

# UAE institutions bank on innovation for success

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In a recent survey by UBF — with a sample size of 1,530 — 85 per cent are aware of mWallet. Almost 73 per cent are confident in banks' contribution to the UAE's economic development. However, the key challenges are educating customers and setting the right expectations upfront, offering investors better returns and helping them grow their wealth.

Suvo Sarkar, senior executive vice-president and group head — retail banking and wealth management, Emirates NBD, said: "With high levels of Internet penetration, smartphone usage and a growing millennial population, the UAE's banking customers increasingly expect their bank to be 'on' 24x7 and accessible to them at the tip of their fingers."

Sarkar acknowledged that while the UAE retail banking market has seen varying levels of stress on market liquidity, SME business and on retail credit over the last two years, the sector has proved to be

resilient. "With liquidity pressures easing, improvement in loan provisions, rising interest rates and a favourable macro-economic outlook, the UAE retail banking is poised to have a good year ahead. The build-up to Expo 2020 has begun, which will provide fillip to the economy through increased activity and influx of working professionals," he said.

With around 92 per cent Internet penetration and a large user base of smartphones, UAE banks are a hotbed for innovation and disruption.

"Blockchain technology, Emirates Digital Wallet, cyber security, mobile apps, fintech solutions, data analytics, artificial intelligence [robotics], etc., are some of the key initiatives being embraced by banks. The Central Bank of the UAE has been very proactive in issuing guidelines and regulations for banks. These initiatives will improve efficiencies of the banking sector," said Krishnan Ramachandran, CEO, Barjeel Geojit.

"Prospects for the UAE banking sector look promising for 2018. There is a visible change in the per-



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**Shailesh Dash**, founder of Al Masah Capital

formance indicators of banks, viz operating revenues, improved cost-income ratios and profitability of leading UAE banks," he said.

He said the investment impetus for 2020 has begun. This will take more concrete shape in 2018, which will have a positive impact on the banking sector.

The UBF survey also points out that the surge in non-banking market participants is creating healthy

competition for banks. Ramachandran said some of the non-banking participants that compete include exchange houses, finance companies, investment banks and private banking companies while there are good competencies within banks in the retail and corporate financing side of the business.

"They face tough competition from exchange houses [remittances] and private banks [wealth man-

agement], however this gap is being addressed by some banks and are scaling up their capability."

In terms of asset size, Al Masah Capital founder Shailesh Dash said the UAE remains the largest banking industry in the region with assets of \$710.8 billion as of 2016, up from \$453.4 billion in 2011, a CAGR of 9.4 per cent.

"As a result, the UAE's market share as a percentage of GCC's total assets increased from 31.4 per cent in 2011 to 33.6 per cent in 2016. The financial soundness of the UAE's banking sector is largely due to the effectiveness of the regulatory framework implemented by the Central Bank of the UAE."

He said the central bank also recognises that the development of fintech that will play an important role in shaping the future of the financial services industry in the UAE. It is in the process of finalising two new regulations in this area, specifically dealing with digital payments and crowd funding.

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