The Reality of Fintech Adoption and Application in Arab Countries: The Case of the Kingdom of Saudi Arabia

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Abstract:

The research aims to shed light on the current state of the modern financial technology sector in the Arab world in general, and Saudi Arabia in particular, utilizing a descriptive analytical approach. It considers fintech as an innovative alternative to traditional financial services, while identifying the most significant developments related to these technologies.

The study reached several key conclusions, notably that many Arab countries have successfully adopted fintech, established regulatory frameworks, and implemented licensing procedures to foster growth and encourage entrepreneurship. Saudi Arabia, in particular, has contributed numerous initiatives supporting the fintech sector under the supervision of the Central Bank, the Capital Market Authority, and Fintech Saudi, which has positively impacted the sector's growth.

Keywords: Financial Technologies; Digital Banking; Investment; Fintech Companies.

JEL Classification Codes: **G21; L86; O31.**

1. INTRODUCTION

The significant advancements in financial technologies over recent years have prompted numerous financial institutions to enhance their service offerings by developing new channels that replace the traditional methods they previously relied upon. With the rapid growth of these technologies and their associated services, opportunities to improve the

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efficiency of financial and banking operations have expanded particularly in facilitating access to financing and financial services, promoting entrepreneurship, and advancing financial inclusion.

The fintech sector in the Kingdom of Saudi Arabia has experienced substantial growth and transformation, driven by the emergence of new startups, increased investment levels, and greater adoption of innovative business models. This progress has been further supported by enabling regulatory policies and a rising demand for innovative financial solutions and services. As the Kingdom continues to diversify its economy in line with the objectives of Vision 2030, the fintech sector emerges as a key enabler in achieving this strategic vision, contributing to economic development and the advancement of the financial sector (FS).

Study Problem:

Based on the foregoing, the research problem can be formulated as follows:

What is the current state of modern financial technologies, and what are their applications in Arab countries?

To address this research problem, the study hypothesizes that the modern fintech sector is witnessing significant development across Arab countries in general, and particularly in Saudi Arabia, due to the concerted efforts made by these countries to establish an integrated fintech ecosystem capable of overcoming various challenges and fostering its ongoing development.

To ensure accuracy, the descriptive-analytical approach was adopted by describing the various data related to the subject and analyzing the results obtained in the study, which aims to:

- Identify the different modern financial technologies, their origins, significance, and factors driving their development.
- Examine the current status of modern financial technologies and their applications globally and within the Arab world.
- Assess the implementation of modern financial technologies in the Kingdom of Saudi Arabia.

2. General Overview of Modern Financial Technologies.

Financial technology, commonly known as FinTech, is a product of the

Fourth Industrial Revolution. It emerged due to significant advancements in computer science, marking the contemporary era as one of digitization that permeates all aspects of public and private life, both at the national and individual levels. One sector that has embraced technological innovation is the financial sector (FS), where startups began leveraging advanced technology to serve both private and public financial institutions. These companies aimed to reduce the cost of financial services while delivering them more quickly and efficiently. Their initial focus was on creating financial innovations that assist traditional financial institutions in enhancing their service delivery.

2.1 ***Definition of Modern Financial Technologies.***

The term FinTech is derived from the combination of "Technology" and "Finance." Broadly, it refers to the application of technology in the financial industry and encompasses a wide range of financial services including lending, investment, payments, risk management, data analytics, insurance, and wealth management.

According to the Financial Stability Board (2017), FinTech refers to financial innovations driven by technology that can generate new business models, applications, processes, or products that have a tangible impact on financial markets, institutions, and service delivery (Kandouz, 2019, p. 15).

The Digital Research Institute in Dublin, Poland's capital, defines FinTech as technological inventions and innovations in the FS. These innovations include digital software used in banking operations, such as customer transactions, financial services like money transfers, currency exchange, interest and profit calculations, projected investment returns, and other banking operations (Hamdi & Oukacem, 2019, p. 402).

2.2 Motivations for Adopting Modern Financial Technologies.

There are numerous reasons and advantages that encourage many to adopt financial technologies, including (Elkhair, 2020, p. 06):

- The provision of new products and services designed to meet the evolving needs of customers;
- Reduction of costs and time efficiency;
- Instant payments and the expansion of payment options;
- Utilization of digital platforms for collecting government revenues

and facilitating payments;
- Streamlining service delivery;
- Enhancing access to financing for individuals and owners of small and medium-sized enterprises who lack adequate banking services;
- The increased reliance of banks on technological tools to improve efficiency, strengthen risk management, and enhance regulatory compliance;
- Achieving higher and more inclusive growth across all population segments;
- Growing demand for digital financial products driven by the impact of the COVID-19 pandemic and the shift toward remote transactions;
- The rise in e-commerce activity.

2.3 Origins and Evolution of Modern Financial Technologies.

In the 1990s, with the emergence and global spread of the internet, a technological revolution began that transformed many concepts within commercial and banking sectors. The initial phase of this transformation involved financial and banking institutions implementing new systems that enabled their clients to conduct banking transactions online, including money transfers, bill payments, and more. On the investment front, technology introduced significant advancements to global stock markets, allowing individuals to directly access stock exchanges and execute buy and sell orders independently via the internet. Undoubtedly, this technology contributed to the growth of stock markets worldwide by introducing liquidity that would not have otherwise entered these markets without technological facilitation. Veteran stock traders recognize the value added by technology in this domain, both in terms of accelerating transaction execution and improving the quality of services provided by financial institutions.

