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An overview of FinTech Industry In KSA

By

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Supervisor:

Assist. Dr. Edib Smolo

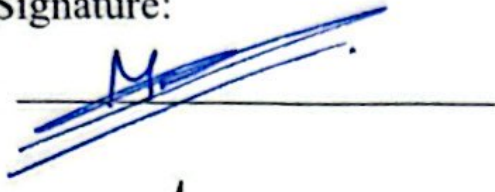
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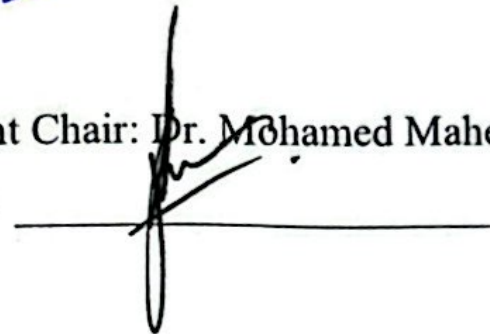
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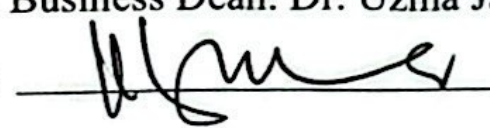
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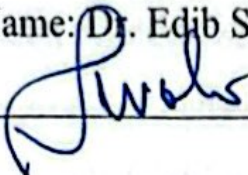
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We hereby grant the approval of this dissertation report. The student has compiled the dissertation work as per the requirements of the University.

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1.1 Acknowledgements

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1.2 Abstract

Payment's innovation is recognized as a primary frontier of fintech innovation in nascent fintech ecosystems, and Saudi Arabia is likely following this trend. The Kingdom's young, tech-savvy population presents a significant opportunity for rapid development in the fintech sector, particularly in payments and other fintech services. This trend is aligned with global movements where technology initially focused on payments is expanding to include a broader range of financial services.

A notable aspect of the fintech ecosystem in Saudi Arabia is the emphasis on collaboration. The high-cost structure of traditional banks makes small transactions less cost-effective, paving the way for collaborations between established banks and emerging fintech companies. This synergy is seen as a win-win situation, allowing banks to target previously unexplored market segments and fintech companies to fill existing gaps in the financial services sector.

1.3 Introduction

What is the Overview of Fintech Industry in KSA? This is the research question of the whole research. The Kingdom of Saudi Arabia (KSA) is experiencing significant growth and transformation in its financial sector due to the rapid development and adoption of financial technology, also known as FinTech. FinTech refers to the innovative use of technology in financial services, encompassing a wide range of applications such as digital payments, peer-to-peer lending, crowdfunding, robo-advisory services, and blockchain-based solutions (FinTechSaudia, 2021). This emerging industry is reshaping the financial landscape in KSA, offering numerous opportunities for financial institutions, startups, and consumers alike. The search will cover the definition, regulations, the fintech companies registered in SAMA, examples, key areas, describe the operations and products and more about its different fields (SAMA, 2023).

In recent years, KSA has witnessed a surge in FinTech initiatives driven by government support, regulatory reforms, and a growing entrepreneurial ecosystem. The Saudi Arabian Monetary Authority (SAMA), the central bank of the country, has been at the forefront of creating an enabling environment for FinTech innovation (SAMA, 2023). SAMA has introduced various initiatives, including the establishment of a regulatory sandbox, to facilitate experimentation and promote the development of FinTech solutions.

One of the key areas of focus for the FinTech industry in KSA is digital payments. With a high smartphone penetration rate and a young and tech-savvy population, there is a growing demand for convenient and secure digital payment solutions (FinTechSaudia, 2021). Several homegrown FinTech companies in KSA have emerged, offering mobile wallets, contactless payment options, and innovative payment platforms. Furthermore, the lending and crowdfunding sectors are also experiencing significant growth in KSA. Peer-to-peer lending platforms are providing alternative financing options to individuals and small businesses, bypassing traditional banks.

Moreover, advancements in blockchain technology are gaining traction in KSA's financial sector. Blockchain-based solutions are being explored for various applications, including cross-border payments, trade finance, and digital identity verification. The potential of blockchain to enhance security, transparency, and efficiency in financial transactions is generating considerable interest among both financial institutions and startups.

It is important to note that the FinTech industry in KSA is still in its nascent stage, and there are challenges that need to be addressed. These challenges include ensuring consumer protection, managing cybersecurity risks, and establishing robust regulatory frameworks. However, the government and regulatory authorities in KSA are actively working towards addressing these challenges to foster a conducive environment for FinTech innovation (FinTechSaudia, 2021).

This overview provides a glimpse into the rapidly evolving FinTech landscape in KSA. By exploring the unique characteristics, opportunities, and challenges of the industry, we can better understand the transformative potential of FinTech in shaping the future of financial services in the Kingdom.

