

ANNUAL FINTECH REPORT



2023

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



The Custodian of the Two Holy Mosques

King Salman bin Abdulaziz Al Saud



His Royal Highness, Crown Prince, Prime
Minister, and Chairman of the Council of
Economic and Development Affairs

Mohammed bin Salman bin Abdulaziz Al Saud

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FOREWORD

Dear Reader,

We are honored to present the **Annual Fintech Report 2023**, an initiative by **Fintech Saudi** and supported by **Saudi Central Bank (SAMA)**, **Capital Market Authority (CMA)**, and **Insurance Authority (IA)**. This report offers a valuable resource for entrepreneurs, investors, and other industry stakeholders who are keen to gain an in-depth understanding of the evolution of the fintech industry in the Kingdom of Saudi Arabia (KSA).

In 2023, KSA's fintech sector experienced significant growth and transformation. The progress is driven by the launch of new startups, increased industry funding, growing adoption of innovative business models, enabling regulatory policies, and a rising market demand for innovative financial solutions. As the KSA continues to diversify its economy in line with Vision 2030, the fintech industry stands out as a key enabler of this strategic vision, fostering economic development and financial access.

This report analyzes the current state of fintechs in KSA, offering insights into the progress made across various sectors and business models. The insights presented in this report are based on industry data obtained from the fintech companies operating in the ecosystem, including regulated and non-regulated fintechs. They reflect the dynamic and evolving nature of the Saudi fintech ecosystem, showcasing the progress made and opportunities that lie ahead.

We hope this report serves as a guiding tool for stakeholders to understand the evolution of the fintech landscape and leverage the potential for growth and innovation in the KSA. We extend our gratitude to all contributors and partners who supported the development of this report. We remain committed to fostering an environment that supports the growth of the fintech industry and drives the KSA towards a prosperous, technology-driven future. We hope you find this report valuable, and welcome your feedback on how we can enhance its future editions.

Sincerely,

The Fintech Saudi Team

ABBREVIATIONS

AI	Artificial Intelligence	MCIT	Ministry of Communication & Information Technology
AIS	Account Information Services	MENA	Middle East and North Africa
AUM	Assets Under Management	Monsha'at	Small and Medium Enterprises General Authority
BNPL	Buy Now Pay Later	NFC	Near Field Communication
CMA	The Capital Market Authority	NOC	No Objection Certificate
DSAs	Digital Savings Associations	PASP	Payment Account Service Providers
EFM	Enterprise Financial Management	PFM	Personal Financial Management
EMIs	Electronic Money Institutions	PIS	Payment Initiation Services
E-money	Electronic Money	POS	Point of Sale
ExPermit	Experimental Permit	PSU	Payment Service Users
FSDP	Financial Sector Development Program	Regtech	Regulatory Technology
GDP	Gross Domestic Product	ROSCA	Rotating Savings and Credit Associations
GMV	Gross Merchandise Value	SAMA	The Saudi Central Bank
IA	The Insurance Authority	SMEs	Small and Medium Enterprises
IREFD	Investment and Real Estate Funds Distribution	TPPs	Third Party Providers
KSA	Kingdom of Saudi Arabia	VC	Venture Capital
M&A	Merger and Acquisition	YoY	Year-over-Year

EXECUTIVE SUMMARY

As part of its Vision 2030, the KSA has launched the Fintech Strategy as the fourth strategic pillar of Financial Sector Development Program (FSDP), actively pursuing its ambition to become a global fintech hub. The pursuit is guided by four key goals outlined in the Fintech Strategy for 2030, which are: grow the fintech industry to 525 companies, create 18K fintech direct jobs, boost the Gross Domestic Product (GDP) by SAR 13.3 Bn, and attract cumulative Venture Capital (VC) investments of SAR 12.2Bn.

KSA is progressing well on its fintech strategy goals, aided by multiple factors within the country. Strong consumer demand for innovative and accessible financial services is continually reshaping market dynamics in the KSA. Investments from national, regional, and global investors have enabled rapid growth and innovation across the fintech industry. Advanced digital infrastructure in the KSA provides a solid foundation for the development and scaling of fintech solutions. Therefore, a proactive and supportive regulatory environment established by key financial regulators, including SAMA, CMA, and IA ensures that the fintech ecosystem not only thrives but also operates within a framework that upholds security, trust, and compliance.

The Annual Fintech Report examines the progress made toward the Fintech Strategy goals by analyzing the developments within the Saudi fintech industry in 2023. Consisting of four detailed chapters, the report provides an analysis of the current state and future prospects of fintech in the KSA.

Chapter 1:

Saudi Arabia's Fintech Strategy delves into Saudi Arabia's Fintech Strategy, providing a detailed analysis of key performance indicators that evidence the industry's robust growth and the effective execution of the planned initiatives by industry stakeholders. The following table summarizes the sector's achievements against the targets set for 2023, illustrating a remarkable achievement across all major indicators.

PERFORMANCE INDICATOR	2023 TARGET	2023 REALIZED VALUE
Number of fintechs	150	216
Direct jobs in fintechs	3,045	6,726
Cumulative Value of investment capital raised by fintechs	SAR 742Mn	SAR 6.9Bn +
Contribution of the fintech industry to KSA's GDP	SAR 2,211Mn	SAR 3,075Mn
Share of non-cash transactions in the economy	63%	70%

EXECUTIVE SUMMARY

Chapter 2:

Ecosystem Overview presents an overview of the fintech companies operating under the purview of 3 financial industry regulators – SAMA, CMA, and IA and their participation in regulator-enabled testing environments. This chapter also provides an overview of the non-regulated fintech sectors, operating in areas such as Business Tools, Regtech, and Infrastructure Providers, among others.

Chapter 3:

KSA Fintech Sectors: Deep Dive Analysis offers an overview of the current state of fintechs in the KSA and highlights the progress made across various sectors such as Payments, Finance, Savings Tools, Open Banking, Investment Management & Advisory, Alternative Investments, Insurance, and Non-Regulated sectors. This chapter offers a comprehensive overview of various sectors and business models in the fintech industry by analyzing several operational metrics, including user base demographics, transaction volumes, assets under management (AUM), loans disbursed, and employee demographics within the sector.

Chapter 4:

Funding Trends provides a thorough analysis of how funding and investor activities are shaping up in the sector. For instance, in 2023, KSA saw its fintech industry secure SAR 2.7Bn through 28 equity funding rounds, marking an increase of 77.9% from SAR 1.5Bn in 2022. Companies also raised venture debt funding totaling SAR 5.4Bn. This chapter delves into these and other key trends shaping the trajectory of fintech investments in the KSA.

Looking ahead, the fintech landscape in KSA is set for further growth and innovation, driven by evolving business models and accelerated technology adoption. In the coming years, we expect to see broader adoption of Digital Banking, Open Banking, and Buy Now Pay Later (BNPL). Emerging business models like Insurance Aggregation, Debt instrument offering and investment platform, and platforms for the distribution of investment and real estate funds are also expected to develop and mature. These developments are well supported by robust regulatory frameworks that create a supportive environment for both startups and established financial institutions, facilitating a landscape where these business models can flourish and mature.

EXECUTIVE SUMMARY

KSA Fintech Highlights



هيئة السوق المالية
Capital Market Authority



هيئة التأمين
Insurance Authority

فنتك السعودية
FintechSaudi

Highlights of the KSA Fintech Ecosystem in 2023

216
Fintech companies

69
New fintech entrants

SAR 2.7Bn
Funding raised by fintechs

6,726
Direct jobs in fintechs

Key fintech statistics from Saudi Central Bank

113*

Licensed & authorized fintechs operating under SAMA

18

Newly licensed fintechs in 2023

5

Fintechs graduated from Regulatory Sandbox in 2023

5,973

Direct jobs created by SAMA Regulated Fintechs

SAR 75Bn

Value of local and international transfers made from EMI Digital Wallets

SAR 614Bn

Value of POS transactions processed by payment fintechs

SAR 406.9Bn

Value of E-commerce transactions processed by payment fintechs

SAR 26.6Bn

Gross merchandise value of goods sold with BNPL

Key fintech statistics from Capital Market Authority

44*

Authorized & permitted fintechs operating under CMA

14

New Experimental Permits given by CMA to fintechs in 2023

4

Fintechs licensed in 2023 to offer Equity Crowdfunding

374

Direct jobs created by CMA Regulated Fintechs

SAR 2.1Bn

Amount raised through Offering and Investment in Debt Instruments fintech platforms

SAR 1.4Bn

Assets managed by Robo-Advisory fintechs

SAR 1.3Bn

Amount raised through Investment & Real Estate Funds Distribution platforms

SAR 29Mn

Amount raised through Equity Crowdfunding platforms in 2023

Key fintech statistics from Insurance Authority

9*

Licensed fintechs operating under IA

6Mn

Policies issued through Insurance Aggregator fintechs

SAR 6.7Bn

Value of policies issued through Insurance Aggregator fintechs

379

Direct jobs created by IA Regulated Fintechs

Key fintech statistics from Non-regulated Fintechs

50

Non-Regulated Fintech in operation

18

New Non-Regulated Fintech entrants in 2023

* Definitions are referenced in the Glossary.