The second phase of fintech evolution occurred in the mid-2010s, specifically with the rise of smartphones and social media networks. This shift moved technology from computer screens to mobile devices, prompting financial institutions to prioritize facilitating transactions through mobile applications. To this day, banks vary in the user-friendliness of their apps. This smartphone revolution coincided with the financial crisis about a decade ago, which prompted a reassessment of the FS's future. With

traditional investment opportunities weakened by the crisis, new investment avenues emerged in fintech, offering financial services through innovative methods. During this period, the concept of fintech evolved significantly, giving rise to companies fully dedicated to financial technology, now commonly known as "fintech" firms. These companies engage in diverse activities ranging from payment services and lending to insurance and wealth management (Al-Raddadi, 2025).

2.4 Key Drivers of the Rapid Advancement in Modern Financial Technologies:

The primary factors contributing to the widespread adoption and expansion of financial technology globally include (Oukassem, 2019, p. 355):

a. Technological Advancement:

A defining characteristic of financial technology is the absence of structural limitations that could hinder its progress. Technological advancements have accelerated the pace of development and acceptance by introducing new capabilities with a high degree of adaptability. Additionally, the reduction in technology costs by approximately 31% over the past decade has further supported this growth. These new technologies enhance the operational flexibility of institutional systems, such as those in banking.

b. Availability of Funding:

Easier access to financing has empowered entrepreneurs and founders to launch new ventures.

c. Changing Customer Expectations:

Shifts in customer demands for digital services compel traditional market players, such as fintech companies, to develop innovative solutions. Globally, around 63.1% of consumers are adopting fintech products and services.

d. Regulatory Support:

Governments and regulatory authorities facilitate the reduction of barriers for fintech investors by endorsing these technologies. Some governments have acknowledged the significant role fintech firms play in complementing and enhancing the traditional functions of financial service

providers.

2.5 Types of Modern Financial Technologies:

Financial technologies encompass various forms, including Distributed Ledger Technology (DLT), blockchain, artificial intelligence, big data, and cloud computing.

a. Distributed Ledger Technology (DLT):

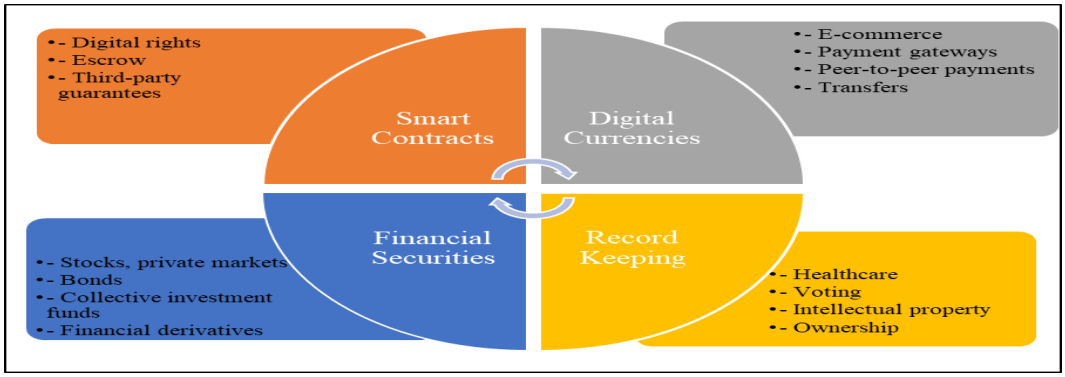
This refers to a database system for recording transactions that is neither stored nor verified by any central authority. The application implementer holds the predominant control over how operations are executed. Each transaction and its details are simultaneously stored in multiple locations, making cyberattacks aimed at stealing ledger contents highly challenging.

b. Blockchain:

A distributed, large-scale database and information system that enables the storage and exchange of data specifically transaction records across multiple computers. It represents a novel decentralized transaction system that is trustless, eliminating the need for a third party to verify the validity of transactions. Blockchain can be understood as a chronologically ordered database of transactions recorded by a network of computers, commonly referred to as a distributed ledger (Ulrika, 2017, p. 16). It is one of the most prominent forms of distributed asset registries.

According to IBM and Forbes, blockchain is defined as a shared, real-time, encrypted, and decentralized electronic system for processing and recording financial transactions, contracts, and asset transfers (Elkhair, 2020, p. 07). Blockchain technology serves as the foundational infrastructure for many successful innovations in the FS, having catalyzed the emergence of various fintech advancements such as smart contracts, payment systems, peer-to-peer (P2P) lending platforms, cryptocurrencies, and more.

Figure (1): Key Applications of Blockchain Technology



Source: (*Kandouz****, 2019, p. 147).***

c. Artificial Intelligence:

Artificial intelligence (AI) can be simply defined as a technological model capable of replicating human thinking, involving intelligent machines and systems that perform complex tasks typically requiring human intelligence. It is also described as an advanced computer program capable of executing tasks intelligently or building machines that can process and learn autonomously from vast amounts of data. In essence, AI enables machines to simulate human cognitive abilities. This technology has been integrated into the FS, where platforms provide automated financial advisory services, market analysis, and smart portfolio management. AI is also applied in insurance and banking services, such as credit request processing where computers evaluate a customer's credit history. Additionally, AI enhances banking security by detecting fraud and suspicious activities. It can also be utilized for forecasting commodity and stock prices, as well as predicting trends based on customer preferences and behaviors (Al-Sartawi, 2020, p. 09).

d. Cloud Computing:

Cloud computing refers to an infrastructure where computing power and storage are managed by remote servers accessible by users through secure internet connections. Devices such as desktop and laptop computers, mobile phones, tablets, and others serve as access points for running applications hosted in the cloud (Othamnia, 2024, p. 201).

e. Big Data:

Big data refers to complex datasets that are difficult to process using traditional tools and methods within a reasonable timeframe. According to

Gartner, IBM, and the International Telecommunication Union (ITU), big data is generated continuously from everything around us and is characterized by its large volume, high velocity, and wide variety. It requires economically viable, optimal, and innovative processing techniques to support effective decision-making. Thus, big data represents an engineering discipline that provides a range of tools and technologies designed to store and process data that exceeds the capacity and capabilities of conventional methods within a short period (Abdelsalam, 2021, p. 16).

