

FINDEXABLE

Fintech Saudi Arabia

FUELLING THE TRANSITION

2024

Contents

| | |
|--|----|
| EXECUTIVE SUMMARY | 03 |
| 0 INTRODUCTION | |
| Don't look away | 05 |
| 1 FINTECH GROWTH DRIVERS | |
| Kickstarting the cycle | 09 |
| 2 ENABLING WEALTH CREATION | |
| Deepening the market | 15 |
| 3 SUPPORTING INNOVATION | |
| Kickstarting an innovation super-cycle | 20 |
| Footnotes | 27 |
| 4 ABOUT US | |
| About findexable | 28 |

Research methodology

This paper was developed by findexable using a combination of desk research, in-market experience and source data from the SAMA Annual Fintech Report, December 2022.

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Executive summary

Fintech in Saudi Arabia - a giant awakes

The story of Saudi Arabia's venture ecosystem is akin to that of the sleeping giant: slow to wake, but unstoppable once it gets going.

Venture and private equity investment into the Kingdom's tech sector has continued to grow over the last five years, jumping to first place for the first time across the MENA region in 2023 (see flag 1).

Fintech - a sector that accounts for about one fifth of all venture investment in Saudi Arabia plays a pivotal role: a significant domain for digital investment that's also a vital enabler of the digital economy - improving access to financial services at the same time as growing the pool of data for development of new services.



SAUDI ARABIA'S VC (R)EVOLUTION 2019-2023
VC investment ranking

| Rank | 2023 | 2022 | 2021 | 2020 | 2019 |
|------|--|---------|---------|---------|---------|
| 1 |  | UAE | Turkiye | UAE | UAE |
| 2 |  | Turkiye | UAE | Turkiye | Turkiye |
| 3 |  | KSA | KSA | KSA | KSA |
| 4 |  | Egypt | Egypt | Egypt | Egypt |
| 5 |  | Morocco | Morocco | Morocco | Morocco |

Source: Dealroom

While innovation hubs in Asia, Europe and Africa have soaked up airtime on venture and ecosystem growth, the markets of the Middle East and North Africa and Pakistan or MENAP have been largely overlooked.

Until now. Saudi Arabia attracted a third more funding last year than in 2022, despite a pullback in venture funding across the rest of the world.

There's good reason for this. The Kingdom is the largest economy at the heart of a region with some of fintech's brightest growth prospects: a demographic dividend of young, tech-savvy consumers, a wide range of increasingly pro-innovation governments and many of the world's wealthiest, venture and long-term investors.

Fintech thrives where availability of patient capital, supportive regulation and talent co-exist. So far alignment between regulators, a booming venture scene, and innovation-supporting institutions is paying rapid dividends in creating the region's

largest venture capital market in under three years.

What's been achieved so far goes beyond the MENAP region. Support for the digital economy means digital payments volumes are on a par with global peers. By the start of 2023 digital payment transactions in Saudi Arabia were in the top five globally. The number of consumers with digital payment wallets is more than a hundred times higher than five years ago. And the proportion of women employed by tech companies outstrips developed markets in Europe.

The impact goes beyond financial services too: by increasing the talent pool and digitising previously paper-based services fintech growth is delivering wider economic benefits - driving economic inclusion, creating high value tech jobs for the country's youth, and improving gender equality. Lending by local fintechs to women grew 23 times since 2019.

As 2024 gets underway, it all points to an

exciting time for fintech in Saudi Arabia as the wakening giant continues to transform. If there was ever a time to explore what's happening on the ground, it's now.

“

Despite the downturn venture funding in Saudi Arabia grew by one third in 2023.”

Introduction

Don't look away



Fuelling the transition economy

Fintech’s rapid growth in Saudi Arabia is a story of entrepreneurship empowered by regulation and economic policy. Now, after some game-changing success how can the Kingdom capitalise on its early gains?

To say the rise of fintech in Saudi Arabia during the last five years is that of a giant awakening is no exaggeration. As fintech investors in other regions have started to look elsewhere for returns Saudi Arabia seems to be just getting started.