CHAPTER 1

SAUDI ARABIA'S FINTECH STRATEGY

- | From Vision to Action: A Multi-Pronged Approach
- | From Transformational Drivers to Tangible Results
- | Strategic Progress: Updates On the Fintech Strategy

Saudi Arabia's Fintech Strategy

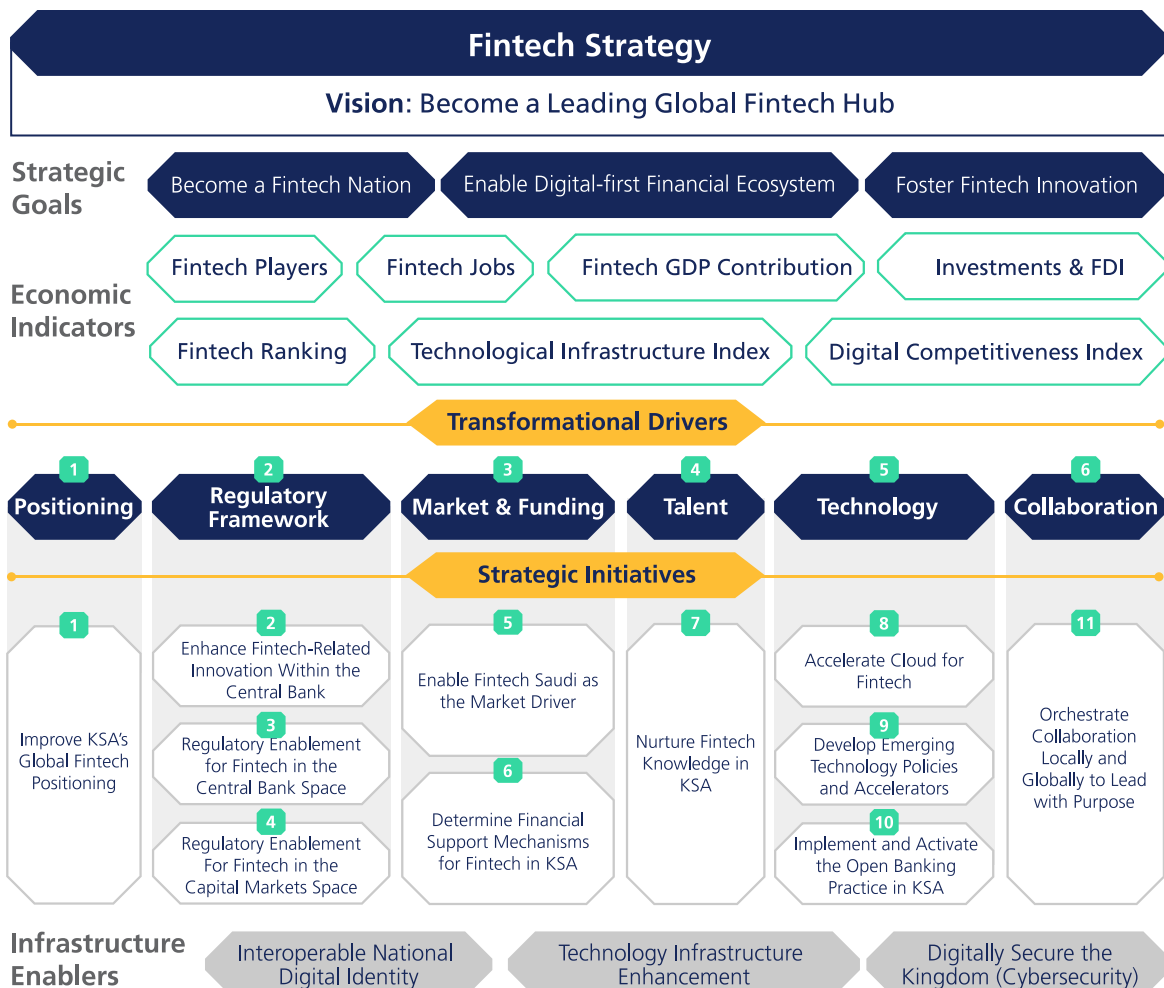
FROM VISION TO ACTION:

A Multi-Pronged Approach

The Fintech Strategy (The fourth pillar of FSDP) was designed to make the KSA a Fintech nation, innovation in technology-based financial services becomes the foundation, thereby empowering the individual and society economically. It translates Vision 2030 and FSDP's ambitious goals into a comprehensive action plan through a well-defined framework of strategic initiatives. Figure 1.1 summarizes the fintech strategy including its 3 strategic goals, 6 transformational drivers and 11 strategic initiatives.

Figure 1.1:

Overview of the KSA Fintech Strategy



The strategic initiatives are being spearheaded by several entities, including SAMA, CMA, IA, Ministry of Communication & Information Technology (MCIT), Small and Medium Enterprises General Authority (Monsha'at), and Fintech Saudi. IA, the insurance regulator in the KSA, began its operations in November 2023.

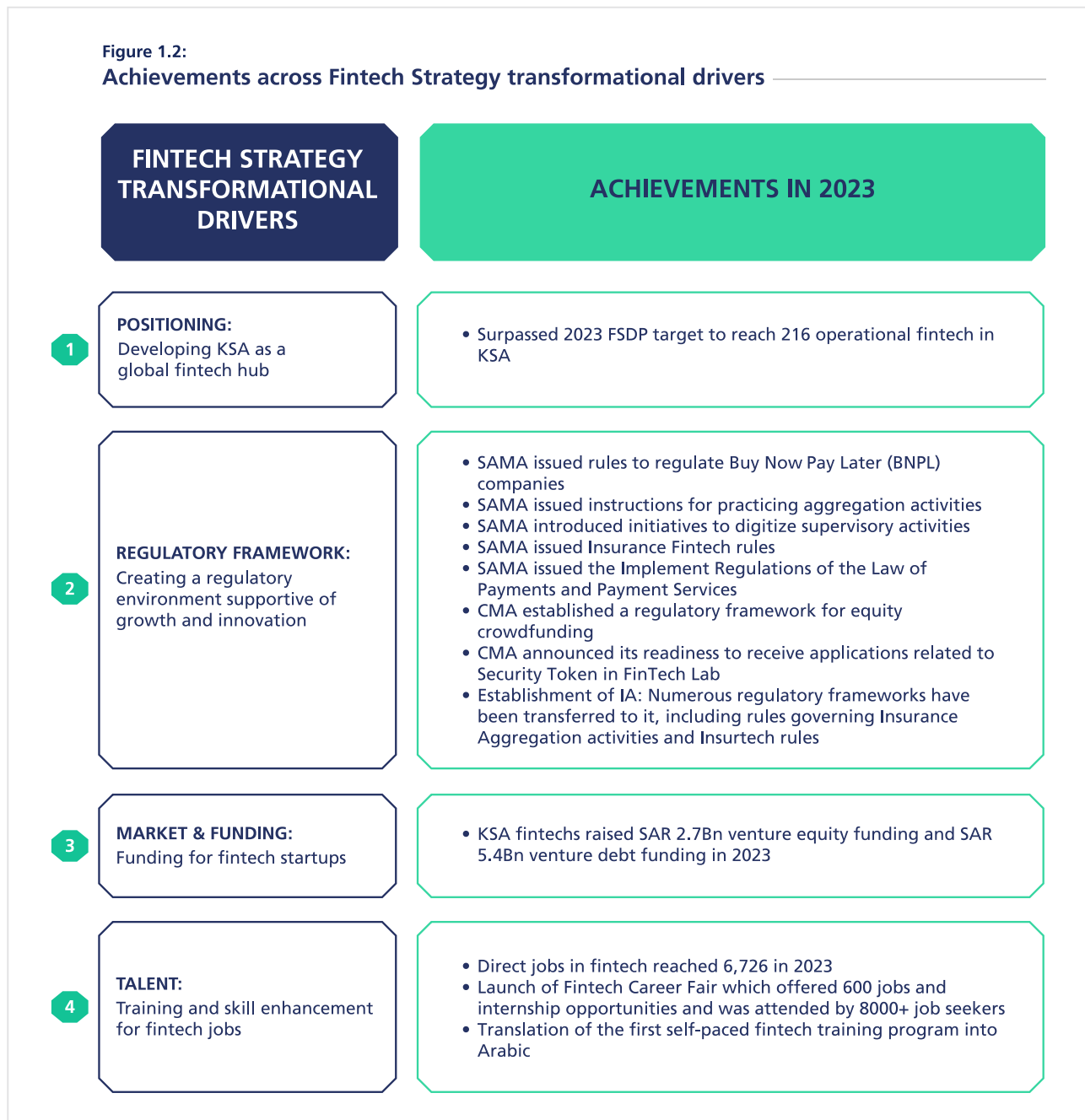
Saudi Arabia's Fintech Strategy

FROM TRANSFORMATIONAL DRIVERS TO TANGIBLE RESULTS

The Transformational drivers and underlying strategic initiatives outlined in the Fintech Strategy have resulted in a number of tangible results for the fintech ecosystem. Figure 1.2 below highlights some of the accomplishments that have helped achieve progress towards the Fintech Strategy's goals.