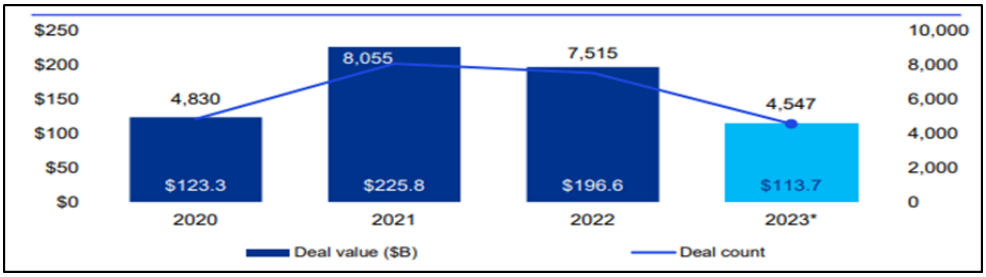
3. Developments in Modern Financial Technologies.

Reports indicate that financial technologies are experiencing rapid growth globally, particularly in Arab countries, driven by increased reliance following the global circumstances caused by the COVID-19 pandemic. These reports also confirm that the fintech sector is among the fastest-growing industries compared to other business sectors.

3.1 Global Evolution of Modern Financial Technologies.

The fintech sector has witnessed significant changes in investment volumes across various countries. The following figure illustrates the global fintech investment trends during the period from 2020 to 2023:

Figure (2): *Global Fintech Investment Volume (2020–2023)*



Source: *(KPMG, 2024, p. 09).*

After experiencing significant global growth in 2021 with investment volumes reaching $225.8 billion, the financial technology sector saw a decline to its lowest level in five years, totaling $113.7 billion across 4,547 deals in 2023. This downturn is attributed to investors' reluctance to engage in large transactions amid concerns over rising interest rates, conflicts in Ukraine and the Middle East, and increasing inflation rates worldwide. The United States led fintech investments with $73.5 billion through 1,734 deals, followed by the Europe, Middle East, and Africa

(EMEA) region with $24.5 billion across 1,514 deals, and the Asia-Pacific region with $10.8 billion through 882 deals (KPMG, 2024, p. 05).

The year 2021 marked a robust period for fintech, as global investment surged from $123.3 billion in 2020 to $225.8 billion in 2021. This growth reflected a rebound from the COVID-19 pandemic, which had noticeably impacted the sector, underscoring the fintech market's resilience and adaptability to crises.

Investments in fintech startups showed notable changes in recent years, with a significant increase from $53.2 billion across 3,226 deals in 2018 (KPMG, 2022, p. 08) to 6,831 deals valued at $121.1 billion in 2021, the highest recorded amount for these companies. This surge was driven by post-pandemic recovery, increased global competition for fintech investments, and growing awareness of the sector's importance.

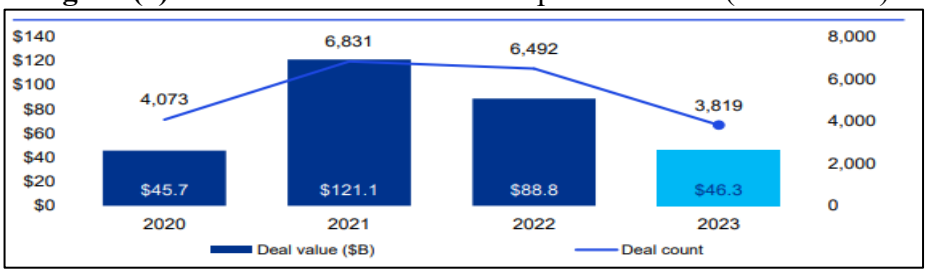
However, in 2022 and 2023, fintech startup investments declined compared to 2021, amounting to $88.8 billion across 6,492 deals and $46.3 billion across 3,819 deals, respectively. The decline was mainly due to the factors mentioned earlier investor caution amid rising interest rates, geopolitical conflicts, and inflation concerns worldwide.

Among the most notable deals in 2023 were:

- Intercontinental Exchange's acquisition of the U.S.-based Black Knight for $11.7 billion;
- Nasdaq's acquisition of the U.S.-based Adenza for $10.5 billion;
- Finastra, headquartered in the United Kingdom, acquiring a stake worth $6.9 billion;
- Cetera's acquisition of U.S.-based AvanTax;
- Generate, based in California, securing $1 billion in venture capital;
- Visa's acquisition of Brazil-based Bismo.

The following figure illustrates the evolution of fintech startup investments worldwide between 2020 and 2023.

