McKinsey & Company

Financial Services Practice

MENA fintech's ascent: Growth, investment, and the path forward

Unicorns emerge and consolidation looms for fintech in the Middle East and North Africa. Twenty fintech leaders offer insights into how they are navigating the challenges and shaping the future.

by Sheinal Jayantilal
with Jonathan Chan and Sagar Shah

May 2025

The fintech market in the Middle East and North Africa (MENA) continues to grow and evolve. Over the last few years, the number of fintech companies has risen to more than 1,000.[1] Four unicorns have emerged, many more are in the pipeline, and capital has continued to flow into the market, with $1.9 billion invested in 237 deals during 2023 and 2024.[2] Going forward, we expect MENA to be the fastest-growing region globally, with 35 percent annual growth in fintech net revenue until 2028, compared with a global average of 15 percent. This is primarily because the fintech share of banking sector revenues in the Gulf Cooperation Council (GCC) has room to grow, representing only 1 to 2 percent,[3] compared with 3 to 5 percent in the United States[4] and the United Kingdom.[5]

To understand the dynamics of the rapidly growing fintech sector in MENA, we met recently with more than 20 founders, CEOs, and investors from some of the region's leading companies. Our discussions focused on the factors fueling this rapid growth and the strategic approaches they are adopting to navigate the evolving financial services landscape. The companies span a broad range of fintech services, including lending, mortgages, wealth management, payments, digital banking, and buy now, pay later. Following are highlights of those discussions.

Rapid growth and strong economics

The fintech leaders we spoke with have experienced tremendous revenue growth. They all reported impressive growth over the last two years—from two to eight times, with some companies quadrupling revenue just last year.

Profitability metrics among the fintechs also are encouraging. More than a third of leaders say their companies are already profitable, while others are aiming for profitability within the next two to three years.

Leaders of profitable fintechs assert that they are very satisfied with their unit economics and are directing their strategic focus to other areas. At unprofitable fintechs, respondents rate their performance on unit economics as five on a ten-point scale (with ten being the highest) and are focused on improving it, particularly through better engagement and cross-selling within their customer base. Profitable MENA fintechs typically took three to seven years to break even, largely depending on their marketing expenditures, which are key to balancing growth and profitability.

Fintech companies globally grapple with the balance of growth and profitability, as noted in previous publications, including our recent Africa fintech report. As in other regions, the MENA fintech leaders said their attitudes to that balance shifted in 2022 as market valuations adjusted downward. Before 2022, companies focused on growth and spent heavily on marketing. After 2022, they placed a much stronger emphasis on unit economics to balance growth with a path to profitability. Achieving this balance is not always straightforward; in some cases, fintechs made decisions that decreased short-term revenue and profits to improve their products' market fit and strengthen their brand to foster mid-to-long-term growth.

MENA investors also highlight the importance of fintechs balancing profitability and growth, and they are evenly divided on which is more important. Generally, investors agree that growth is crucial during the earlier stages, specifically Series A through C, citing a year-on-year revenue growth rate of 100 percent as the minimum requirement for investing during these phases.

Given the strong growth in the region, fintech leaders expect four to five new unicorns in the next three years. Investors are slightly less optimistic, predicting two to three. However, they describe fintech investment as remaining attractive

[1] MAGNiTT; "Fintech surges in MENA though talent and capital gaps persist," *Fintech News Middle East,* February 26, 2024.
[2] MAGNiTT.
[3] "Fintech in MENAP: A solid foundation for growth," McKinsey, May 24, 2023.
[4] Max Floetotto, "Fintechs are an economic and social success: Here are 4 ways to keep up the momentum," World Economic Forum, November 6, 2024.
[5] £12.8 billion for the UK fintech sector's contribution to the economy in 2023; The financial and insurance services sector contributed £208.2 billion to the UK economy in 2023.

compared with start-ups in other sectors and expect that one of every two unicorns emerging in the coming years will be a fintech.

Fintechs' goals and challenges

In their pursuit of growth and profitability, MENA fintechs encountered and overcame many substantial challenges.

Effectively acquiring and retaining customers

Fintechs that have been in the market for several years are finding it easier to attract and retain customers. Founders and CEOs of profitable fintechs mention that this is evident in two key metrics: the costs of customer acquisition and retention. Improvements in these have, in turn, led to strong performance in the lifetime value of customer acquisition.

Improved acquisition and retention were evident in services ranging from simple products such as payments to more complex ones like mortgages. Founders and CEOs attribute the improvements to three main causes: improved brand recognition and customer trust established over time, customer engagement driven by ecosystems and marketplaces for the fintech's products, and services with a higher perceived cost of switching, such as wealth management. These factors have allowed some companies to efficiently amass more than ten million customers, rivaling the leading banks in the region.

Unprofitable fintechs are focused on improving their customer acquisition and retention. Acquisition is typically easier to enhance with investment: Aggressive marketing, distribution partnerships, and other devices can attract potential customers to the top of the sales funnel. Retention, however, is more difficult and requires a good product–market fit. Some founders and CEOs acknowledge that they are still developing their product in search of a stronger fit.