Figure 1.2:

Achievements across Fintech Strategy transformational drivers



Saudi Arabia's Fintech Strategy

Figure 1.2:
Achievements across Fintech Strategy transformational drivers



Saudi Arabia's Fintech Strategy

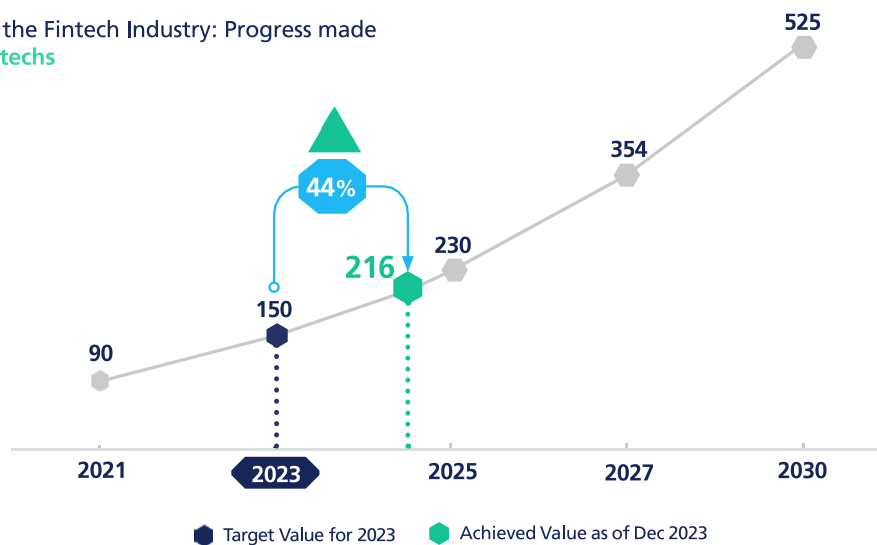
STRATEGIC PROGRESS: UPDATES ON THE FINTECH STRATEGY

Under the FSDP and Fintech Strategy, ambitious goals for 2030 have been set to measure the impact of fintech in four major areas. The report summarized progress against these targets in the sections below.

1. Flourishing Fintech Ecosystem

The strategy aims to cultivate a vibrant environment of fintech startups that fosters competition, innovation, and a wider range of financial solutions for people living in KSA. It aims to achieve 525 active fintechs in the country by 2030. In 2023, the fintech industry of KSA grew to **216** active fintech companies. This number surpassed the initial target of 150 fintechs set for 2023 by **44%** and inched closer to the 2025 commitment to reach 230 fintechs in the KSA.

Figure 1.3:
2030 Goals for the Fintech Industry: Progress made
Number of Fintechs

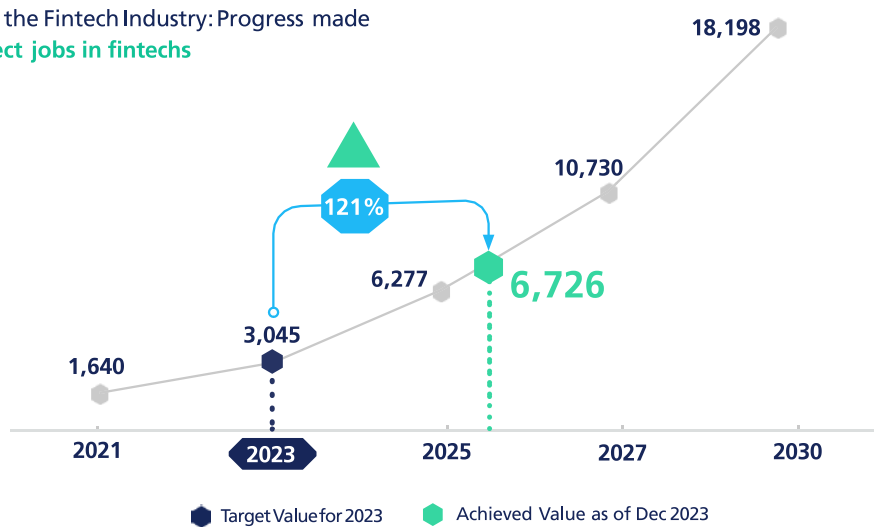


Saudi Arabia's Fintech Strategy

2. The Rise of Fintech Employment

As the fintech sector matures, the strategy anticipates the creation of a significant number of fintech jobs. This injects fresh talent into the economy, boosts employment rates, and contributes to overall economic growth. By 2030, the strategy targets to create 18K jobs in the KSA's fintech sector. The number of direct jobs in fintechs stood at **6,726** by the end of 2023, surpassing the Fintech Strategy targets for both 2024 and 2025.

Figure 1.4:
2030 Goals for the Fintech Industry: Progress made
Number of direct jobs in fintechs



3. Fueling Investment

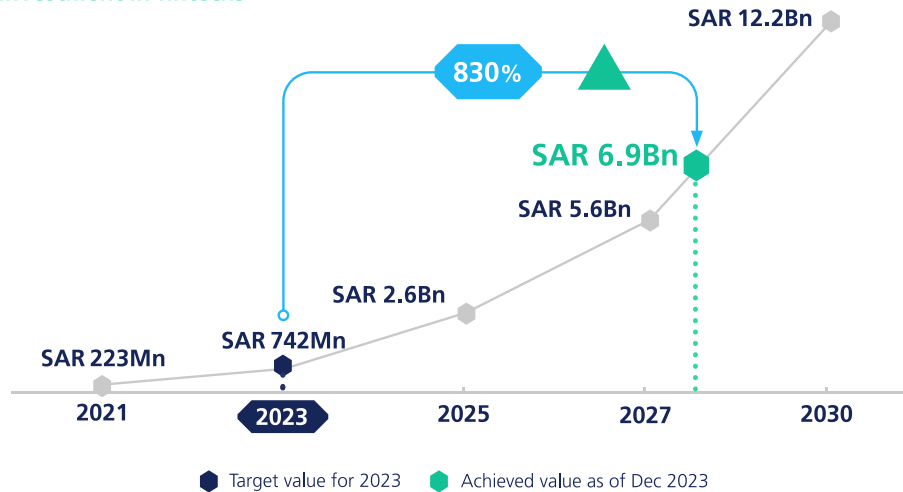
The strategy recognizes the crucial role of Venture Capital (VC) in nurturing promising fintech ventures. Attracting VC investment into domestic fintech startups helps foster innovative ideas and accelerate their time to market. By 2030, the strategy aims to achieve SAR 12.2Bn cumulative investment capital raised by fintech companies in the KSA.

In 2023, the cumulative value for investments raised by fintechs reached **SAR 6.9Bn**, surpassing the targets set for 2025. This amount was an impressive **830%** higher than the initial 2023 goal of SAR 742Mn. As Saudi fintechs continue to attract investor attention, the industry is well-positioned to meet its investment capital goals.

Saudi Arabia's Fintech Strategy

Figure 1.5:
2030 goals for the fintech industry: Progress made

Value of investment in fintechs

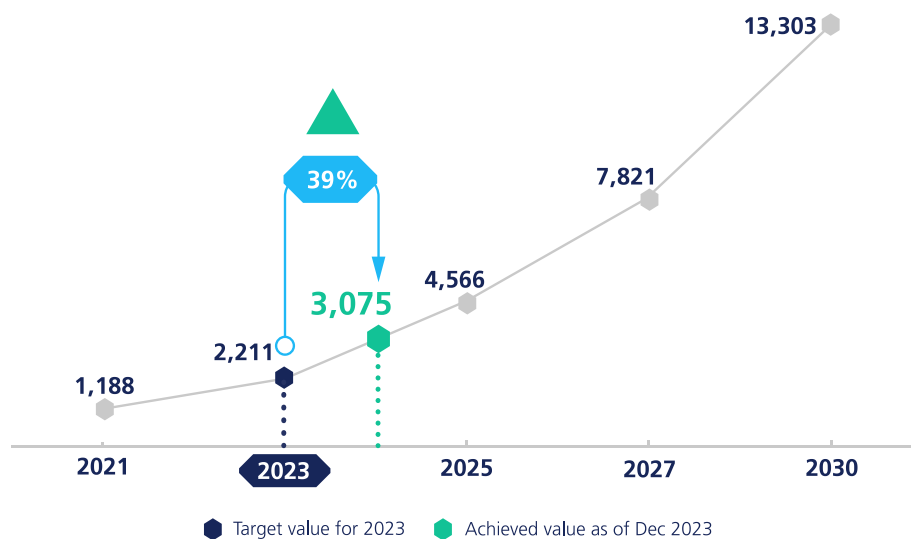


4. Economic Engine

The strategy envisions the activities of the fintech companies to positively contribute to the GDP of the country. This not only strengthens the financial system but also facilitates economic diversification and reduces reliance on oil revenues. The Fintech Strategy aims to achieve fintech contribution to GDP of SAR 13.3Bn by 2030, with a commitment to reach SAR 4.6Bn by 2025. In 2023, the fintech industry's contribution to KSA's GDP reached **SAR 3,075Mn**, 39% higher than the initial 2023 goal of SAR 2,211Mn.