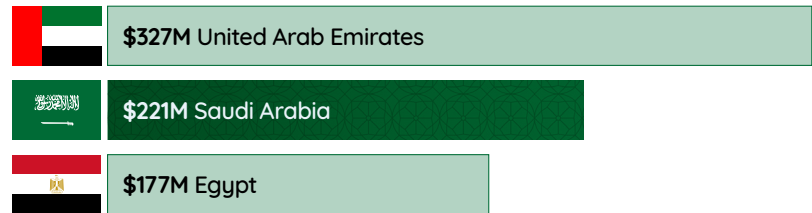
From a handful of local fintech firms at the turn of the decade to the region’s second largest fintech sector by fintech investment and number of start-ups in 2022 (see chart below) and a sector with revenues of \$750 million.

As the region’s biggest economy in the region this might have been inevitable. Increasingly however as the Kingdom’s fintech and digital economy sectors start to mature they merit comparison with global peers on metrics ranging from the ratio of women employees to growth in digital payments and improving gender equality in access to finance.

The ascent of a homegrown fintech industry is not just the result of the hard work of the country’s entrepreneurs.



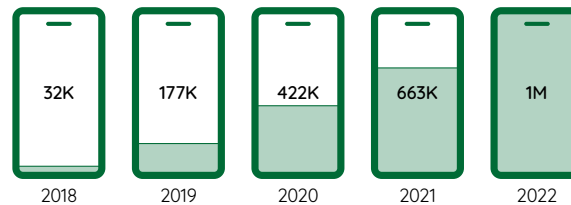
FINTECH VENTURE FUNDING 2022



Source: Findexable



DIGITAL SAVINGS APP DOWNLOADS



Source: Saudi Central Bank



Demographics (a young, technology savvy population nearly two thirds of the country are under 30¹) and government moves to incentivise entrepreneurship and use regulatory levers to stimulate financial innovation have also played a valuable role in driving adoption of digital financial services - essential for building stable businesses and a self-sustaining sector.

At the level of regulation, the Saudi Central Bank, known as SAMA, has taken a pro-innovation stance with the launch of a sandbox programme giving local fintech firms a controlled regulatory environment to test and pilot new services.

While Fintech Saudi, a national initiative tasked with enabling the fintech ecosystem, plays an active role in ensuring the fintech community gets the support it needs - from training and capacity building to connections with other markets and regions to build understanding and support firms in their journey from start-up to scale-up.

The holistic approach to the digital economy and fintech sectors (using public levers and incentivising

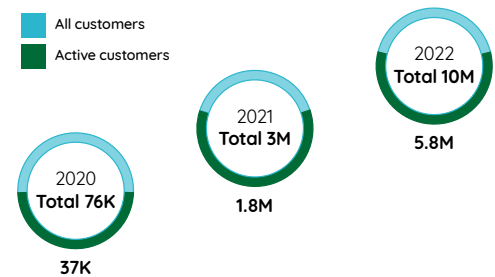
private sector investment) is already paying dividends - fuelling inward venture capital into the country's fintech firms, while driving customer adoption, and the number of regulated firms (see flag 5, **Fintechs in Saudi Arabia**, below).

Fintech success so far is only one part of a wider, national programme of economic transformation - in the form of the Vision 2030 plan - supported by government and policy to transform the private sector.



TOTAL BNPL CUSTOMERS

- All customers
- Active customers



Source: Saudi Central Bank

A national focus on diversification and digitalisation, including multi-trillion-dollar projects for development and infrastructure to build the private sector and develop the non-oil economy, is driving investment in technology across the Kingdom. ICT spending topped \$34 billion in 2023² and is expected to grow at double digits through the second half of the decade.

Economy-wide tech spending matters.

No fintech is an island: upgrading infrastructure and digitalising previously paper-based processes increases the pool of data - enabling smart, agile firms to identify opportunities and use data to innovate new services. The result already felt by women and consumers is improved access to financial services and a drop in financial exclusion.