1.4 Literature review

Saudi Arabia is emerging as a prominent player in the Middle East's fintech industry, striving to increase investments and the presence of startups in this field. The country has seen a notable surge in fintech activities, especially when compared to its past performance. As part of the Saudi Vision 2030 Financial Sector Development Program (FSDP), the kingdom has introduced a fintech strategy, aiming to establish itself as the top fintech hub in the region (Al-Matari, 2023). The financial sector in Saudi Arabia has benefited from the notable expansion of the fintech industry. Research has indicated that fintech has a favorable impact on the corporate performance of financial service providers, such as banks and insurance firms (Al-Matari, 2023). Along with other board of directors-related characteristics, fintech has also been proven to have a strong link with corporate success in Saudi financial enterprises listed on the stock market (Al-Matari,2022).

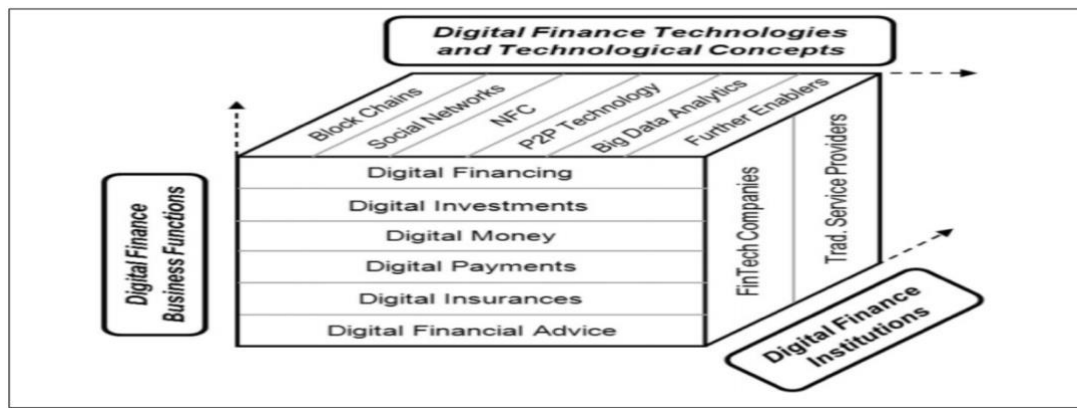
But compared to other nations, Saudi Arabia's fintech sector is still in its infancy, and there are still issues that need to be resolved. These include the requirement for communication technology infrastructure, information security, and an enabling environment with the proper legislative framework (Almuhammadi,2020). All things considered, Saudi Arabia's fintech market is expanding quickly and has the potential to completely change the financial sector; but, in order to make this happen, the right policies and laws must be put in place (Abubotain,2020).

The missing part in the precious research that they didn't mention specifically the empirical studies on Finance and its performance, they had a lack in this part.

Also, as a limitation, they had a slow adoption at the beginning years. One more limitation is that there was an ack of trust in electronic payment but the adapt to it later.

1.4.1 Fintech Overview

Figure 1: Digital Finance Cube



Source: Gomber et al. (2017)

Fintech is a term that encompasses various meanings depending on the individual's perspective (Allen, Gu and Jagtiani, 2020). Essentially, it refers to the intersection between technology and finance (Gomber, Koch and Siering, 2017). Some people associate it with three technology applications, including the use of Distributed Ledger Technology (DL) in finance, the provision of financial advice through automated systems (Robo Advisors), and peer-to-peer financing (Crowd Funding) (Preece, 2016). Others use it to describe the technological innovations occurring in the financial services industry or to refer to companies, particularly new or start-ups, that develop new technologies and their applications within the business sector (Kissell and Mack, 2020).

Gomber et al. (2017) proposes a framework called the "digital finance cube" to understand Fintech. They suggest that the finance functions, the technologies applied to those functions, and the institutions involved in digitizing finance are the three dimensions of this framework (see figure 1).

Therefore, Fintech can be defined within this framework as the activities focused on digitalizing finance functions (such as financing, investments, money, payments,

insurances, and financial advice) using finance technologies that are either already adopted or currently being developed.

1.4.2 The FinTech Global Industry

The fintech industry is undergoing significant growth and transformation on a global scale. The proliferation of digital banking and payment systems, as well as the emergence of alternative lending platforms, is reshaping the landscape of financial services. Technological advancements and the increasing demand for convenient and efficient financial solutions are key drivers of this rapid expansion (Lee, 2023).

Digital banking and payment systems have gained substantial traction in the industry. According to a report by Juniper Research, the number of digital banking users is projected to reach 2.5 billion by 2024, a significant increase from 1.9 billion in 2020. This shift towards digital banking is propelled by the widespread availability of mobile banking applications and the growing popularity of digital payment methods like Apple Pay and PayPal.

