MIDDLE EAST BANKS EMBRACE OPEN FINANCE, AI AND MICROSERVICES FOR CUSTOMER-CENTRIC TRANSFORMATION

by **Rajesh Saxena**

The region is embracing Open Finance and open banking, with a focus on collaboration, regulation, and technological advancements. As part of these developments, digital payments are witnessing rapid growth, with mobile wallets, contactless cards, and QR code-based payments becoming increasingly prevalent–especially in the UAE and Saudi Arabia, where initiatives to reduce cash dependence and promote digital payments have been implemented.

Digital lending has also emerged as a significant trend, providing convenient and quick access to loans for individuals and businesses. By leveraging digital platforms, banks can enable self-onboarding for customers, streamline documentation processes, and offer personalised lending solutions, thereby improving the speed, accuracy, and efficiency of the process. Meanwhile, blockchain technology is revolutionising the Middle East banking sector by enhancing security and efficiency in financial transactions.

However, banks have traditionally been product-centric, making it challenging to provide personalised services to customers. This approach has made large-scale transformations within banks time-consuming, expensive, and risky – not least because the back-end systems and products are all embedded into a monolithic architecture, making it difficult for the bank to be agile and offer services that address the complete needs of the customer.

One of the biggest challenges for banks in the region is keeping pace with rapidly changing customer needs. Today's diverse population in the Middle East demands a banking experience on par with other developed nations.

This means complete visibility and control of their portfolio in real-time, as well as an experience that is seamlessly embedded into their day-to-day lives.

The lifespan of technology platforms used by banks in the region is significantly reduced, with many becoming obsolete within as little as five years of implementation. The need for continuous transformation is not something traditional banking infrastructures are adept at, meaning that banks risk losing market share to emerging fintechs if they do not pivot their business models.

With this in mind, I see a rise in the use of events-driven platforms that leverage MACH (microservices, APIs, cloud, headless, and AI) architecture and the latest in AI technology to expedite this technology evolution. In doing so banking clients in the region can enable new-age banking experiences like digital onboarding, digital lending, BNPL, loyalty programs, family banking, and ESG to attract and retain customers.

Microservices, APIs and event-driven architecture

Microservices and APIs are enabling banks in the Middle East and beyond to create products and services faster by leveraging pre-built components and facilitating collaboration with fintechs and other third parties. In combination, these can enable financial institutions to achieve greater agility, scalability, and interoperability in their systems.

On the other hand, event-driven architecture (EDA) and cloud-based infrastructure play pivotal roles in enhancing the scalability and flexibility of banking technology solutions, especially in the face of dynamic customer demands and regulatory shifts. This reaffirms modular application design for scale and resilience in an enterprise ecosystem. When one service generates an event, others can consume it at will or react to it independently. This decoupling allows for easier scaling of individual components without any loss of fidelity.

Trends and outlook

AI and data analytics are poised to revolutionise the future of fintech in the Middle East and Africa (MEA). PwC predicts that the Middle East will amass 2% of the global benefits of AI by 2030, which is around $320 billion. But what does this look like in practice?

We believe AI-driven chatbots and virtual assistants will enhance customer interactions by providing 24/7 support, answering queries, assisting with transactions, and providing personalised recommendations based on data analytics. Meanwhile, AI algorithms will analyse vast amounts of data to assess credit risk, detect anomalies, and prevent AML fraud.

In the Middle East and Africa, where financial inclusion is crucial, it could also help to instantly assess creditworthiness and enable the provision of timely loans for underserved populations and customer segments.

When asked about the trends in the adoption and utilisation of cloud-native and AI-driven financial technology solutions by banks and financial institutions in the Middle East and Africa, AI has hundreds of applications in banking, from process optimisation to regulatory aspects, fraud detection, underwriting, credit evaluation, and more. Modern platforms come in-built with an array of embedded AI journeys to improve efficiency and accuracy in banking.

While the benefits are vast and varied, he stressed that Middle East and Africa-based institutions would have to ensure that the usage is compliant with regulatory guidelines, maintain fairness and transparency in customer interactions (for instance, loan approvals, pricing, etc.), and implement responsible AI and traceability applications.