Building strong leadership and talent pools

Although the availability of strong talent has historically posed a challenge for fintech companies, the situation in MENA is improving. Most founders and CEOs describe themselves as very satisfied with their current organization, operating model, and top management talent, and they do not perceive a short-term need for improvement.

Interviewees generally describe themselves as satisfied with their technology talent but indicate that there is room for improvement. They rate themselves 7.5 on a ten-point scale for tech talent, and cite product owners as the most difficult role to fill. Outside of technology, the most challenging positions to fill are those in risk and compliance.

Navigating expansion goals and hurdles

Although fintechs have different customer propositions and business models, their leaders uniformly say their greatest challenges are product and geographic expansion, citing the difficulties of simultaneously executing and maintaining profitability.

For 80 percent of MENA fintechs, the primary objective over the next three to five years is product expansion. However, that requires new capabilities and partnerships and increases operational complexity. Additionally, expanding into new categories often entails regulatory hurdles, especially when fintechs push boundaries, such as when they introduce new asset classes to retail customers.

Geographical expansion is a lower priority for most, due to the regulatory hurdles associated with establishing operations in another country, even within the GCC. Outside the GCC—for instance, in Egypt and Pakistan—companies also face the complexity of managing different cultural and commercial dynamics. Some players have already established a presence in several countries; those planning further geographical expansion typically have a clear cross-border proposition.

To reduce the challenges of product and geographic expansion, fintech companies and investors stress the necessity for improved regulatory harmonization and clarity within and among regional markets.

Anticipating more intense competition

None of the fintech leaders we spoke with identify incumbent banks as their primary competitors because of their distinct customer propositions. Instead, they identify other fintechs—particularly those that can rapidly update their product offerings and pricing—as their main competitors. Respondents report that the space is already crowded, with over 1,000 in the region, and they expect competition to intensify as international players arrive. Several have already entered the market, particularly in brokerage and payments, with more on the horizon.

While MENA fintechs' near-term competition is with each other, they inevitably will compete with banks as they expand their services and banks expand their digital and fintech offerings. As competition intensifies, fintechs will benefit from defining and implementing strategies to outperform peers and incumbents.

Strategies for a competitive edge

Our interviewees highlight the positive momentum in the sector, including revenue growth, improved customer acquisition, stronger talent pools, and start-ups becoming profitable. They also describe the challenges, such as product and geographic expansion and intensifying competition. Overcoming these challenges will be crucial for improving fintechs' revenues, profitability, and valuations. To do so, they can take two key actions—one to achieve profitability and the other to accelerate growth.

Reaching profitability through operational efficiency and AI

Two-thirds of the leaders we spoke with describe their companies as not yet profitable. Capital investment in fintechs in the region slowed from $1,276 million in 2023 to $654 million in 2024,[6] partly because investors are leery of geopolitical uncertainty. To invest in growth requires capital, so the tightening investment market makes it harder for fintechs to achieve profitability by acquiring more customers. Fintechs may achieve profitability more easily by improving efficiency.

AI and gen AI can make fintechs more efficient. However, the leaders we interviewed have yet to realize the benefits of these tools, rating their adoption as five on a ten-point scale. Founders and CEOs acknowledge the opportunities inherent in AI, but they have not deployed it effectively because they have been focused on more traditional ways to generate growth.

Globally, fintech leaders have experienced significant benefits from AI, such as streamlining call center operations and accelerating the delivery of technology; MENA fintechs can learn from them. Gen AI code development tools may help fill some of the technology talent gaps that founders and CEOs are concerned about. Additionally, gen AI tools can support risk and compliance teams—another area where fintechs find it difficult to hire. Finally, AI can boost revenue by, for example, identifying opportunities for upselling and cross-selling, a priority for fintechs that are not yet profitable.

Leveraging partnerships and acquisitions to accelerate growth

As competition intensifies, fintechs and incumbents in MENA need to decide whether to compete, partner, acquire, or be acquired.

One option is for fintech companies and traditional banks to form partnerships. Although few such partnerships have been formed in the region to date, strategic alliances can deliver significant value for both parties: traditional banks provide capital and distribution that fintechs would benefit from, while fintechs can offer new products and services that banks may be slow to develop themselves.

Incumbents and larger fintechs with sufficient balance sheets or share capital may find opportunities to acquire fintechs that have

---

[6] MAGNiTT.

the right strategic or product fit or possess attractive technology and talent. There may be substantial opportunities for M&A in the coming years, given the availability of capital and the large number of fintechs in the region relative to its size. The leaders we interviewed agree that significant M&A opportunities lie on the horizon.

The future of fintech in MENA is promising, considering the recent performance of leading players. These fintechs have become profitable, boast strong unit economics and impressive customer acquisition and retention rates, and have built sizable customer bases. Their growth and profitability may accelerate as they expand into additional products and leverage their customer bases. Emerging technologies such as AI and open banking also could enhance their growth. As fintechs evolve and mature, they will continue to shape the regional financial services landscape. The future of the industry is sure to be exciting.

Sheinal Jayantilal is a partner in McKinsey's Dubai office, where **Jonathan Chan** and **Sagar Shah** are associate partners.