Figure 1.6:
2030 goals for the fintech industry

Contribution of the fintechs to GDP (SAR Mn)



CHAPTER 2

ECOSYSTEM OVERVIEW

AN OVERVIEW OF THE ECOSYSTEM AND ACTIVE SECTORS

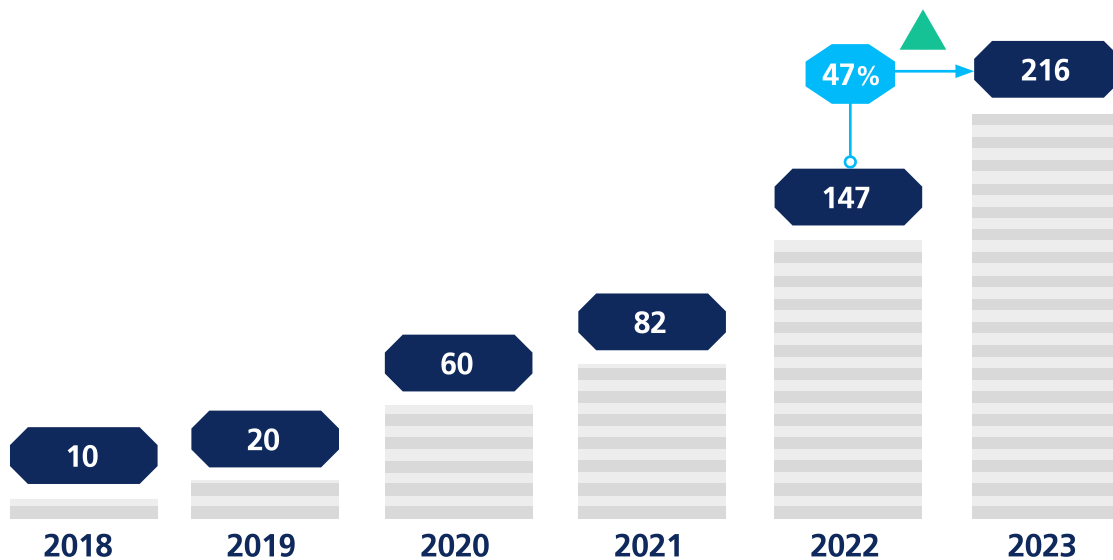
- | From Blueprint to Breakthrough: Fintech Growth in Saudi
- | KSA Fintech Ecosystem Map
- | Overview Of Regulated Fintechs in KSA
- | Non-Regulated Fintech Sectors

ECOSYSTEM OVERVIEW

FROM BLUEPRINT TO BREAKTHROUGH: FINTECH GROWTH IN SAUDI

KSA's fintech ecosystem has experienced significant growth, evolving from a nascent industry in 2018 to a vibrant fintech hub in 2023. The 47% Year-over-Year (YoY) growth from 2022 reflects a significant expansion in the financial services available to customers in the KSA, through fintechs. This section explores how the entry of new fintechs, with innovative business models in various financial sectors, has led to this ecosystem's growth. We will also highlight key initiatives from financial regulators and Fintech Saudi in 2023 that have supported the development of the fintech ecosystem in the KSA.

Figure 2.1:
Growth in the number of operational Fintechs in KSA

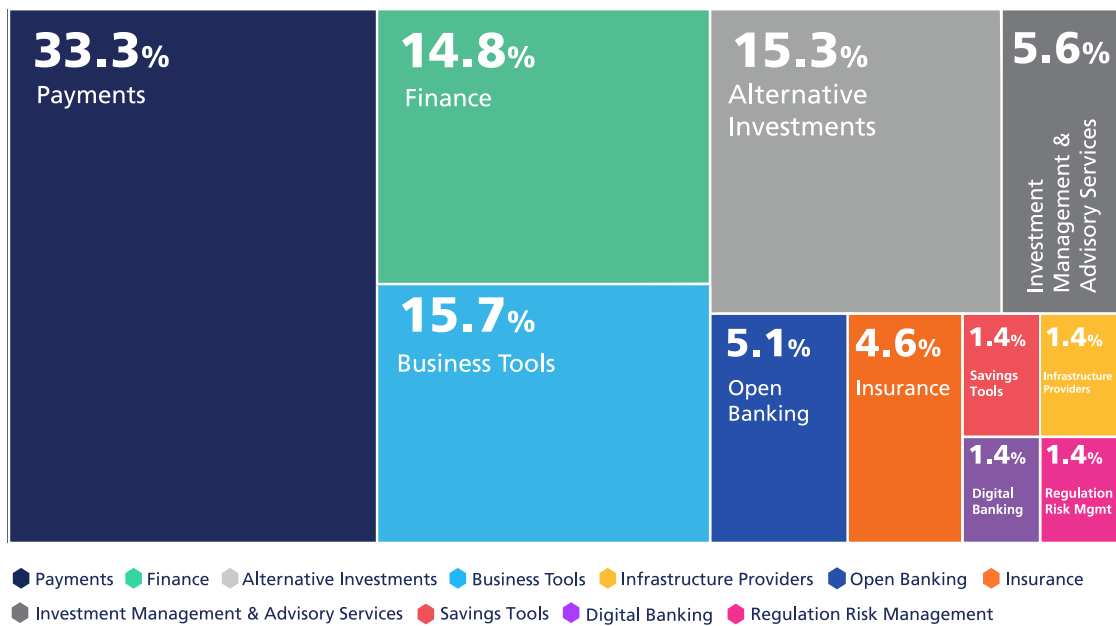


This growth trajectory reflects a confluence of factors. A young, technologically adept population is driving demand for digital financial solutions, creating fertile ground for fintech innovation. This, coupled with a supportive regulatory environment and government support, is propelling KSA towards becoming a global fintech hub.

ECOSYSTEM OVERVIEW

Figure 2.2 depicts the percentage breakdown of fintech sectors relative to the total number of fintechs in the KSA. Figure 2.3 provides a detailed count of the fintechs operating in each sector, along with their names.

Figure 2.2:
Distribution of fintechs in KSA by type of activity
(216 operational fintechs in 2023)



ECOSYSTEM OVERVIEW

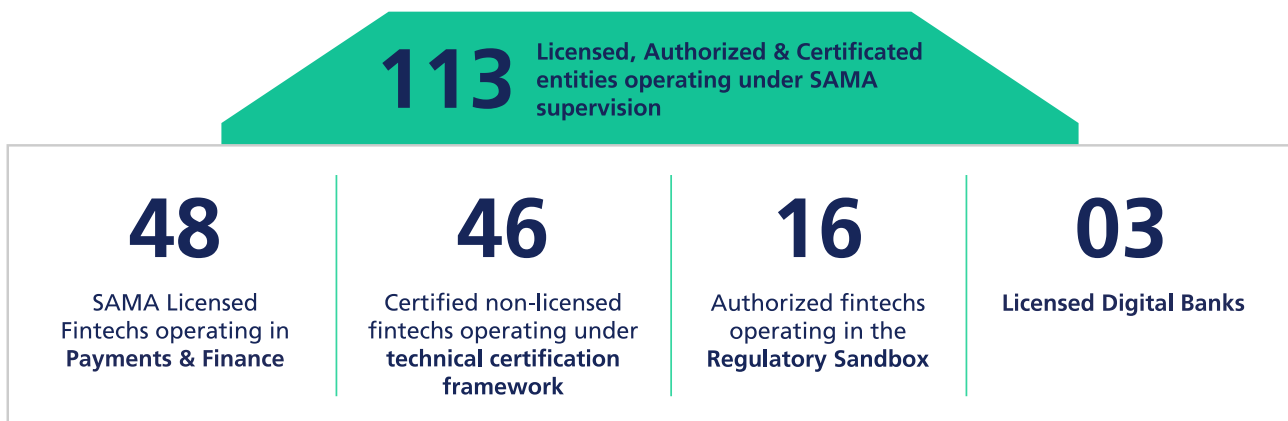
OVERVIEW OF REGULATED FINTECHS IN KSA



*Includes non-licensed fintechs operating with technical certification framework

FINTECHS REGULATED BY SAMA

Within the purview of the Saudi Central Bank (SAMA), a diverse fintech ecosystem has developed, which includes a multitude of financial technology companies across sectors such as Payments, Finance, Digital Banking, Digital Savings Associations, and Open Banking. The inception of SAMA's Regulatory Sandbox in 2018 acted as a catalyst for fintech innovation in KSA, leading to several companies experimenting with innovative business models.



ECOSYSTEM OVERVIEW

Figure 2.4:
Number of SAMA licensed, authorized & certified entities (YoY)

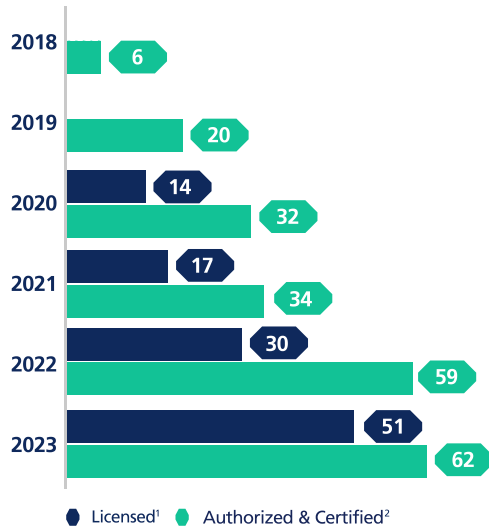
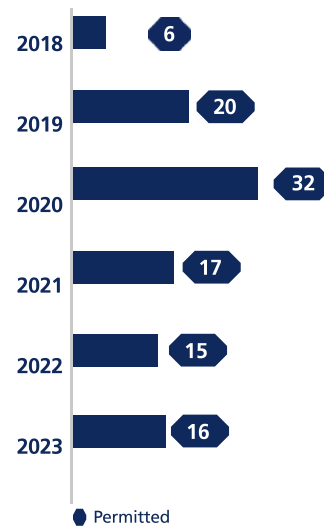


Figure 2.5:
Permitted fintechs in SAMA regulatory sandbox (YoY)



Certified payments fintechs under technical certification framework

Payments Deputyship, which functions as the payment industry operator under SAMA, has enabled a flexible and interoperable national payment system in the KSA. It actively works with payment fintechs to provide technical certifications to ensure optimal services are offered through the country's payment systems. In 2023, 14 new technical certifications were given to fintechs across four business models in the payments sector.