Figure (3): Evolution of Fintech Startup Investments (2020–2023)



Source: *(KPMG, 2024, p. 09).*

Based on the foregoing, it is possible to highlight some leading experiences in the field of modern financial technologies as follows (Elkhair, 2020, p. 16):

- The United Kingdom Experience: The UK's fintech sector is distinguished by a robust legal framework that governs it. Its legislative framework leads globally due to its emphasis on simplicity and transparency. The UK has expanded its investment in cybersecurity through a national strategy, a dedicated cybersecurity center, and incentives for companies. Additionally, it has pioneered initiatives in tax reduction, such as lowering taxes on high-risk startups and emerging enterprises.
- The United States Experience: The United States ranked first according to the 2015 Global Startup Ecosystem Report, benefiting from a network of business regulators, a pool of innovative talent, and a concentration of available investment capital in the fintech sector. It also possesses infrastructure that supports these technologies. Numerous government initiatives encourage entrepreneurs, particularly women and university youth, to access funding. Furthermore, tax incentives are provided to qualify technology companies focusing on employment, training, and investment. The U.S. also leads in cybersecurity measures, though legislative initiatives remain limited. In 2023, the United States held the top position in investment volume, securing 1,734 deals valued at $73.5 billion (KPMG, 2024, p. 31).
- The Singapore Experience: Singapore is regarded as the preferred gateway to the Asian market, characterized by ease of doing business. It ranked tenth in the 2015 Global Startup Ecosystem

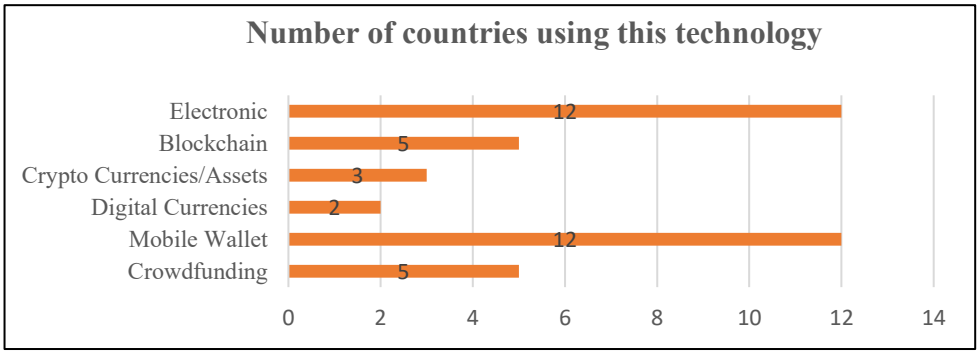
Report and benefits from a specialized fintech team within its monetary authority. This has led to the establishment of public-private partnerships to foster the growth of the fintech industry. The Monetary Authority of Singapore is highly active in fintech, providing dedicated funds and implementing policies and strategies to regulate and facilitate the use of technology and innovation. The country also offers tax incentives for startups.

3.2 Development of Modern Financial Technologies in Arab Countries.

Interest in modern financial technologies has grown in Arab countries due to the global expansion of the sector and the need to maintain the competitiveness of the Arab FS. Arab countries have made significant progress in developing the fintech industry. Among the most widely adopted technologies in the region are retail electronic payment and transfer systems as well as digital wallets. According to the Financial Stability Report issued by the International Monetary Fund, twelve Arab countries rely on these two technologies, followed by crowdfunding and financial asset transfer models, driven by high customer demand for such services and supported by existing regulatory frameworks. Regarding cryptocurrencies, three Arab countries namely the United Arab Emirates, Bahrain, and Oman have implemented this technology. These countries have established legislative frameworks that account for the risks associated with such technologies while recognizing the ongoing need to review and update these frameworks to better understand and manage related risks (Arab Monetary Fund, 2024, p. 173).

The following figure illustrates the primary modern financial technologies used in Arab countries:

Figure (4): *Modern Financial Technologies Utilized in Arab Countries*

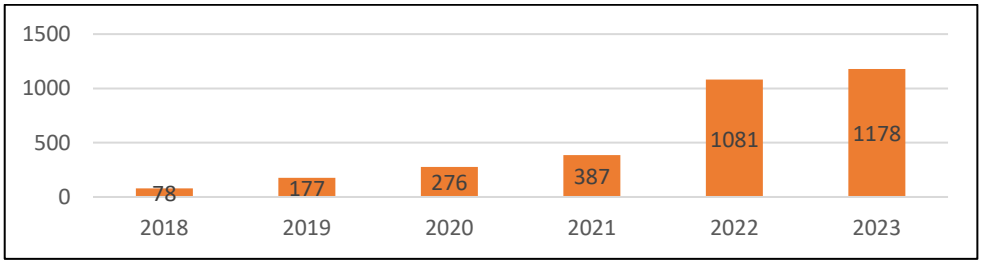


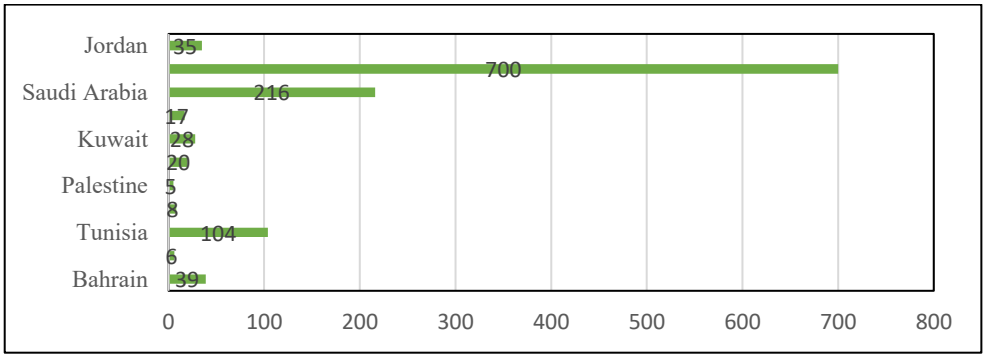
Source: *(Arab Monetary Fund, 2024, p. 173).*

Arab countries have not only demonstrated notable advancement in financial technologies but have also experienced a significant increase in the number of companies providing fintech services over the past five years. By the end of 2023, the total number of licensed fintech companies reached approximately 1,178, compared to 1,081 in 2022. This reflects a more than fifteen fold growth since 2018. The United Arab Emirates led the Arab region in terms of licensed fintech companies, with 700 firms and investment volumes totaling $1.3 billion. Saudi Arabia followed with 216 licensed companies by the end of 2023.