Another significant trend is the rise of alternative lending platforms, including peer-to-peer (P2P) lending, open banking, and crowdfunding. The global P2P lending market, as reported by the World Bank, is expected to reach \$566 billion by 2024, a substantial surge from \$26 billion in 2014. These platforms offer alternative lending options for individuals and small businesses, disrupting traditional lending models (Lee, 2023). The fintech industry is poised to continue evolving and shaping the future of finance, driven by ongoing technological advancements and the increasing demand for seamless financial services.

1.4.3 Overview of (FinTech) Industry in the Kingdom of Saudi Arabia

FinTech industry in the Kingdom of Saudi Arabia is an evolving and significant sector, with a particular emphasis on innovation and digital transformation aligning with the national Vision 2030. The Saudi Arabian FinTech market, estimated at USD 39.04 million in 2023, is expected to reach USD 69.23 million by 2028, growing at a CAGR of 12.14%. This growth trajectory is indicative of the sector's potential, driven largely by a young, tech-savvy population and a push towards digitalization (Gotrah, 2023).

Under this strategy, by 2030, Saudi Arabia plans to expand the number of fintech firms to 525, create 18,000 new jobs in the sector, enhance its GDP by \$3.5 billion, and attract \$3.2 billion in venture capital investments. In 2022, according to the Fintech Saudi annual report, there was a 79% growth in fintech companies compared to the previous year,

reaching 147 active firms. This growth closely aligns with the development plan's target of 150 active companies (Gotrah, 2023).

Moreover, the fintech sector became the most heavily funded in Saudi Arabia in 2022, both in the number of deals and the total venture capital secured, which represented 24% of the country's overall venture capital funding and amounted to \$239 million. This marked a 167% increase from 2021, according to Magnitt's 2022 Saudi Venture Capital Report (Alamoodi, 2022).

Governmental initiatives like the "Fintech Saudi" initiative and Saudi Venture Capital (SVC) have been instrumental in propelling this growth. Launched in 2018 by the Saudi Central Bank and the Capital Market Authority, Fintech Saudi is aimed at fostering a robust and ethical fintech ecosystem in the country. Its objectives include developing necessary infrastructure, building skills and talent, and supporting fintech entrepreneurs (Alamoodi, 2022).

Saudi Venture Capital Company (SVC), launched in 2018 as a subsidiary of SME Bank, announced at the Financial Sector Conference 2023 the introduction of the "Investment in Fintech VC Funds" product in collaboration with the Capital Market Authority and FSDP, allocating \$80 million to it. Since its inception, SVC has invested in 35 funds, supporting 525 companies through 904 deals (Alamoodi, 2022).

1.4.4 Talent in Saudi Arabia's Fintech Industry

The fintech industry in Saudi Arabia has faced challenges related to talent and recruitment in the past, with 40% of fintech companies considering it their biggest hurdle. However, the situation is changing due to various initiatives. One notable example is The Financial Academy's partnership with Fintech Saudi and AstroLabs to launch a comprehensive Fintech bootcamp. This program trained 30 young professionals, providing them with the skills and support to develop their fintech prototypes (SAMA, 2023).

1.4.5 Fintech Regulations in Saudi Arabia

Saudi Arabia's fintech industry is regulated by two key authorities: the Saudi Central Bank (known as the Saudi Arabian Monetary Authority or SAMA) and the Capital Market Authority (CMA). SAMA oversees various financial services, including banking, finance, insurance, credit bureaus, and payments. It also regulates specific fintech activities such as intelligent cash management and insurance aggregation. On the other hand,

CMA focuses on capital market-related activities like dealing, arranging, managing, advising, and custody of securities.

Fintech startups operating in Saudi Arabia need to determine whether their services fall under the purview of CMA or SAMA regulations. The regulators' websites provide a comprehensive list of regulated activities. It's worth noting that not all fintech companies provide regulated services, and some may not require immediate regulatory approval. However, if a fintech company intends to offer regulated activities in addition to other services, it will likely need regulatory approval. Fintech Saudi has developed a Fintech Regulatory Assessment Tool to assist companies in understanding the regulatory pathways for various fintech activities. In case of uncertainty, Fintech Saudi can help coordinate with the appropriate regulator on behalf of the company. Fintech companies operating in areas currently not subject to regulation have options such as offering business tools or enhancing banks' customer experiences (SAMA, 2023).

1.4.6 Future of Saudi Fintech Startups

Several prominent fintech companies are shaping the investment landscape in Saudi Arabia from 2021 to 2023, including Lean Technologies, Mod5r, Tamara, EdfaPay, Cashin, Lendo, and more. These companies generated a total revenue of over \$740 million in 2022. As of December 2022, SAMA had licensed and authorized an additional 89 fintech's in Saudi Arabia.