¹ Licensed entities include fintechs operating in Payments, Finance and Digital Banks.

² Authorized & Certified entities include certified non-licensed fintechs operating under technical certification framework and authorized fintechs operating in the Regulatory Sandbox.

ECOSYSTEM OVERVIEW

FINTECHS REGULATED BY CMA

The Capital Market Authority (CMA) oversees a fintech ecosystem dedicated to capital market activities. This covers two main sectors: Investment Management and Advisory, and Alternative Investments. In the Investment Management and Advisory sector, new business models like Robo-Advisory, Social Trading, and Artificial Intelligence (AI) in Advisory are gaining traction. Meanwhile, in the Alternative Investments sector, business models such as Equity Crowdfunding, Investment & Real Estate Funds Distribution, and Offering & Investment in Debt Instruments are growing.

The CMA FinTech Lab has played a pivotal role in catalyzing the fintech sector in capital markets since 2018. 38 fintechs were in the FinTech Lab in 2023. Of the 38 fintechs in the FinTech Lab, 14 received an experimental permit (ExPermit) to innovate in sectors like Offering and Investment in Debt Instruments, Investment and Real Estate Funds Distribution Platforms, Robo-Advisory, AI in Advisory.

44* Fintechs Operating Under CMA Supervision

08

Fintechs authorized by CMA

38

Fintechs permitted by CMA to operate in the FinTech Lab (ExPermit)

*Two fintechs operate in both authorized and the FinTech Lab and are counted once.

Figure 2.6:
Number of fintechs permitted for CMA FinTech Lab (YoY)

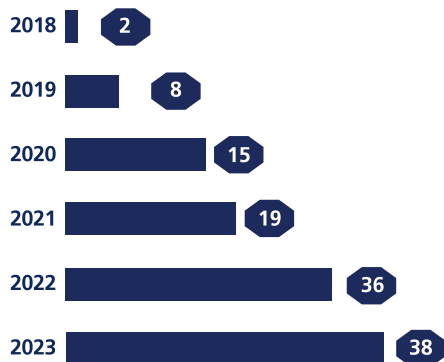
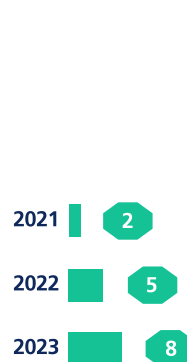


Figure 2.7:
Number of fintechs authorized by CMA (YoY)



ECOSYSTEM OVERVIEW

FINTECHS REGULATED BY IA

The insurtech sector in KSA welcomed a number of key developments in 2023. It witnessed a key milestone with the approval of the establishment of the Insurance Authority (IA) in August 2023. This saw a change in the regulatory authority for the insurance sector from the Saudi Central Bank to the Insurance Authority in November 2023.

New rules for insurance fintechs, or insurtechs, were approved to provide startups with flexibility and increased regulatory clarity.

In 2023, the number of regulated fintechs in the insurance sector more than doubled from 2022.

Figure 2.8:
Number of active Fintechs in Insurance Sector



While the market penetration of insurance coverage in Saudi is still developing, the sector is poised for further growth. The FSDP aspires to increase gross written premiums as a percentage of Non-oil sector GDP to 2.4% by 2025 and to 4.3% by 2030 from 1.9% in 2019. The establishment of the IA and recent regulatory changes provide further stimulus for growth of the Insurtech sector in the KSA.

ECOSYSTEM OVERVIEW

NON-REGULATED FINTECH SECTORS

The Non-Regulated fintech sector comprises of fintechs that either do not engage in any activities regulated by SAMA, CMA, or the IA, or they provide services to regulated entities. While currently not regulated by financial regulators, these Non-Regulated fintechs may still need to comply with relevant regulations from regulators in other industries. But, as these companies' business models mature, they may eventually come under the supervision of financial regulators. In KSA, the Non-Regulated fintech sector features a diverse range of Business models such as Business tools, back-office banking solutions, regtech, invoicing platforms, closed loop payments, rent now pay later, customer experience solutions, and data aggregators, among others. The number of fintechs operating in non-regulated business models grew by 56% to reach 50 fintechs in 2023. Of these 50 fintechs, 34 operated in the Business Tools segment.

Figure 2.9:
Number of Active Non-Regulated Fintechs



CHAPTER 3

KSA FINTECH SECTORS: DEEP DIVE ANALYSIS

3.1 | Payments

3.2 | Finance

3.3 | Open Banking

3.4 | Savings Tools

3.5 | Investment Management and Advisory

3.6 | Alternative Investments

3.7 | Insurance

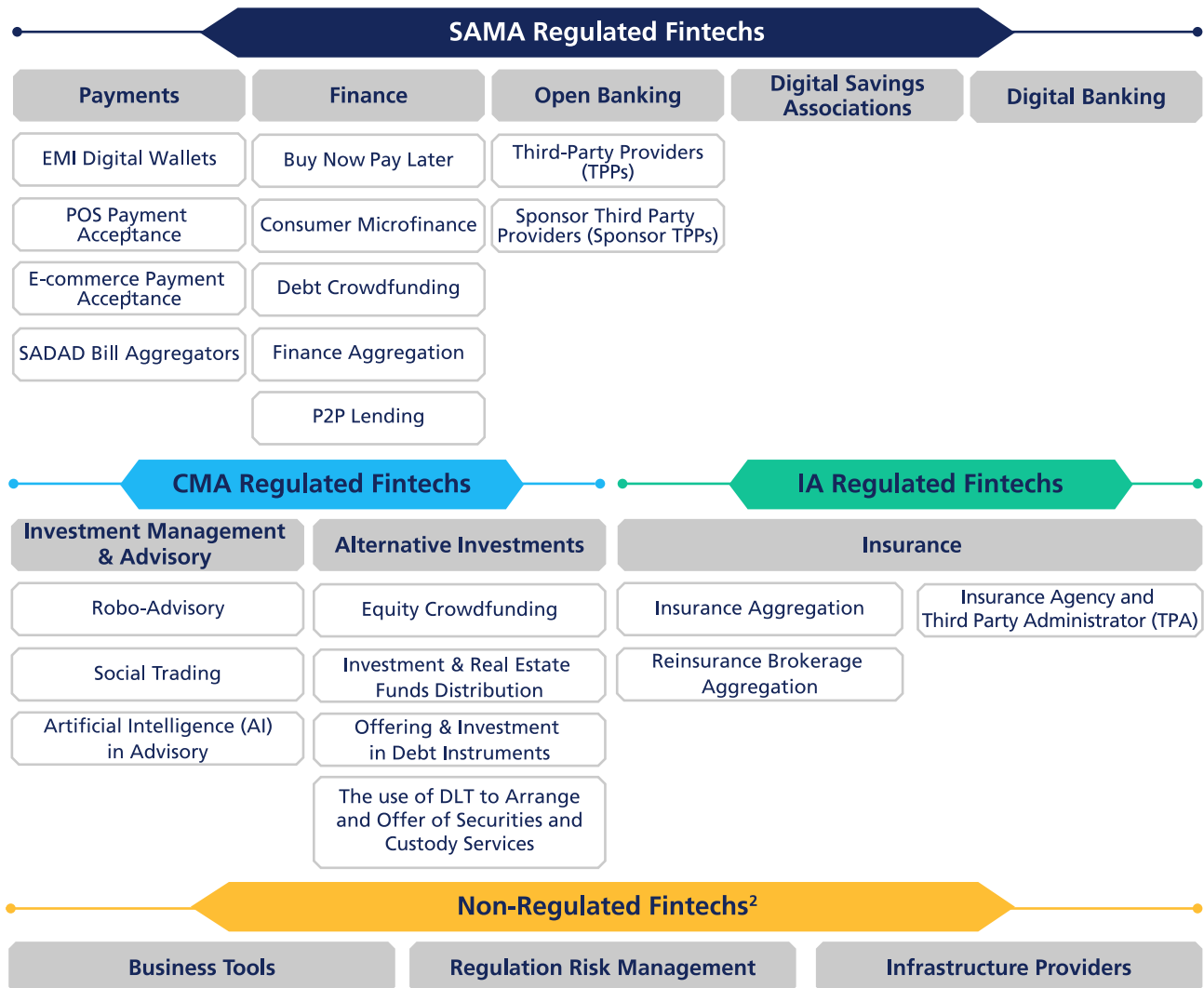
3.8 | Non-Regulated Fintech Sectors

OVERVIEW OF FINTECH SECTORS AND BUSINESS MODELS IN KSA

This chapter provides a detailed view of the status of fintech sectors and business models in KSA in 2023, supported by quantitative data obtained from industry participants. The analysis covers adoption and trends across regulated fintech sectors, including Payments, Finance, Personal Finance & Savings, Digital Banking, Investment Management & Advisory, Alternative Investments, Insurance, and Open Banking. It also includes insights into non-regulated fintech sectors.



KSA Fintech: Sectors & Business Models (Illustrative and non-exhaustive)



¹ Some of the fintechs operating with these business models can operate by obtaining technical certification from Payments Deputyship, without needing a license from SAMA.

² Some fintech companies from regulated sectors may operate as partners of regulated entities to provide financial services in KSA. These Non-Regulated Fintechs work within the framework established by regulated entities to offer their services.