This growth is attributed to regulatory, licensing, and supervisory developments in these countries concerning modern fintech companies. The following figures illustrate these trends:

Figure (5): *Number of Licensed Modern Fintech Companies in Arab Countries (2018–2023)*





Source: *(Arab Monetary Fund, 2024, p. 173).*

From the above figure, it is evident that the UAE leads the Arab countries with 700 licensed fintech companies in 2023, up from 600 in 2022, with investment volumes of $234 million in 2022. Saudi Arabia ranks second with 216 companies at the end of 2023, an increase from 147 companies in 2022, with investments amounting to $402 million. Tunisia follows with 104 companies, while other Arab countries have varying numbers of licensed fintech firms (Arab Monetary Fund, 2023, p. 204).

The expansion of modern financial technologies in the Arab region has contributed significantly to accelerating the licensing of digital banks. Undoubtedly, the presence of digital banks represents a transformation in the financial infrastructure, which increasingly relies on advanced technologies. Five Arab countries the UAE, Bahrain, Saudi Arabia, Kuwait, and Iraq have issued licenses for digital banks, totaling 11 licensed digital banks. Additionally, Algeria (early 2024) and Egypt (July 2023) have issued regulatory requirements for future digital bank licensing. Regarding the guidelines, standards, and licensing requirements, these vary between countries. Some, such as Saudi Arabia, Kuwait, Egypt, and Algeria, issue separate or additional requirements specifically for digital banks, while others, like the UAE and Bahrain, apply the same regulatory requirements to both digital and traditional banks.

Table (1): *Digital Bank Licensing Requirements in Arab Countries*

Country	Licensing Requirements
UAE	Regulatory requirements for digital and traditional banks are similar, and the central bank grants licenses based on the business model. Accordingly, prudential regulatory requirements apply to all licensed banks in the country.
Bahrain	Digital banks are subject to the same licensing, regulatory, and supervisory requirements as retail banks in Bahrain, as outlined in the Central Bank of Bahrain's guideline manual.
Algeria	In early 2024, a regulatory framework for licensing digital banks was initiated. The Bank of Algeria is preparing regulations to govern these banks' operations. Therefore, until the end of 2023 and early 2024, no digital banks are licensed yet.
Saudi Arabia	To apply for a digital bank license in the Kingdom, the following conditions must be met: 1. The digital bank must be established as a local joint-stock company. 2. Founders must have: a) expertise and knowledge in the FS; b) relevant technical expertise; c) financial capability and solvency to support the bank's establishment. 3. Applicants must have a team of experts in relevant fields to discuss aspects related to the submitted application.
Kuwait	Instructions regarding digital bank licensing were issued by the Central Bank of Kuwait in January 2022.
Egypt	Rules for licensing, registering, supervising, and overseeing digital banks were issued in July 2023.

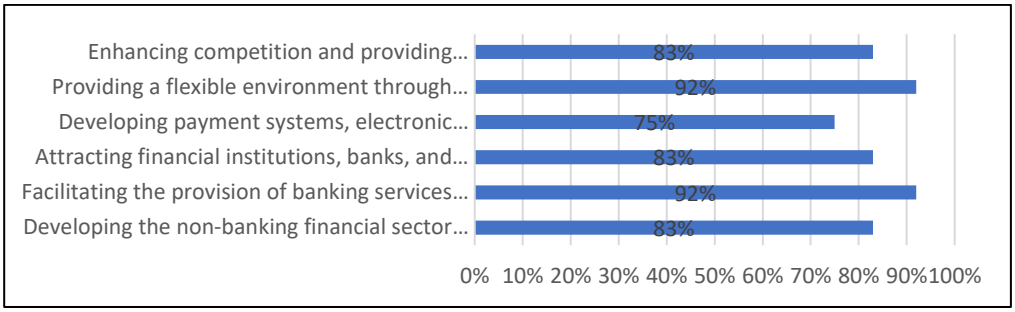
Source: *(Arab Monetary Fund, 2024, p. 177).*

3.3 Strategies for Developing Modern Financial Technologies in the Financial Services Sector.

The FS in the Arab region has undergone a significant transformation in financial transactions through the widespread adoption of modern financial technologies. Recognizing the opportunities associated with these technologies, many central banks and monetary authorities have formulated strategies aimed at advancing the FS by focusing on modern financial technologies in alignment with global developments in this field. Twelve Arab countries Jordan, UAE, Bahrain, Algeria, Saudi Arabia, Kuwait, Morocco, Tunisia, Oman, Palestine, Libya, and Egypt have developed strategies to support fintech innovation and digital transformation. These strategies target several objectives, including facilitating retail banking services, updating regulatory frameworks, attracting financial institutions with innovative solutions, and developing the non-banking FS. This is achieved through digital transformation, fostering competition, and providing innovative products and services to promote sustainable development and enhance financial inclusion.

