating opportunities also make it difficult to build financial health, buy or rent a home, save and build wealth — all of which are key enablers of economic mobility.

Access to finance for MSMEs. MSMEs account for 96% of registered companies and about half of employment in the region, yet only receive 7% of total bank lending — the lowest in the world. An International Monetary Fund report shows that there is considerable opportunity to increase SME access to finance in the region, and doing so will result in greater financial inclusion.

Digital Identity. Displacement patterns in the MENA region have become increasingly complex, with many populations having been uprooted and displaced over multiple borders. The per-capita refugee populations of Jordan and Lebanon have become almost two to four times greater than any other country in the world. In Lebanon, one out of every six people is a refugee, and in Jordan refugees make up one of every fourteen persons. Many people throughout the region are living without the basic identification needed for access to fundamental services.

The Covid-19 pandemic will have an unprecedented effect on the financial health of many in MENA, with low-income groups and small businesses heavily impacted. Applications for Finance Forward MENA 2020 are open to companies developing relevant products in response to the crisis. Entrepreneurs will benefit from Village Capital’s award-winning curriculum, intensive feedback from their peers, and connections and one-on-one mentorship with potential customers, investors, industry experts and MetLife employees. Village Capital will cover the costs associated with travel, and two participating startups will be selected by their peers to each receive a MetLife Foundation Social Entrepreneurship Grant.

APPLY NOW
ENDNOTES

1 https://www.entrepreneur.com/article/304579
4 https://www.entrepreneur.com/article/299313
5 http://www.rumman.co/
6 https://www.smartcrowd.ae/
7 https://www.unicef.org/mena/media/4141/file
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45 https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS?locations=ZQ
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