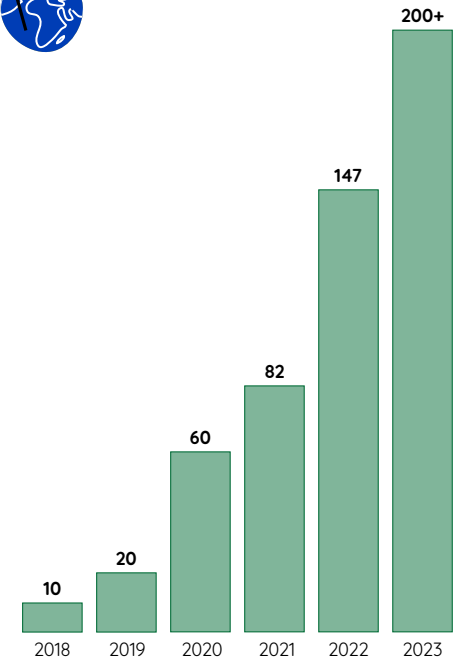
If Saudi Arabia can continue to accelerate digital transformation, managing regulation in the process to build the confidence of business and consumers to test, pilot or invent new services, the role of fintech in driving the transition economy has only just started.

Don't look away now.

“
ICT spending approached \$34 billion in 2023 with double digit growth expected to 2030.”



FINTECHS IN SAUDI ARABIA



Source: Arab News, Fintech Saudi

Fintech Growth Drivers

Key Highlights

- 200+ fintech firms in Saudi Arabia
- National innovation programmes incentivising entrepreneurship
- Venture investment continues to accelerate

Kickstarting the cycle

Rapid growth in the number of fintech firms is important. But it's the pace of adoption that's the driving force behind the success - helping to build foundations for a deeper financial market in the process.

Growth in the supply of fintech companies has accelerated over the last five years - pushing the number to over 200 firms operating in the Kingdom.

But fintech does not exist in a vacuum: fintech firms cannot succeed without trust and consumer confidence in their safety. And while growth in the number of firms has been rapid, it's the growth in consumer adoption in Saudi Arabia that has been the key ecosystem enabler.

A lot has been achieved but the country is still in the early stages of its Vision 2030 programme. As a result the pace of growth at the level of fintech likely means the journey is only just getting started.



ECOSYSTEM GROWTH, 4 REINFORCING DRIVERS:

1

National digitalisation and diversification programmes incentivising entrepreneurship

2

Enabling, pro-innovation regulation giving fintech entrepreneurs access to an engaged regulator and sandbox to test and pilot innovations

3

A growing local and international venture and corporate venture ecosystem giving founders access to capital to launch and scale fintech products

4

A demographic dividend of young consumers and a technology-friendly mindset fostered by national government

Source: Findexable

Already the region’s largest economy, and now the region’s largest digital payments marketplace, the growth in Saudi Arabia’s digital financial services sector increasingly stands up to international comparison as well.

Use of digital wallets is already among the highest globally - with rates of digital payment transaction growth to match. (See flag 7, **Digital outlier**.) While nearly one third of tech roles in start-up firms in the Kingdom are held by women, a ratio that’s 60% higher than in Europe³.

ENABLING GROWTH, DRIVING ADOPTION

Growth is good, continuous use is better. Growing use of fintech provides proof of services that customers want to use, and keep using, in their daily lives. It also kicks off a virtual chain reaction where continued use accelerates acceptance by merchants who become incentivised to make sure payments do not get in the way of sales.

As the market matures it also creates longer-run ecosystem conditions that make the market an attractive environment for entrepreneurs to innovate and build viable businesses, and later enable the formation of more complex financial products (like insurance and lending, see flags 18 - 21, below). In the process, the



DIGITAL OUTLIER

Global digital payments hubs⁴

| Rank | Country | No. Transactions (billion) |
|------|---|----------------------------|
| 1 |  India | 89 |
| 2 |  Brazil | 29 |
| 3 |  China | 18 |
| 4 |  Thailand | 17 |
| 5 = |  Saudi Arabia | 8 |
| 5 = |  South Korea | 8 |

Source: Arab News

market becomes more attractive, increasing the supply of capital for investment from private equity and venture investors.

Payments is the largest industry segment by transaction volumes and a leading indicator of fintech adoption, making it the primary gateway to deepening the

wider digital financial services ecosystem and in driving innovation diffusion.

And so far, Saudi Arabia is keeping pace. Over five years, the take-up of digital wallets has grown 70 times. From a low base in 2018 to 14 million customers registered by the end of 2022.

“
In five years take-up of digital wallets has grown 70 times.”