The following figure illustrates the proportions of various objectives encompassed in the strategies for developing modern financial technologies and digital transformation in Arab countries:

Figure (6): *Objectives of the Strategy for Developing Modern Financial*



Source: *(Arab Monetary Fund, 2024, p. 186).*

3.4 Challenges to the Development of Fintech Companies in the Arab Region.

There are four primary obstacles hindering the growth of fintech companies in the Arab world (Elkhair, 2020, p. 21):

- Trust and Security Concerns: A portion of customers prefer to pay for their purchases only upon delivery, reflecting a lack of confidence in digital payment methods.
- Behavioral Resistance to Change: This relates to consumers' established payment habits. The prevalence of fraud incidents has led many bank customers to favor traditional banking channels over adopting new payment methods that underpin fintech services.
- Absence or Insufficiency of Legislation: Some countries still operate under outdated laws and regulations. Even in legislatively advanced countries, legal frameworks often fail to address recent technological developments, such as electronic identity verification, recognition of digital currencies, and authorization of their trading.
- Security Concerns: Several countries are wary of fintech operations, viewing certain activities such as data collection and customer profiling as potential threats to national security.

It is worth noting that the push to encourage adoption of financial technologies and reduce human intervention emerged in response to the 2008 global financial crisis, which exposed numerous operational challenges within banks and the global financial system.

4. Current Status of Fintech Implementation in the Kingdom of Saudi Arabia.

Aligned with Saudi Arabia's Vision 2030, which aims to develop the FS and promote entrepreneurship, the Saudi Central Bank (SAMA) launched the "Fintech Saudi" initiative in 2019. This initiative seeks to support the fintech ecosystem and position the Kingdom as a leading innovation hub with a thriving and responsible ecosystem comprising banks, investors, companies, and government institutions. The ultimate goal is to enhance financial inclusion and increase the volume of digital transactions.

Saudi Arabia's fintech ecosystem has experienced a significant transformation, evolving from an emerging sector in 2018 into a dynamic fintech hub by 2023. The annual growth rate of 47% since 2022 reflects substantial expansion in the financial services available to customers within the Kingdom (Fintech Saudi, 2023, p. 18).

4.1 Saudi Arabia's Efforts in Developing the Fintech Sector.

The Kingdom has adopted numerous initiatives aimed at supporting and advancing the fintech sector under the supervision of official regulatory bodies and other stakeholders, including the following (Shahla & Madfouni, 2022, pp. 647-648):

a. Initiatives by the Saudi Central Bank.

Between 2018 and 2023, SAMA implemented several key initiatives, notably the launch of the "Fintech Saudi" program in April 2018 in partnership with the Capital Market Authority. This initiative was designed as a catalytic step to develop fintech in Saudi Arabia and strengthen its role in national social and economic development. It focuses on supporting the development of the necessary infrastructure for fintech growth, building the capacities and talents required by fintech companies, and fostering entrepreneurship in the fintech domain.

- The launch of the legislative sandbox environment in 2018 aimed to attract both local and international companies specializing in financial technology. These companies seek to utilize existing or emerging technologies innovatively to offer new financial products or services in the Saudi market or to improve operational processes.

- The introduction of the Open Banking initiative in January 2021 supports efforts to develop the Kingdom's FSs in alignment with Vision 2030 and the FS Development Program, paving the way for a new era of financial innovation in Saudi Arabia.

b. Capital Market Authority Initiatives.

The Capital Market Authority began supporting financial technology with the launch of the Fintech Lab in 2018. This lab welcomes applicants from inside and outside the Kingdom seeking authorization and the opportunity to test financial products and services related to securities activities. These offerings align with market needs through innovative business models ready for trial within a controlled sandbox environment.

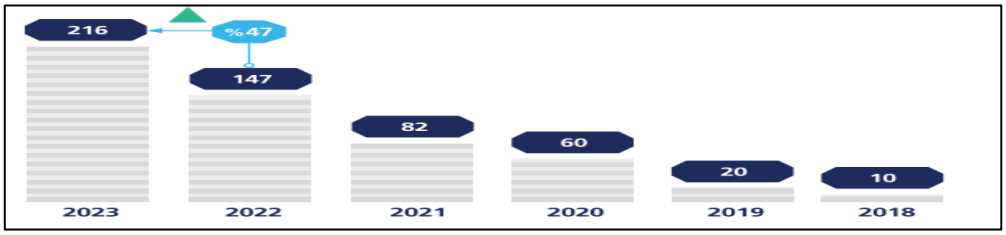
4.2. Investment Trends in Saudi Arabia's Financial Technology Sector.

Investment in fintech companies in Saudi Arabia increased by 77.9% despite the global economic slowdown affecting the fintech sector in 2023. Globally, venture capital investments in fintech declined by 48% compared to 2022, possibly reflecting a return to traditional investment patterns following the surge in activity during the COVID-19 pandemic. Nonetheless, ongoing uncertainty continues to influence global fintech investment trends in the medium and long term due to factors such as heightened regulatory scrutiny, geopolitical conflicts, economic deceleration, and shifting customer preferences toward digital services. Under these circumstances, Saudi Arabia's fintech investment market experienced significant growth in 2023, with investments totaling approximately SAR 2.7 billion across 28 funding rounds a 77.9% increase from SAR 1.5 billion in 2022. During 2023, 26 fintech startups successfully raised their required capital, with five of these companies securing investments of SAR 100 million each. Additionally, the sector attracted SAR 5.4 billion through venture capital funding via four major deals, reflecting the Kingdom's capacity to achieve growth, enhance efficiency, and foster tangible fintech innovations (Fintech Saudi, 2023, p. 128).