3.1

FINTECHS REDEFINING PAYMENTS IN KSA

EMI Digital Wallets | POS Payment Acceptance | E-commerce Payment Acceptance
| SADAD Bill Aggregation

Insights into the Role of fintechs in the Saudi Payments Sector

The KSA is experiencing a transformation in its payments landscape, driven by an increase in the volume of digital payments and the rise of innovative fintech solutions in the sector. In 2023, 70% of all retail payments were conducted electronically, marking a 12.9% increase from 2022. This growth trajectory is further amplified by the widespread adoption of Near Field Communication (NFC) technology, with SAMA reporting that 96% of Point of Sale (POS) transactions use contactless payment methods.

Regulatory Framework for Payments in KSA

KSA's payment sector offers two frameworks for fintechs to operate under. The regulatory framework through SAMA and the technical certification framework managed by Payments Deputyship. This integrated approach ensures that payment service providers and fintechs in the payments sector operate within a secure, efficient, and compliant environment. There are four primary business models that fintechs typically operate within the payments sector: Electronic Money Institution (EMI) Digital Wallets, POS Payment Acceptance, E-commerce Payment Acceptance, and SADAD Bill Aggregation.

BUSINESS MODEL	REGULATORY FRAMEWORK FOR THE OPERATING MODEL
EMI Digital Wallets	<ul style="list-style-type: none"> EMI Digital Wallets operate with an EMI license from SAMA They use the EMI license to store E-money to offer services like local transfers, international transfers, bill payments etc.
POS Payment Acceptance	<ul style="list-style-type: none"> Fintechs may use a Payment Institution license from SAMA to operate as a POS Aggregator Fintechs may also procure a technical certification from Payments Deputyship to operate as POS Merchant Services Providers, Soft POS Merchant Services Providers, and Soft POS Technology Providers
E-commerce Payment Acceptance	<ul style="list-style-type: none"> Fintechs may obtain a Payment Institution license from SAMA to operate as an E-commerce Payment Service Aggregator Fintechs may also procure a technical certification from Payments Deputyship to operate as E-commerce Payments Technical Service Providers and E-commerce Payment Gateways
SADAD Bill Aggregation	<ul style="list-style-type: none"> Fintechs may receive a Payment Institution license from SAMA to operate as a SADAD Bill Aggregator

Payments

Figure 3.1.1:

A snapshot of fintech powered digital payments metrics in Saudi Arabia

EMI Digital Wallets



POS Payment Acceptance



E-commerce Payment Acceptance



SADAD Bill Aggregation



Payments

Employment Statistics for Payments Fintechs

The workforce in the payments sector fintechs grew by 139% Year-over-Year (YoY), reaching a total of 6.7K individuals in 2023. The sector saw a shift in gender composition, with female representation increasing to 20% from 18% in the previous year. 91% of the workforce was Saudi.

Figure 3.1.2:
Number of employees in Payments

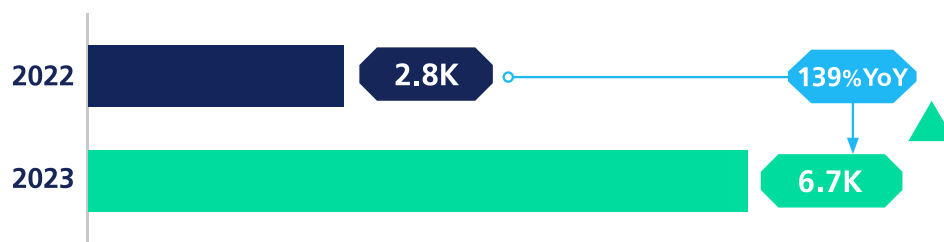


Figure 3.1.3:
Employee breakdown by location of residence in Payments

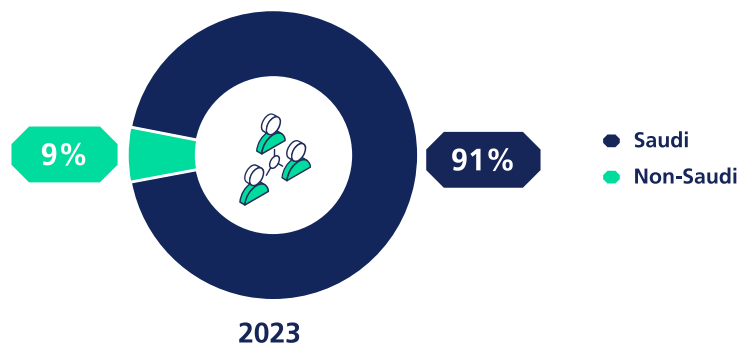
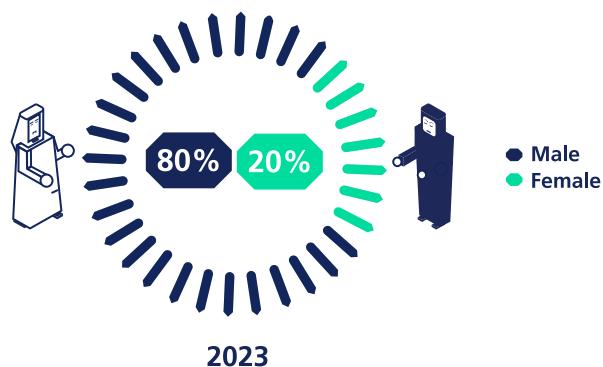


Figure 3.1.4:
Gender breakdown of employees in Payments



Payments

1. EMI Digital Wallets

In KSA, Electronic Money Institution (EMI) Digital Wallets operate with an EMI license under SAMA, leveraging their ability to store E-money to offer users digital payment solutions. EMI means a Payment Service Provider that is licensed to store Electronic Money (E-money). E-money refers to digitally stored monetary value and offers digital alternatives to cash, enabling users to store, transfer, and manage funds electronically. The number of fintechs operating with an EMI license increased from 9 in 2022 to 10 in 2023.

CUSTOMER DEMOGRAPHICS (FIGURE 3.1.5 TO FIGURE 3.1.10)

In 2023, the number of customers using EMI Digital Wallets grew by 56%, reaching 21.6Mn from 13.9Mn the previous year. Although more customers are signing up, not everyone is staying active. For example, among retail customers, only 44% conducted a transaction in 2023, down from 62% the year before. The split between male and female users has not changed materially, with men making up 74% and women 26%. Most users are between 20 and 40 years old, making up 69% of the customer base, while those aged 40 to 50 make up another 16%.

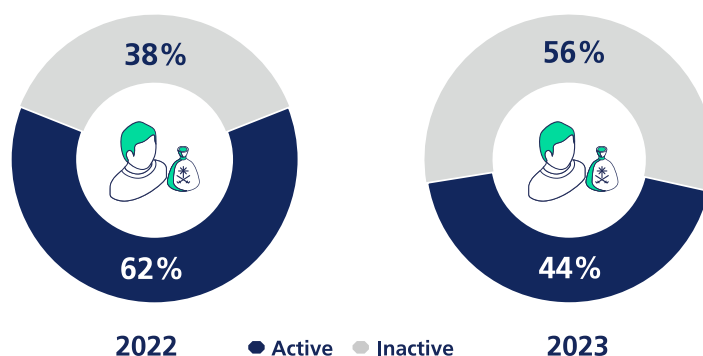
30% of retail customers are based in Riyadh Province, 25% in Makkah Province, 18% in the Eastern Province, and 6% in Medina Province.

Figure 3.1.5:
Total number of customers (EMI Digital Wallets)



Payments

Figure 3.1.6:
Breakdown of retail customers by level of activity (EMI Digital Wallets)



Active - A customer that conducted at least one transaction in the year to 31 Dec.
Inactive - A customer that does not conduct any transactions in the year to 31 Dec.

Figure 3.1.7:
Breakdown of retail customers by gender (EMI Digital Wallets)

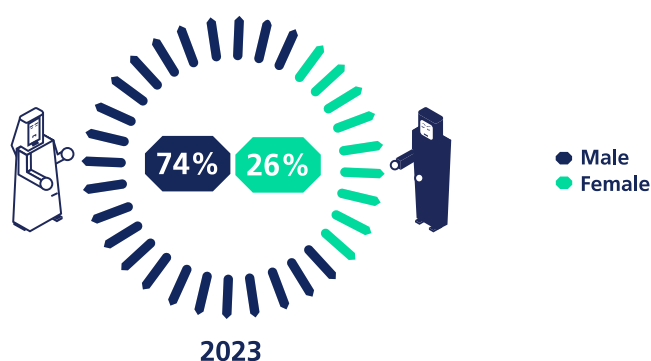
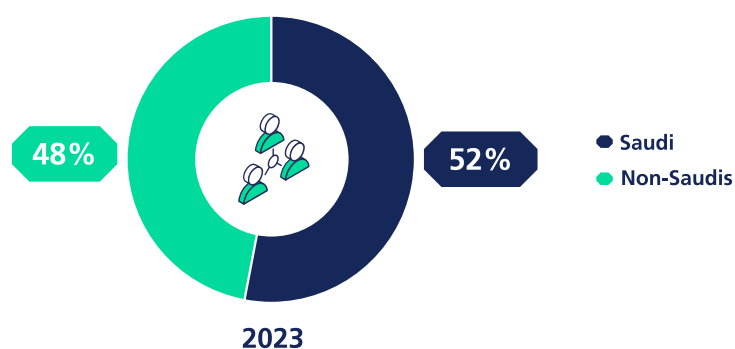


Figure 3.1.8:
Breakdown of retail customers by nationality (EMI Digital Wallets)



Payments

Figure 3.1.9:
Breakdown of retail customers by age (EMI Digital Wallets)