The expansion of the fintech sector in the Kingdom aligns with its strategy to become a regional financial hub by 2030. For example, one of its goals is to increase the share of non-cash transactions among individuals to 70% by 2025. By 2030, the fintech sector aims to have 525 active fintech firms in Saudi Arabia, contributing approximately 13 billion riyals directly to the GDP and creating 18,000 direct jobs. These forward-thinking initiatives and comprehensive strategies set the stage for significant market growth (Permitted fintechs, 2022).

1.4.7 Importance of FinTech industry in the Kingdom of Saudi Arabia

According to the previous study, fintech refers to the application of technology in the financial sector, aiming to improve the quality and efficiency of financial services. Fintech has gained worldwide attention and has been predicted to revolutionize the banking industry. It offers customers additional options for obtaining low-cost financial

services and relies on the use of technology, such as information technology, to provide these services.

Another study highlights the importance of fintech in the growth of the banking industry and its impact on customer access to financial services. It mentions that fintech's disruption has advantages for customers in terms of additional low-cost financial service options. This implies that fintech has the potential to enhance financial inclusion and accessibility in Saudi Arabia (Alhattab, 2021).

In the context of Saudi Arabia, the government has paid close attention to fintech due to its significance for the country's financial stability. The document suggests that the government has implemented laws and regulations to support fintech development and ensure appropriate regulation and supervision (Alhattab, 2021).

Unfortunately, without access to the full content of the document, it is not possible to provide a comprehensive literature review on the specific comparison between the fintech industry in Saudi Arabia and other countries. However, it is worth noting that the global fintech market is expanding, and different countries have varying levels of fintech adoption and regulatory frameworks in place. Comparative studies often examine factors such as fintech ecosystem maturity, regulatory environment, investment trends, adoption rates, and impact on traditional financial institutions when analyzing the fintech industry across countries (Lee, 2021).

1.4.8 Challenges face FinTech in Saudi Arabia

Saudi Arabia has faced challenges with FinTech startups relocating operations due to a lack of infrastructure and regulation. Recent efforts, such as establishing regulatory frameworks including sandboxes with the Saudi Arabian Monetary Authority (SAMA) and the Capital Markets Authority (CMA), draw lessons from the UK's FCA sandbox. These steps aim to create an environment conducive to the growth and retention of FinTech startups in the Country (Habib, 2019).

However, the FinTech sector in Saudi Arabia faces several challenges. One of the biggest challenges is talent and recruitment. Approximately 38% to 40% of FinTechs in Saudi Arabia consider talent acquisition as their most significant obstacle for growth. The scarcity of digital expertise in the local market has led many companies to seek talent from

abroad, presenting new challenges, such as managing remote teams and integrating diverse work cultures (Habib, 2019).

Recruiting digital talent with the necessary expertise, background, and skills for FinTech development is a significant challenge in Saudi Arabia. According to the FinTech Saudi annual report, 38%-40% of FinTechs in the Kingdom consider talent acquisition their most significant growth blocker. The scarcity of digital expertise locally has led many companies to seek talent abroad, which presents new challenges such as managing remote teams and integrating diverse work cultures (El-Said, 2020).

Regulatory compliance is another significant challenge. Although the introduction of various FinTech-related laws and initiatives like SAMA's Regulatory Sandbox has provided a more stable environment for investment, the fast pace of technological development poses a challenge to existing regulatory frameworks. Financial institutions (FIs) and FinTech startups often face different sets of regulations, leading to complexities in compliance and operation.

Navigating and complying with regulations is a global challenge for both FinTech startups and traditional financial institutions. The introduction of laws covering various FinTech activities, and the establishment of regulatory sandboxes has given investors' confidence to devote more capital to FinTech startups. However, the rapid pace of technological development is constantly testing these regulatory frameworks, calling for a shift from rigid regulations to more fluid, principle-based rules that are complemented by oversight and recommendations (Magdy Rezk, 2022).

Additionally, access to customers and conducting customer testing remains a hurdle. The embrace of Open Banking in Saudi Arabia is expected to address key challenges related to financial literacy and inclusion, promoting healthy competition, innovation, financial inclusion, and transforming the banking system into a more efficient and customer-centric model.

Gaining access to customers and conducting customer testing is challenging. Embracing Open Banking is expected to address obstacles like financial literacy and inclusion. Open Banking is projected to foster healthy competition, innovation, financial inclusion, and create a more efficient banking system in Saudi Arabia. This approach will allow financial institutions and FinTech startups to collaborate, build partnerships, and securely share customer bank data (Magdy Rezk, 2022).