4.3 Evolution of Investment in Saudi Arabia's Fintech Companies.

Fintech companies in Saudi Arabia are pursuing expansion, resulting in record growth. The following figure illustrates the development in the number of active fintech companies between 2018 and 2023:

Figure (7): *Growth in the Number of Active Fintech Companies in Saudi Arabia (2018–2023)*

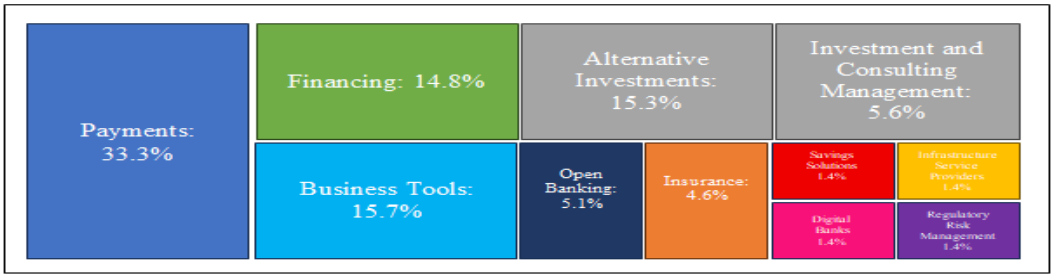


Source: *(Fintech Saudi, 2023, p. 18).*

The figure illustrates the growth in the number of fintech companies between 2018 and 2023, showing that the total number of licensed and operational companies reached 216 by 2023, reflecting a 47% growth compared to 2022. This rapid expansion can be attributed to several factors, including a young, tech-savvy population that drives demand for digital financial solutions, thereby fostering an innovative environment within the fintech sector. Moreover, the presence of a supportive legislative framework and adequate government backing further strengthens the Kingdom's position as a global fintech hub.

These companies are distributed across various fintech sectors, as detailed in the following figure:

Figure (8): *Distribution of Fintech Companies in Saudi Arabia by Activity Type*



Source: *(Fintech Saudi, 2023, p. 19).*

According to the figure, 33% of active fintech startups in Saudi Arabia operate in the payments sector. Additionally, 15.7% are engaged in business tools, while 15.3% and 14.8% operate in alternative investments and financing sectors, respectively. The remaining sectors including open banking, digital banks, insurance, and regulatory risk management have lower representation, ranging between 1.4% and 5%. This limited presence

is largely due to the relative novelty and emerging adoption of these sectors within the Kingdom.

All fintech companies represented in the figure are either licensed or authorized by the Saudi Central Bank, the Capital Market Authority, or the Saudi Arabian Monetary Authority, or they operate in activities not subject to regulation. The following figure provides further insight:

Figure 9: *Number of Regulated Fintech Companies in Saudi Arabia*



Source: *(Fintech Saudi, 2023, p. 21).*

It is evident from the figure that, as of 2023, there are 113 fintech companies operating under the supervision of the Saudi Central Bank. The launch of the regulatory sandbox by the bank in 2018 acted as a catalyst for innovation in Saudi Arabia's fintech sector, encouraging many companies to experiment with innovative business models. Additionally, 44 companies operate under the oversight of the Capital Market Authority, which regulates the fintech ecosystem focused on financial market activities. This includes two primary sectors: investment management and advisory services, as well as alternative investments. Since the establishment of the Authority's fintech laboratory in 2018, it has played a pivotal role in strengthening the fintech sector within the financial market. Furthermore, in 2023, the number of regulated fintech companies in the insurance sector increased to nine, up from four in 2022. This sector witnessed a major milestone with the approval of the Insurance Authority in August 2023, followed by a regulatory shift in November 2023, transferring authority over the insurance sector from the Saudi Central Bank to the Insurance Authority.

Fintech companies not currently regulated by financial supervisory authorities are required to comply with regulations applied in other FSs. However, these companies may ultimately come under regulatory supervision once their business models mature and become more efficient. In 2023, the number of such companies increased by 56%, reaching a total of 50 companies.

4.4 Strategy and Vision for Developing Modern Financial Technologies in Saudi Arabia.

The FS Development Program, one of the main initiatives within Vision 2030, was launched in 2017. This program rests on three key pillars: empowering financial institutions to support private sector growth, developing an advanced financial market, and enhancing financial planning and empowerment. Fintech has played a significant role in supporting these pillars. Initially, "Developing the Fintech Sector" was a sub-initiative within the first pillar, but due to the growing importance and impact of the sector on improving financial services, a dedicated "Fintech Strategy" was added as a fourth pillar within the FS Development Program (Fintech Saudi, 2022, p. 05).

The fintech strategy was officially adopted in 2022 as a core component of the FS Development Program under Saudi Arabia's Vision 2030. The strategy aims to lead the fintech sector toward a promising future, with innovation in technology-based financial services as a foundation, positioning the Kingdom as a regional fintech hub that enhances economic empowerment for individuals and society.

Within the framework of the FS Development Program and the fintech strategy, ambitious goals have been set for 2030 to measure fintech's impact across various fields, most notably:

a. Growth and Development Strategy for the Fintech Ecosystem.

Saudi Arabia's strategy aims to create a vibrant environment for fintech startups. It aspires to have 525 active companies in the sector by 2030. In 2023, the number of fintech companies increased to 216, surpassing the initial target of 150 companies for that year by 44%, and nearing the 2025 target of 230 active companies in the Kingdom.