DIGITAL PAYMENT TRANSACTIONS

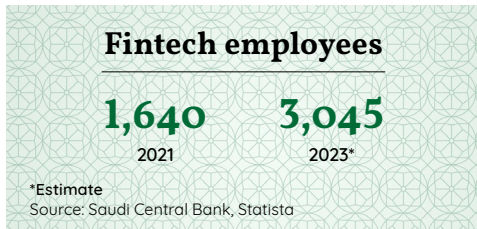
Transaction growth 2022



Source: Findexable

Acceptance has also grown rapidly - jumping to 176,000 merchants last year from just 2,000 merchants registered with digital wallets in 2018 (see flag 9, **Wallet winners**).

The progress is paying dividends. The value of sales using BNPL (or point-of-sale credit) that barely existed three years ago topped \$2 billion in 2022. Growth that is improving access to credit at the same as creating a foundation based on advanced data and analytics for the development of more complex financial products from lending to insurance.

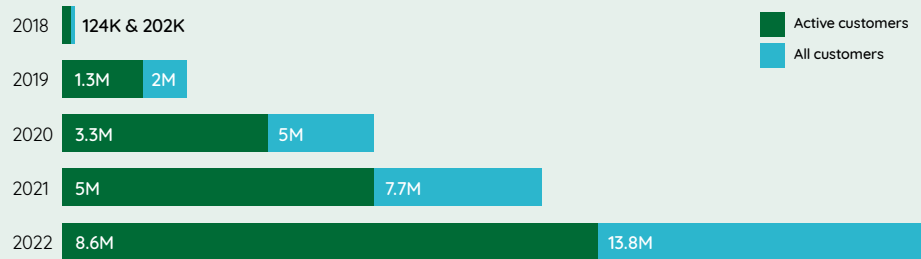


WALLET WINNERS

Saudi Arabia’s fintech market of in-demand innovations, customer relevant services and a large acceptance base is thriving.



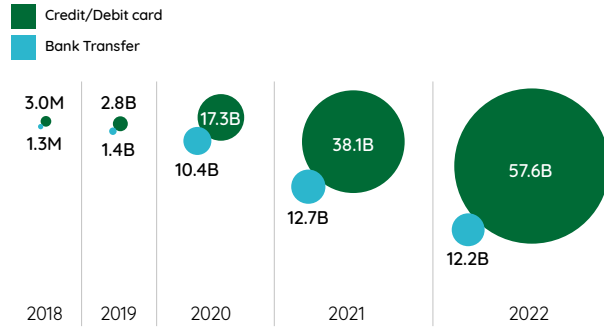
NUMBER OF CUSTOMERS REGISTERED WITH DIGITAL WALLETS



Source: Saudi Central Bank



DIGITAL WALLET TOP-UPS BY METHOD (NO. TRANSACTIONS)



On the up!

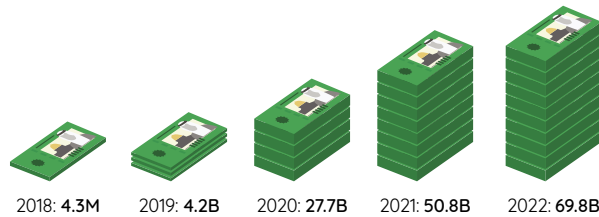
13.8 million

Digital wallet users 2022

Source: Saudi Central Bank



DIGITAL WALLET TOP-UPS BY VALUE (SAR)



Source: Saudi Central Bank

Enabling wealth creation

2

Key Highlights

- Fintech penetration in Saudi Arabia now among the world's highest
- The number of digital wallets has grown 70 times since 2018
- Growth in digital payments is increasing the sophistication of the Kingdom's digital ecosystem

Deepening the market

Financial innovation is more than an end in itself. Improving access and lowering the cost of financial services has far reaching implications and can deliver (much) wider economic benefits.

Improving access to financial services - by using data to improve analytics or digital technology to lower costs is a goal worth pursuing. McKinsey estimates that reducing the economic gap of Black Americans could add 5% to US GDP. And \$2 billion in revenues to financial providers⁵.

In Saudi Arabia fintech growth is showing progress in driving adoption of financial services and insurance at scale - and already compares well with global peers across advanced and developing markets including countries that are world leaders in driving

cashless economies like Sweden (see flag 12, **Adopt a fintech**).