In summary, while Saudi Arabia's FinTech sector is growing, it faces challenges in talent acquisition, regulatory compliance, and customer access. However, recent initiatives and regulatory developments show a commitment to overcoming these challenges and positioning the Kingdom as a significant player in the global FinTech landscape.

1.5 Methodology

To gather information about fintech companies registered in the Saudi Arabian Monetary Authority (SAMA), the following methodology was employed:

- **Data Collection:**

Conducted an extensive review of publicly available sources, including official reports, press releases, and news articles. Examined SAMA's official website and regulatory documents for relevant information on registered fintech companies. Reviewed industry reports and publications focused on the Saudi Arabian fintech ecosystem.

- **Fintech Company Identification:**

Identified fintech companies registered with SAMA by cross-referencing official announcements and regulatory listings. Prioritized sources that provided accurate and up-to-date information on registered fintech companies.

Fintech companies in Saudi Arabia, registered with the Saudi Arabian Monetary Authority (SAMA), have made significant contributions towards the economic landscape of the country, particularly in line with the Kingdom's Vision 2030. As of October 2023, the number of fintech companies in Saudi Arabia has surpassed 200, creating over 3,500 jobs, and SAMA's fintech strategy aims to contribute SAR13 billion (\$3.46 billion) to the GDP by 2030. The strategy also envisions increasing the number of fintech companies to 525, creating 18,000 specialized jobs.

These fintech companies play a pivotal role in Saudi Arabia's Vision 2030, which aims to transform the Saudi economy from its traditional reliance on oil to a more diversified, technology-driven modern economy. The government has actively supported this transition by creating Fintech Saudi in 2018 and implementing large scale public programs to foster a startup ecosystem, especially in the technology sector. This support is crucial for the growth of fintech startups, which previously tended to relocate due to the lack of infrastructure, talent, and supportive regulations within the Kingdom.

Technology entrepreneurship, a key component of Vision 2030, is seen as a vital lever for achieving goals like new sources of economic growth and employment. The Saudi government's focus on creating a cashless economy is also motivating fintech innovators, particularly in areas like SME support, which is identified as a key pillar of the economy under Vision 2030. The goal is to increase SMEs' contribution to the GDP from 20% to 35%, thereby bolstering innovation, job creation, and exports.

List of Fintech companies registered in SAMA.

Table1: Fintech Companies Registered in SAMA.

No.	Company Name	Service Type	Summary
1	Rasanah Technologies LLC	Financial Information Aggregation	Specializes in aggregating financial data from various sources, likely providing a unified view for consumers to manage their finances.
2	Lendo	Digital Lending	Operates a digital platform for debt-crowdfunding, connecting borrowers with lenders for IT-related projects and loans.
3	SURE	Digital Payments	Provides solutions for facilitating digital transactions, possibly including payment processing services for businesses and consumers.
4	Foodics	Digital Payments	Likely offers specialized payment processing solutions for the food service industry, which might include POS systems.
5	Sulfah	Consumable Micro-lending	Offers micro-loans to consumers, which are typically small, short-term loans for immediate personal use.
6	Raqamyah Platform	Debt-Crowdfunding	A digital marketplace for debt financing, connecting investors with borrowers for a variety of loans.

No.	Company Name	Service Type	Summary
7	Maalem Financing Company	Debt-Crowdfunding	Provides a range of financing solutions through its platform, possibly including personal and SME loans.
8	Skyband	Digital Payments	Offers a suite of digital payment services, which may cater to a range of transaction processing needs.
9	Saudi Fintech Company (Alinma Pay)	Digital Payments	Specializes in digital payment systems, potentially offering a mobile payment app or online services.
10	Zain Payments (Limited)	Consumable Micro-lending	Provides small-scale lending solutions, likely targeting quick consumer loans.
11	Forus	Debt-Crowdfunding	Facilitates debt financing through a digital platform, possibly for a variety of projects and businesses.
12	Digital Cash International Company	Digital Payments	Offers digital payment services, which could include e-wallets and online financial transactions.
13	AZM Fintech CO	Digital Payments	Provides payment solutions tailored to digital commerce and possibly other online payment needs.
14	Money Loop	Digital Savings Association	Likely offers a platform for savings and financial planning, catering to personal finance management.
15	Noon Hakbah Co for Information Technology	Digital Savings Association	Provides tools and platforms for group savings, financial collaboration, and possibly investment pooling.
16	Savings Circles company for Information Technology	Digital Savings Solutions	Offers digital services for savings groups, including features like joint savings plans and peer-to-peer lending.