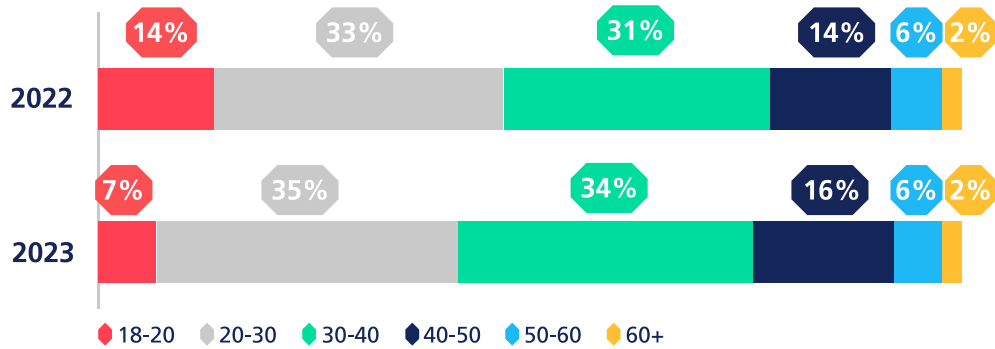
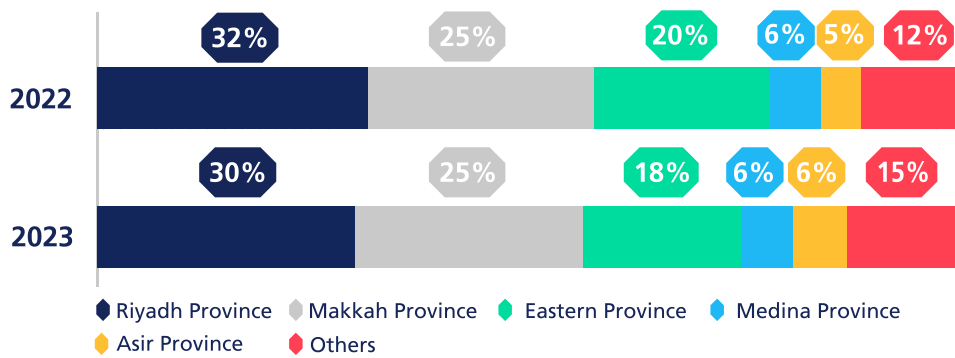


Figure 3.1.10:
Breakdown of retail customers by geographic location (EMI Digital Wallets)

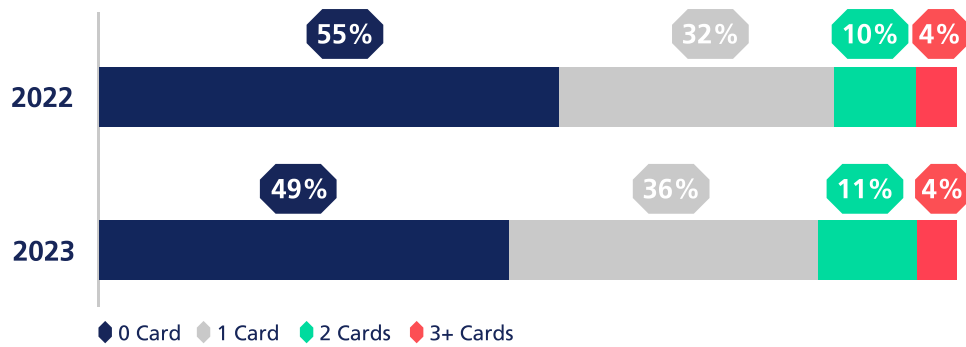


Payments

SECTORAL TRENDS AND TRACTION (FIGURE 3.1.11 TO FIGURE 3.1.17)

49% of EMI Digital Wallets are not linked to any cards, followed by 36% linked to one card, 11% linked to two cards, and 4% linked to three or more cards.

Figure 3.1.11:
Total number of EMI Digital Wallets broken down by the number of associated cards



Payments

Local Transfers

Local transfers in KSA refer to digital payments made within the country, transferring funds from one bank account to another or from one EMI Digital Wallet to another, or a combination of both. These transactions are conducted in Saudi Riyal and use instant payment systems like **sarie IPS** to facilitate transfers, ensuring they are processed swiftly and securely.

In 2023, the number of local transfers from EMI Digital Wallets reached 30.9Mn, with a combined value of SAR 36.6Bn.

Figure 3.1.12:

Total number and value of local transfers from EMI Digital Wallets

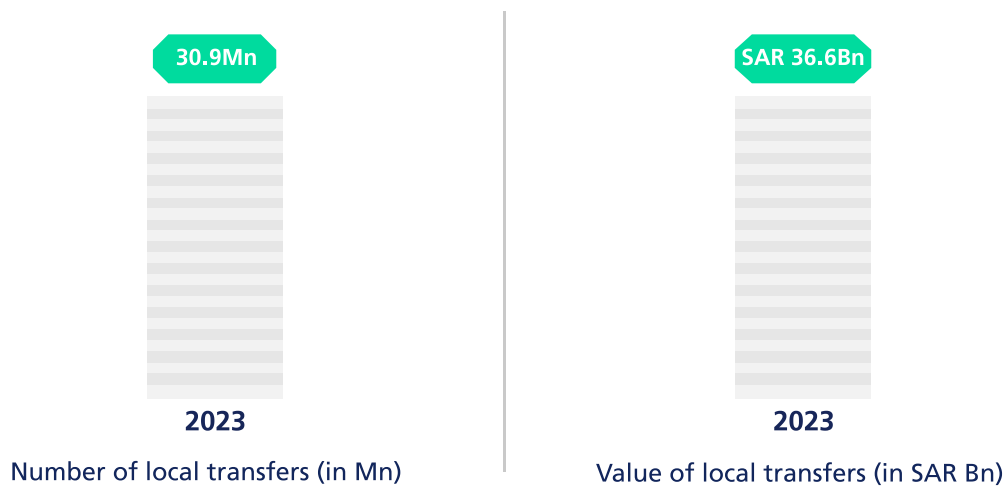
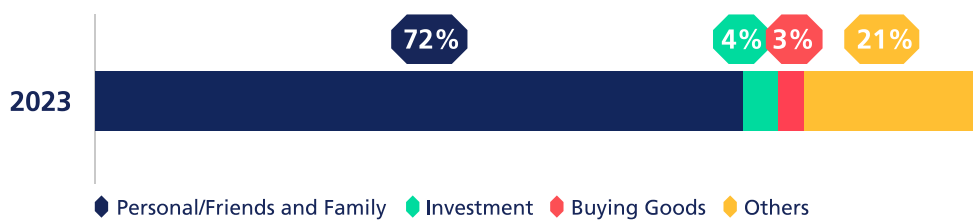


Figure 3.1.13:

Breakdown of total local transfer value by purpose (EMI Digital Wallets)



Payments

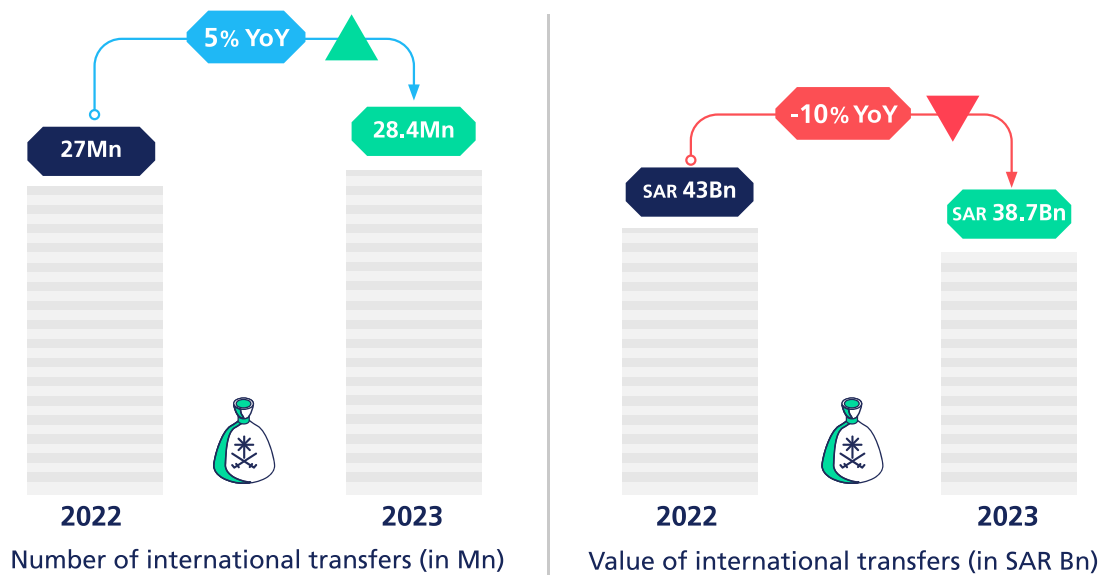
International Transfers

International transfers involve the electronic transfer of funds from a bank account or EMI Digital Wallet in KSA to a bank/corresponding-payment account outside of the country. These transactions can be made in different currencies and are subject to foreign exchange regulations, as well as the banking regulations of the destination country.

The total number of international transfers from EMI Digital Wallets in 2023 increased by 5% to reach 28.4Mn from the preceding year's 27Mn. The value of international transfers from EMI Digital Wallets in the year decreased by 10% to reach SAR 38.7Bn from the prior year's SAR 43Bn.