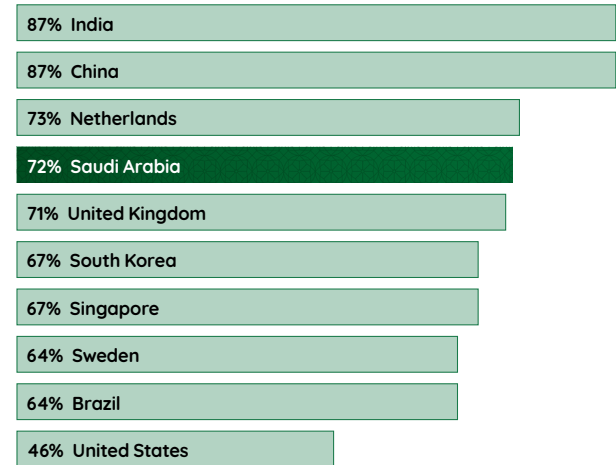
There are also early signs of the impact of fintech availability and use is having on wider financial and digital inclusion in the Kingdom (see flag 13, **Who's using fintech?**, below).

Evidence of a direct link between fintech and financial inclusion is more than anecdotal - the success of India's Aadhaar programme over the last five years made the country the global leader in digital payments - and attracted nearly 400 million new account holders within three years of



ADOPT A FINTECH

Fintech adoption rates 2021-22 (selected countries)

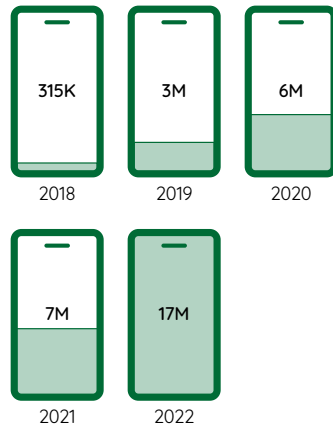


Source: Fintech Saudi, EY



WHO'S USING FINTECH?

MOBILE PAYMENTS APP DOWNLOADS



Source: Saudi Central Bank

launch. As a result the programme now reaches 90% of the population in a country where only one in three customers had a bank account a decade ago.

FINTECH FOR A MOBILE GENERATION

Following a similar logic, mobile account ownership and digital payments in Saudi Arabia have also grown exponentially over the last four years. The number of active digital wallets reached 8.6 million in 2022 (nearly eight times that of 2019, and over 70 times the amount in 2018), while as noted above, digital payments volume growth makes the country a global leader.

Fintech growth also provides useful signposts lessons for the wider MENA region, historically the region with the world's highest proportion of unbanked customers⁶.

'BUILDING-IN' COMPLEXITY

Growth in use and adoption of fintech is also building a deeper, more complex financial market.

While the growing number of electronic payments transactions and a drop in average transaction value signal how cashless payments are inserting themselves into everyday consumer behaviour, take up of new forms of financing - in consumer finance, point of sale (or buy-now-pay-later) finance and debt crowdfunding - illustrates a growing link between fintech adoption and customer confidence with more complex services.



CROWDED HOUSE

As examples, debt crowdfunding lending came close to SAR 1 billion in 2022), from nearly 100,000 investors up from 302 investors in 2019). BNPL Customers have also expanded rapidly - growing to 10 million from 76,000 four years earlier.

Increasing ecosystem sophistication is also building in mutually reinforcing benefits that will help to continue the growth - driving up distribution, improving data quality and increasing the amount of liquidity across the financial market.

There’s been an unanticipated bump in financial inclusion here too. Growth in microfinance lending has driven up the number of women borrowers who now account for nearly a quarter of all borrowers (up from zero in 2019).

INSURING WEALTH

It’s a similar story in insurance where consumer growth for online insurance marketplaces is now nine times higher at 4.7 million customers than in 2018.

Among corporate insurance customers, aggregation platforms have also scaled up access to their services. A significant step in a region that historically has the lowest insurance penetration worldwide (see flag 14, **MENA insurance penetration 2021**).

Nine out of ten commercial insurance customers are now micro-SMEs - rapidly improving access to insurance at the same as building pools of liquidity that can be deployed to deepen the financial marketplace further.