Figure 10: *Growth Strategy for the Number of Fintech Companies by 2030*

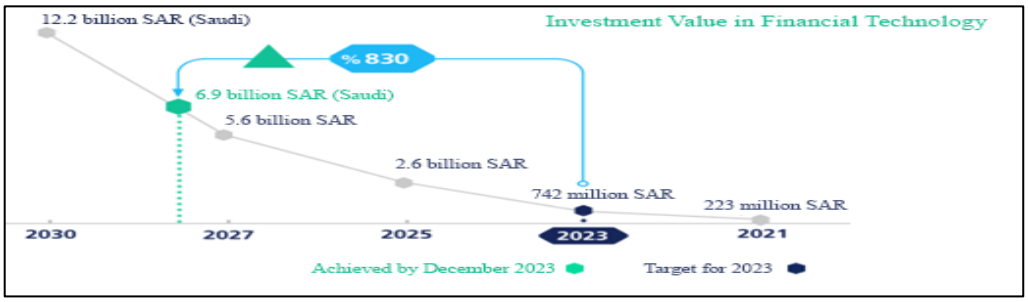


Source: (Fintech Saudi, 2023, p. 14).

b. Investment Enhancement Strategy.

Saudi Arabia's vision regarding investments in financial technology is illustrated in the following figure:

Figure 11: *Strategy to Enhance Investment Value in Fintech by 2030*



Source: (Fintech Saudi, 2023, p. 16).

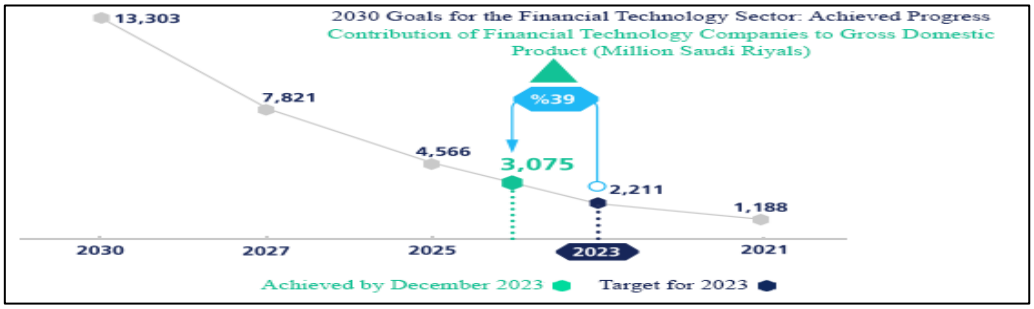
The figure shows that the cumulative venture capital that fintech companies in Saudi Arabia are projected to raise is estimated at SAR 12.2 billion by 2030. However, by 2023, the cumulative investment value had already reached SAR 6.9 billion, surpassing the initial target set for 2025. This amount represents a remarkable increase of 830% compared to the original 2023 target of SAR 742 million. With Saudi fintech firms continuing to attract investor interest, the sector appears well-positioned to meet its venture capital investment goals.

c. Economic Contribution Strategy.

This strategy aims for fintech companies' activities to make a positive contribution to Saudi Arabia's Gross Domestic Product (GDP), thereby strengthening the financial system, supporting economic diversification, and reducing reliance on oil revenues.

The following figure presents Saudi Arabia's vision for the contribution of fintech investment to the national GDP by 2030:

Figure 12: *Saudi Arabia's Vision for Fintech Investment Contribution to GDP through 2030*



Source: *(Fintech Saudi, 2023, p. 16).*

The strategy aims to enhance the contribution of the financial technology sector to the GDP by SAR 13.3 billion by 2030, with a commitment to injecting SAR 4.6 billion into the GDP by 2025. In 2023, the contribution of fintech sector investments to Saudi Arabia's GDP reached SAR 3.075 billion, exceeding the initial target for that year of SAR 2.211 billion by 39%.

From these outcomes related to Saudi Arabia's fintech strategy, it can be concluded that the fintech sector has achieved tangible results within the fintech ecosystem, enabling Saudi Arabia to realize its ambition of transforming the Kingdom into a leading hub for innovation in this sector, characterized by a thriving and responsible ecosystem.

5. Conclusion.

The financial technology sector has experienced significant global growth in recent years, particularly following the COVID-19 pandemic, which necessitated remote transaction processing. This shift prompted many countries, including Arab nations, to implement policies and financial reforms aimed at delivering diverse financial services digitally, thereby advancing the FS and enhancing financial inclusion. From the above, the following conclusions can be drawn:

- Fintech has witnessed substantial growth in recent years, especially during the COVID-19 pandemic, both globally and in the Arab world. This demonstrates its capacity to respond to, adapt, and overcome crises and challenges, largely due to increased awareness of the importance of fintech in the FS.
- Several Arab countries have successfully adopted fintech, developing projects and implementing regulatory frameworks and licensing procedures to foster growth and encourage entrepreneurship.

- The development of the modern fintech sector in Saudi Arabia is primarily attributed to government efforts and supportive initiatives led by the Saudi Central Bank, the Capital Market Authority, and Fintech Saudi, in coordination with other ecosystem components.
- The regulatory sandbox constitutes a critical regulatory framework and an enabling environment for the development and support of fintech companies in Saudi Arabia. However, entry into the sandbox is contingent upon meeting eligibility criteria and aligned government preferences and strategic priorities regarding activity sectors.
- The fintech development strategy forms part of the broader financial system development in Saudi Arabia. Its objectives include facilitating banking services for individuals, updating legislation, attracting financial institutions with innovative solutions, and developing the non-banking FS through digital transformation, enhancing competition, and providing innovative products and services. These efforts collectively aim to achieve sustainable development and promote financial inclusion.

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