No.	Company Name	Service Type	Summary
17	Business research storming company	Digital Savings Solutions	Focuses on research and development in FinTech to provide innovative savings products and solutions.
18	Nayifat Finance Company	Debt-Crowdfunding	Offers a platform for personal and business debt financing, connecting borrowers with a network of lenders.
19	Platform Company Ltd Tameed Financing	Debt-Crowdfunding	Provides financing solutions on a digital platform, likely catering to diverse funding needs.
20	Manafa capital	Debt-Crowdfunding	Operates in the crowdfunding space, offering investment opportunities and connecting projects with capital.
21	Funding Souq Company	Debt-Crowdfunding	A marketplace for debt financing, supporting businesses and individuals in securing loans.
22	Sahlah Company For Electronic Marketing	Debt-Crowdfunding	Combines digital marketing with crowdfunding, facilitating debt financing for various projects.

Source: The Saudi Central Bank (SAMA) <https://www.sama.gov.sa/en-US/Regulatory%20Sandbox/Pages/Permitted-Fintechs.aspx>

1.6 Discussion: Comparison to Other Countries

In comparison to more established markets, Saudi Arabia's FinTech sector is rapidly catching up, driven by a supportive regulatory environment and a focus on digital transformation. However, the challenges of talent acquisition, regulatory compliance, and customer access need to be strategically addressed to realize its full potential. The financial technology (FinTech) industry in Saudi Arabia has been evolving rapidly, especially in the context of the Kingdom's broader economic transformation under Vision 2030. Comparing

Saudi Arabia's FinTech sector with other countries reveals both unique strengths and challenges (Lee, 2023).

Compared to other countries, particularly its GCC neighbors, Saudi Arabia's FinTech sector is noted for its organic growth, despite its relative infancy. The region has witnessed significant venture investments, with 16 venture investments totaling USD 157.2 million between January and August 2022, a considerable increase from previous years. This investment trend reflects an evolving ecosystem that is fostering innovation and attracting capital (Lee, 2023).

Saudi Arabia is witnessing a remarkable transformation and growth, particularly in the field of financial technology (fintech). The country's remarkable growth is occurring within a favorable economic and technological context. With a population of over 35 million people and a GDP per capita surpassing \$23,000, the nation possesses a solid foundation for development. Additionally, the Kingdom boasts an impressive internet penetration rate of 93%, providing a conducive environment for digital innovation and widespread adoption (Biancone, 2021). This combination of a robust economy and high internet connectivity sets the stage for continued progress and advancement in various sectors of the country. The year 2022 marked a significant surge in investments in emerging technologies:

The country has experienced significant growth in investment activity, indicating a thriving business environment. In the past year, there were 144 deals with a total funding amount exceeding \$987 million, demonstrating a substantial increase compared to the \$575 million recorded in 2021 (Jabr, 2021). This surge in investment highlights the confidence of investors in the country's potential and the opportunities it offers. Such growth in funding is likely to stimulate further economic development and fuel the expansion of various industries within the nation.

Fintech has emerged as a leading force in the ongoing technological revolution within the country. The sector has witnessed significant investment, with over 25 deals in fintech alone amassing a total funding of more than \$400 million in 2022, as reported by Fintech Global. This substantial influx of capital underscores the growing confidence in the potential of fintech solutions and their ability to reshape the financial landscape. Moreover, the country's startup ecosystem has experienced remarkable growth in the fintech sector. A total of 100 fintech startups have been established, with 60 of them acquiring licenses from SAMA,

the Saudi Central Bank. This demonstrates the regulatory support and recognition of the sector's importance in driving innovation and financial inclusion. The proliferation of licensed fintech startups contributes to a vibrant and competitive ecosystem, fostering collaboration and the development of cutting-edge solutions. Overall, fintech's prominence in the country signifies its pivotal role in shaping the future of the financial industry and driving digital transformation.

Saudi Arabia has set ambitious targets for the fintech sector to achieve by 2030. These goals involve reaching 525 fintech players and employing 18,000 professionals in the industry. The current workforce in the sector has already experienced significant growth, with the number of employees rising to almost 4,000, a noteworthy increase from 1,000 in 2020. These figures are supported by a report from Endeavor/Impact46 (Aisyah, 2020). The fintech sector in Saudi Arabia is also making a substantial contribution to the country's GDP, exceeding 13 billion SAR. This highlights the sector's economic significance and its potential for further growth. Additionally, there has been a rapid increase in the number of fintech companies in the country. Between September 2021 and August 2022, Saudi Arabia welcomed 65 new fintech companies, bringing the total number of active firms to 147. This represents a remarkable 79% year-on-year increase, as reported in Fintech Saudi's 2022 annual report (Abojeib, 2018). These developments underline Saudi Arabia's determination to position itself as a leader in fintech and drive digital transformation. They align with the broader goals of economic diversification and modernization outlined in Vision 2030. The support provided by government entities like Fintech Saudi and the regulatory framework established by SAMA (the Saudi Arabian Monetary Authority) play instrumental roles in nurturing the growth of the fintech sector. This progress signifies a significant shift towards a technologically advanced and inclusive economy in the Kingdom (Abojeib, 2018).