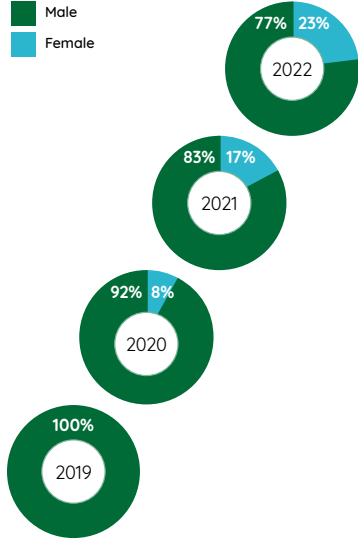
MENA INSURANCE PENETRATION 2021

| Rank | Penetration (%) |
|----------------------|-----------------|
| United Arab Emirates | 2.8 |
| Iran | 2.4 |
| Jordan | 1.9 |
| Oman | 1.5 |
| Saudi Arabia | 1.4 |

Source: Atlas



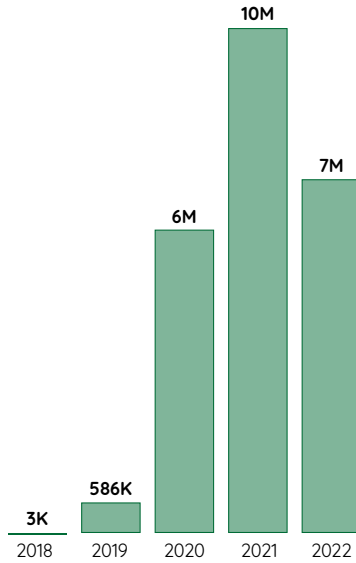
MICROFINANCE CUSTOMERS BY GENDER



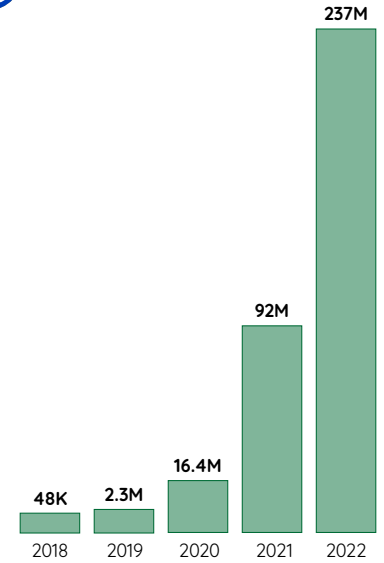
Source: Saudi Central Bank



VOLUME OF LOCAL TRANSFERS



POS TRANSACTION VOLUMES



Supporting innovation

7

Key Highlights

- Saudi Arabia putting in the regulatory framework to support continued ecosystem growth
- Rapid growth in digital insurance sector
- Fintechs are driving inclusion: lending to women is 23 times higher than 2019

Kickstarting an innovation super-cycle

Progress is impressive but building a permanent, self-sustaining financial market takes time and commitment. How does the Kingdom hold on to the early gains? And where are the opportunities for innovators and investors?

Accelerated fintech progress is good. But permanence is better. With the first wave of fintech growth underway, the challenge for the Kingdom and the ecosystem is to keep hold of the early gains - in liquidity and new customers brought into the formal financial system - to deepen the financial market, support diversification initiatives and enable long-term wealth creation.

Driving electronic and digital payments - as traditional waystations for building viable financial innovation markets - has been the right place to start.

Not just because a drive to cashless helps change customer behaviour, but also because it

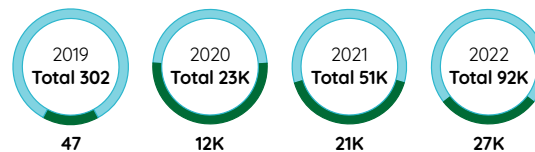
increases availability and uptake in transaction data. Data that can be put to good use elsewhere in the financial market - from improving analytics to increase lending, to identifying new opportunities for innovation and product development.

Institutional capacity building and regulatory support across the Kingdom has helped. The Open Banking framework announced at the end of 2022 are just one example of a portfolio of national regulations and institutions announced to drive diversification and reach of financial services (see flag 21, **New rules please**, below).



NUMBER OF DEBT CROWDFUNDING INVESTORS

All investors
Active investors



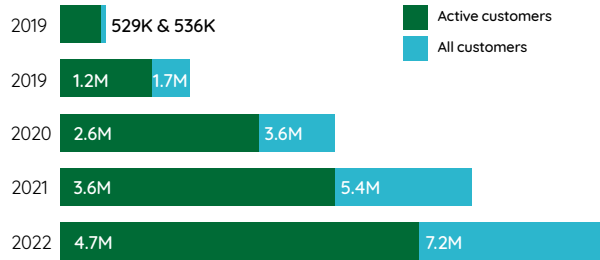
CROWDFUNDING LOAN GROWTH



Source: Saudi Central Bank



USER BASE
Retail customers registered with insurance aggregators



Source: Saudi Central Bank



NEW RULES PLEASE
Enabling regulations & infrastructure

Infrastructure



SADAD
Electronic bill payments service



Mada pay
Enhanced for e-commerce and POS data capture



Open Banking
Framework (2022)

Supporting institutions



Financial Sector
Development Program

Fintech Strategy
Announced 2022



Insurance Authority
Establishment of insurance regulator



Monsha'at / SME Bank
SME lending



Regulatory sandbox

A sustainable, wealth-generating financial market cannot survive on payments alone. The next stage of growth will need greater diversity in fintech - at the level of funding and investment to get ventures off the ground, as well as the range of services on offer.

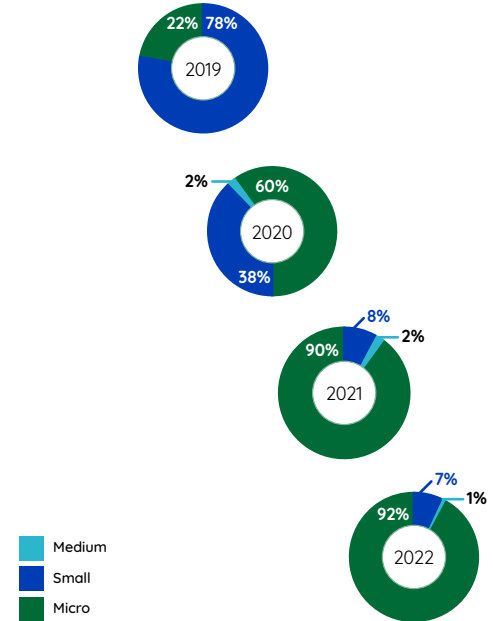
Fintech venture funding across the GCC - more than three quarters of which goes to the UAE and Saudi Arabia - is dominated by investment in payments start-ups - and much of that went to a handful of firms. Tabby, a Saudi Arabia-based fintech start-up raised over half of investment to GCC payments technology companies in 2023 so far.

Progress so far has been rapid. The Kingdom is well on track, if not ahead, of its growth targets for fintech and financial services growth. The number of fintechs registered in the Kingdom by Fintech Saudi, an industry body, reached 147 in 2022 (up from 20 four years ago) - well on course to reach or beat a target of 230 fintech firms by 2025.

After fintech's first flush however, the next phase of ecosystem growth will be determined more by ensuring the Kingdom can 'bed in' the fundamentals of regulation and venture-funded innovations - and work to channel capital, customers, and rule makers to other areas, to address gaps in provision and take advantage of a growing range of market opportunities.



INSURTECH CUSTOMERS BY COMPANY SIZE



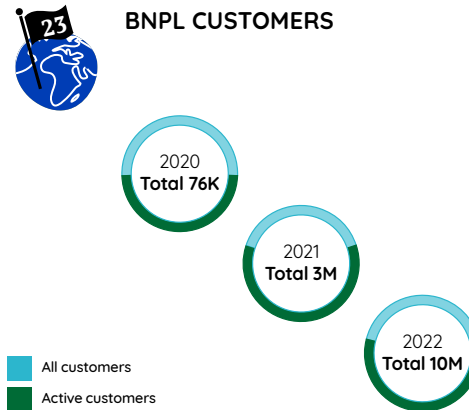
Source: Saudi Central Bank

There's no shortage of opportunity. Growth rates in key segments where provision is low, or lagging are considerable. (see flag 24, **MENA financial service growth**, below).

From consumer and SME lending, wealth and investment management and insurance, to offering financial services for the large numbers of women that have recently joined the workforce, gaps in provision and the capital market - in most cases together with enabling government programmes, grants, or regulation - making the Kingdom an attractive proposition for innovators and investors.

Take the lending market for small to mid-sized businesses or SMEs) as an example. With improving entrepreneurship a key policy goal for the country, only one in twenty SMEs use commercial banks to finance their operations in a country where over 99% of all businesses are SMEs⁷.