These developments reflect Saudi Arabia's concerted effort to position itself as a leader in fintech and digital transformation, aligning with its broader economic diversification and modernization goals under Vision 2030. The support from government entities, like Fintech Saudi, and the regulatory framework provided by SAMA, play a crucial role in nurturing this burgeoning sector. This progress signifies a major shift towards a more technologically advanced and financially inclusive economy in the Kingdom (Abojeib, 2018).

The fintech sector in the Middle East and North Africa (MENA) region has witnessed remarkable growth, as highlighted in various reports. One of the key findings is the

rapid expansion of fintech firms in the region. According to a report by the International Monetary Fund (IMF) in 2019, the number of fintech companies in the MENA region doubled between 2015 and 2018. It was projected that by 2022, the region would be home to approximately 465 fintech firms, competing for a significant market share and aiming to raise over USD 2 billion in funding, as per data from CrunchBase (though this figure is unverified) (Ansar, 2018). Several factors have contributed to the growth of the fintech sector in the MENA region. Firstly, the presence of a young and tech-savvy population has created a conducive environment for fintech adoption. The region has a sizable demographic of young individuals who are proficient in using technology, making them more likely to embrace fintech solutions. Additionally, the proliferation of mobile technology, including smartphones and mobile internet, has increased accessibility to fintech services among the population.

Furthermore, there is a growing demand for diverse and efficient financial services in the MENA region, which fintech companies are well-positioned to fulfill. The traditional financial sector in the region has faced challenges in meeting the evolving needs of the population, creating an opportunity for fintech innovation and disruption (Ansar, 2018). Digital payment adoption has emerged as a significant driver of fintech growth in the MENA region. A report by PwC in 2019 projected a substantial increase in digital payment adoption, with an estimated 320 million digital payment users expected by 2022 (Aisyah, 2020). This shift towards digital payments reflects the increasing preference for convenient, secure, and efficient financial transactions in the region.

The MENA region's fintech sector has experienced significant growth, driven by factors such as the presence of a young and tech-savvy population, the proliferation of mobile technology, increasing demand for financial services, and the rise in digital payment adoption. These trends signify a promising future for the fintech industry in the region, with opportunities for innovation, financial inclusion, and economic growth.

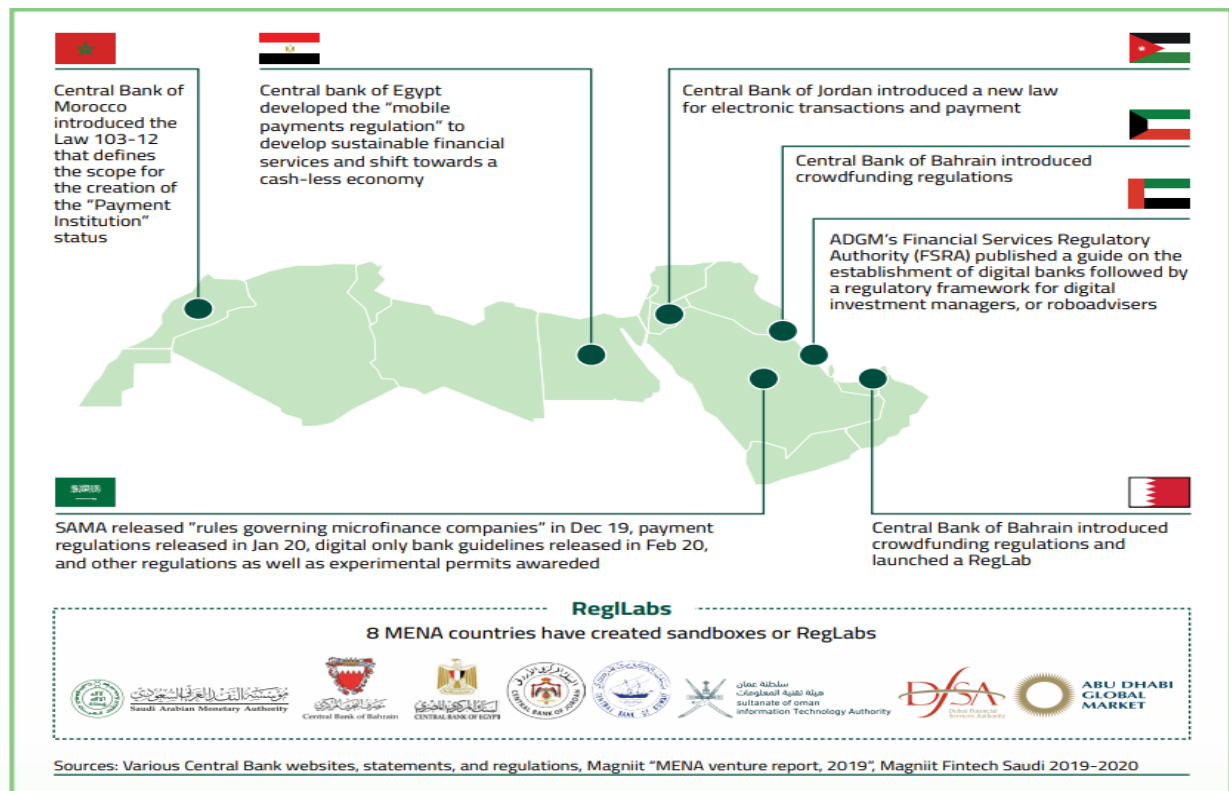
This surge is propelled by:

The surge in digital payments is driven by several factors, and one of the key contributors is the widespread availability and use of mobile banking and digital payment options. In recent years, the advancement of technology has made it easier for individuals to access and manage their finances through mobile devices. With the proliferation of smartphones and the increasing availability of internet connectivity, people can now conveniently perform banking tasks such as checking account balances, transferring funds, and

paying bills through mobile banking applications. This accessibility and convenience have greatly contributed to the adoption of digital payment options.

Furthermore, the increasing popularity of online and mobile commerce has also played a significant role in driving the surge in digital payments. Online shopping and mobile commerce have gained tremendous traction, offering consumers the convenience of purchasing goods and services from the comfort of their homes or on-the-go. Digital payment options such as mobile wallets, peer-to-peer payment apps, and contactless payment methods have emerged as preferred choices for online and mobile commerce due to their speed, security, and ease of use. These solutions enable consumers to make quick and hassle-free payments, enhancing their overall shopping experience (Aisha's, 2020).

Figure (2): Multiple Regulatory Sandboxes in the MENA Region



Source: Pheonician Invest

Sources: Various Central Bank websites, statements, and regulations, Magniit "MENA venture report, 2019", Magniit Fintech Saudi 2019-2020

Regulatory Sandboxes in the MENA Region: To facilitate this growth and innovation in fintech, multiple regulatory sandboxes have been established across the MENA region. These sandboxes provide a controlled environment where fintech startups can test new products and services without the immediate imposition of regulatory constraints. This approach allows regulators to understand and adapt to technological innovations in finance, while ensuring consumer protection and financial stability (Baber, 2020).

Overall, the MENA region's fintech landscape is characterized by rapid growth, driven by technological advancements, demographic trends, and a supportive regulatory environment. This dynamism is transforming the financial services landscape in the region, making financial transactions more accessible, efficient, and secure for a broader segment of the population.

United Arab Emirates (UAE): The UAE, particularly Dubai, has been a regional leader in FinTech. Dubai's DIFC (Dubai International Financial Centre) has established itself as a FinTech hub in the Middle East. The regulatory environment is favorable, and numerous FinTech startups have set up operations there (Baber, 2020).

Singapore: Singapore is a global FinTech hub known for its advanced regulatory framework, government support, and vibrant startup ecosystem. It has attracted numerous FinTech companies and investments from around the world.

United Kingdom: The UK, especially London, is one of the leading FinTech hubs globally. It benefits from a well-established financial sector and a regulatory environment conducive to innovation. The UK has a diverse range of FinTech companies, including digital banks, payment processors, and blockchain startups (Biancone, 2019). While London boasts over 4,000 FinTech startups, Saudi Arabia has around 15, indicative of its nascent stage in the FinTech domain. Historically,

China: China has a thriving FinTech ecosystem, dominated by companies like Alibaba's Ant Group and Tencent's WeChat Pay. It's known for its advanced mobile payment infrastructure and innovations in areas like peer-to-peer lending and wealth management.

United States: The US has a robust and diverse FinTech landscape, with Silicon Valley serving as a hub for innovation. Companies like Stripe, Square, and Robinhood

have disrupted traditional financial services, and regulatory developments like the OCC's fintech charter have facilitated growth (Alhattab, 2021).

1.7 Conclusion and Recommendations

Finally, to conclude everything I mentioned, fintech companies registered with the Saudi Arabian Monetary Authority (SAMA) are playing a crucial role in realizing the goals of Saudi Arabia's Vision 2030. Their expansion, fueled by supportive government policies and a thriving startup environment, is reshaping the financial sector of the Kingdom. Key aspects of this transformation include the progression towards a cashless economy, enhanced support for small and medium enterprises (SMEs), and the adoption of innovative financial services. These developments are pivotal in diversifying and modernizing the Saudi economy, aligning with the broader objectives of Vision 2030 to create a more technology-driven economic framework. Future plans, challenges, briefly considered other countries, regulations are also mentioned.

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