Latching on to early gains in fintech adoption by providing more, and relevant services to drive use - and backing that up with supporting regulation that builds customer confidence - offers the best chance to meet the Vision 2030 targets and create a self-sustaining financial sector that unlocks long-term wealth creation.



Source: Saudi Central Bank

“
Opportunities for fintech growth in 2024 include consumer & SME lending, investment management and insurance.”



MENA FINANCIAL SERVICE GROWTH

Key opportunities

| Segment | Market size (2022) | Growth to 2030 | Market developments |
|-----------------------|--------------------|----------------|--|
| Embedded finance | \$10 billion | 45% | <ul style="list-style-type: none"> • Payments fintech dominates the tech and investment landscape. • High rates of e-commerce and merchant acceptance growth driving needs for cashless payments. • Data growth from payments opening embedded finance opportunities. |
| Sustainable finance | \$25 billion* | 23% | <ul style="list-style-type: none"> • Green finance is gaining popularity in the GCC. • Value of green and sustainable bonds and sukuks totalled \$8.5 billion in 2022 (from \$605 million in 2021). |
| SME Lending | \$61 billion | >13% | <ul style="list-style-type: none"> • KSA set up Monsha'at SME Authority to support regulation and improve access to finance. • Funding Gate platform grew SME loan volume 9 times between 2020 and 2021. • Social Development Bank SME lending programme announced. |
| Defi & digital assets | \$1.2 billion | 13% | <ul style="list-style-type: none"> • STC partnered with gaming publisher Animoca to sell Web 3.0 games. • Saudi government partners with The Sandbox to develop metaverse. • KSA gaming market around half of all MENA gaming by market share. |
| Wealth management | \$317 billion | 10% | <ul style="list-style-type: none"> • KSA accounts for half of GCC wealth (around \$1 trillion in assets). • Vision 2030 target of raising savings from 6 to 10% of household income. • Less than half of citizens had savings in 2018. |
| Insurance | \$13.7 billion | 6% | <ul style="list-style-type: none"> • Number of policyholders is growing but coverage is still low. • MENA has the lowest insurance penetration of any region worldwide. • Strong population growth will drive insurance diffusion and take-up. |

* = MENA market size

Source: Findexable



**UNICORNS & ‘SOONICORNS’
Leading MENA fintechs**

| Company | Country | Sector |
|----------------|---------|--------------------|
| Sary | | E-commerce |
| Tabby | | Payments & lending |
| Paytabs | | Payments |
| Tamara | | Payments & lending |
| Fawry | | Payments & FS |
| Kitopi | | Food & Beverage |
| Dubizzle Group | | Digital media |
| Cafu | | Mobility |
| Careem | | Mobility |
| Swvl | | Mobility |

Source: Findexable



While early fintech success has been dominated by payments and BNPL expected to see high rates of growth across embedded and sustainable finance and SME lending in the year ahead.”

Footnotes

- ¹ Saudi population at 32.2 million, 63% of Saudis under 30 years old
- ² Saudi Arabia's Digital Landscape Soars, with IDC Forecasting ICT Spending to Surpass \$34.5 Billion
- ³ Saudi women leading tech in the Kingdom, The National, March 2023
- ⁴ Digital payments hubs
- ⁵ What is financial inclusion? McKinsey & Company, August 2023
- ⁶ Financial inclusion in the Middle East and North Africa, FinDeg Gateway
- ⁷ SME Monitor Quarterly Report Q3, Monsha'at 2022

About us

4



Fintech's global database

Findexable's Global Fintech Index is the global database of fintech innovation.

As a company, findexable maps, tracks, and benchmarks the world's private market fintech firms. And as passionate advocates for fintech - and its potential to accelerate digitalisation - we're on a mission to enable the success of private market fintech firms, no matter their location:

- So investors can find them
- Institutions can buy from them
- And fintech firms can benchmark themselves against peers

WHAT DO WE DO?

Help you define your market.

Benchmark fintech companies & markets.

Promote innovation. Identify opportunity.

Check out the **Global Fintech Index** and put yourself on the map!

findexable.com



Findexable produces the world's first real-time fintech index providing insight on fintech activity globally through real-time data gathering and proprietary algorithms to track, rank and benchmark fintech companies in 250+ cities across 80 countries. <https://findexable.com>

To find out more about our research and what we do contact us:

Simon Hardie

simon@findexable.com

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