Figure 3.1.14:

Total number and value of international transfers from EMI Digital Wallets



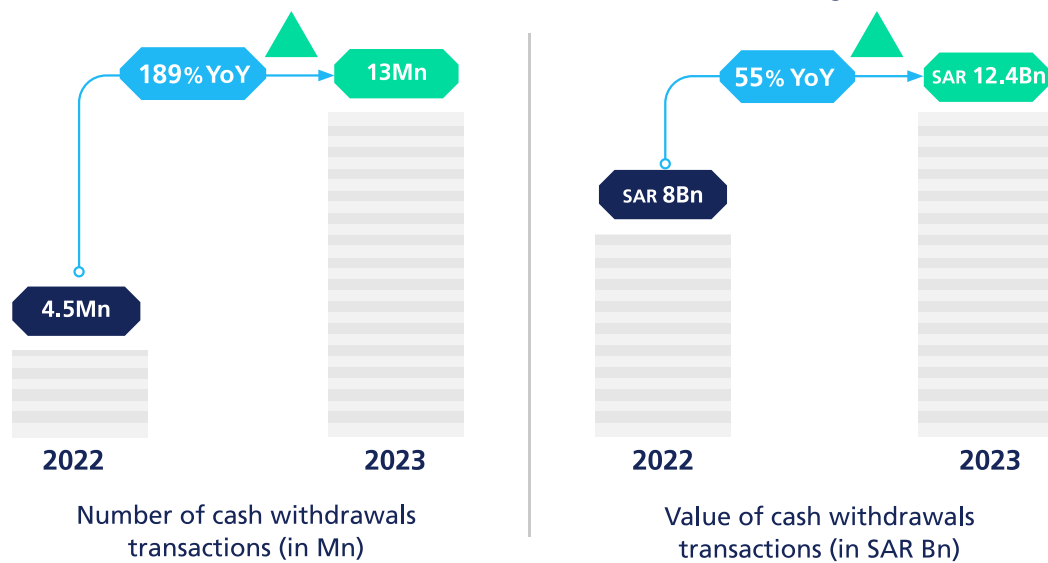
Payments

Cash Withdrawals

EMI Digital Wallets enable customers in KSA to withdraw cash by using cards issued by Digital Wallets. The number of cash withdrawals from EMI Digital Wallets surged by 189% YoY, reaching 13Mn in 2023 from the preceding year's 4.5Mn. The total value of cash withdrawals increased by 55% YoY, reaching SAR 12.4Bn from the preceding year's SAR 8Bn.

Figure 3.1.15:

Total number and value of cash withdrawals transactions from EMI Digital Wallets



Payments

SADAD Channels

EMI Digital Wallets serve as SADAD Channel Providers, making it easier for customers in KSA to pay their bills. SADAD, created by SAMA, is a centralized system that allows customers to pay bills electronically. EMI Digital Wallets providers enable customers to use SADAD to pay bills directly through their EMI Digital Wallet apps or online banking. This setup simplifies how customers access SADAD's services, ensuring they can pay their bills quickly and easily right from their EMI Digital Wallets

The total number of SADAD transactions from EMI Digital Wallets in 2023 increased by 705% to reach 1.4Mn from the preceding year's 174K. The value of SADAD transactions from EMI Digital Wallets in the year increased by 646% to reach SAR 701Mn from the prior year's SAR 94Mn.

Electricity and Water Bill payments comprised the majority of SADAD bill transactions at 23%, followed by Finance and Leasing at 18%, Media at 14%, and Transportation at 14%.

Figure 3.1.16:

Total number and value of SADAD transactions paid from EMI Digital Wallets

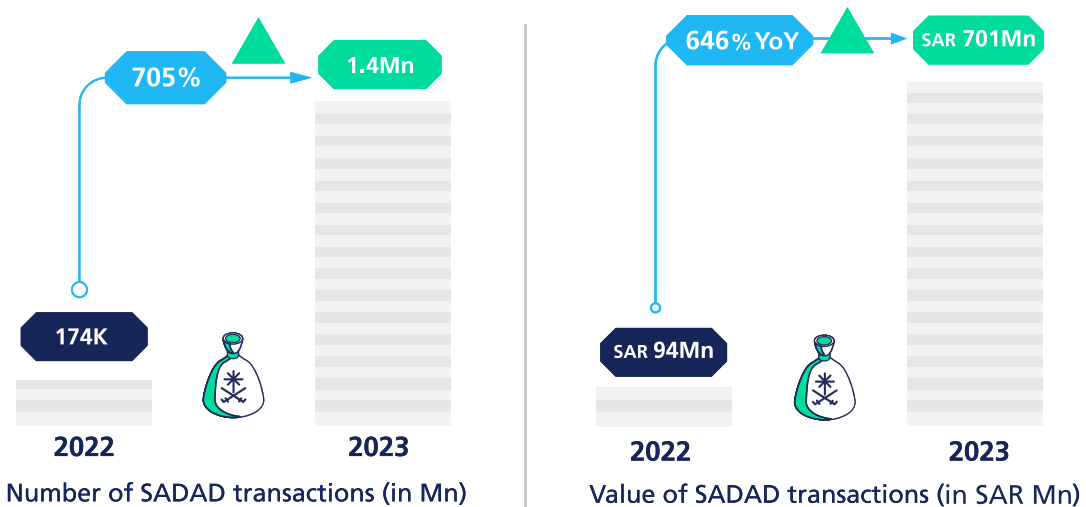
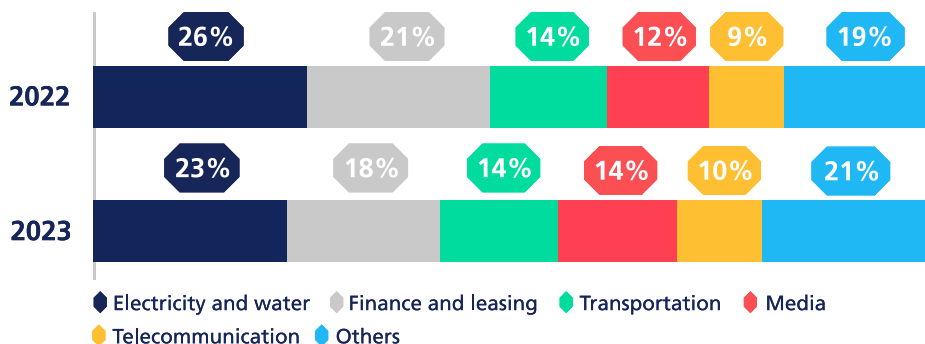


Figure 3.1.17:

Total value of SADAD transaction by registered biller category



Payments

2. POS Payment Acceptance¹

This business model focuses on facilitating in-person payments through Point of Sale (POS) systems in physical retail environments. Fintechs in this business model provide POS hardware and software for transaction processing and facilitate integration with payment processors. Fintechs support various payment methods, including credit/debit “MADA” cards, contactless payments, and mobile wallets. In 2022, 15 fintechs operated within the POS payment acceptance business model. By 2023, this number had grown to 32.

SECTORAL TRENDS AND TRACTION (FIGURE 3.1.18 TO FIGURE 3.1.20)

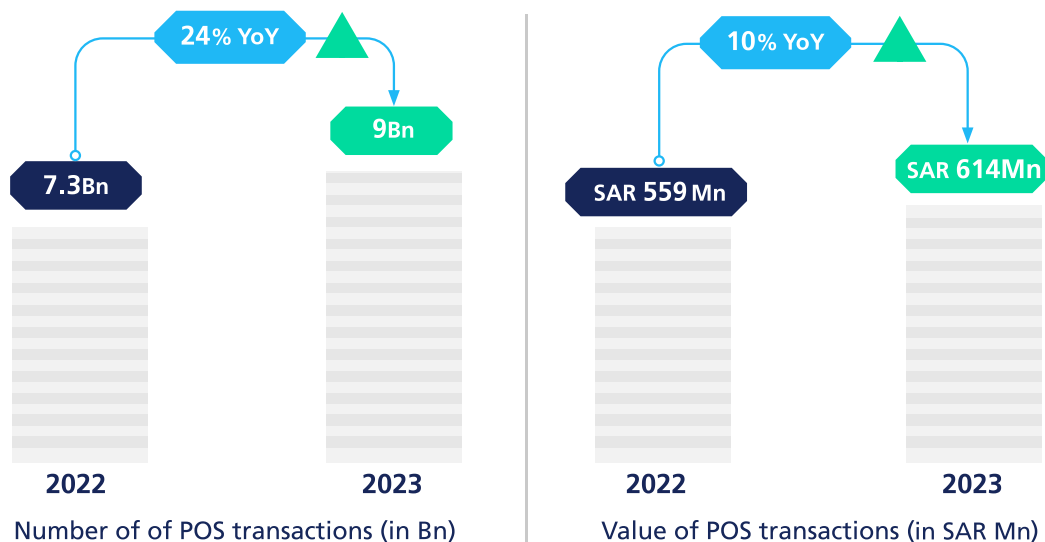
The number of POS terminals increased by 21% to reach 1.7Mn in 2023. Aligned to this growth, the total number and value of POS transactions for the year increased by 24% and 10%, respectively, to reach 9Bn and SAR 614Mn in value.

The Restaurants & Cafés sector had the highest number of transactions, while Food & Beverages led in transaction value through POS terminals. Both were followed by Miscellaneous Goods and Services.

Figure 3.1.18:
Total number of POS terminals



Figure 3.1.19:
Total number and value of POS transactions

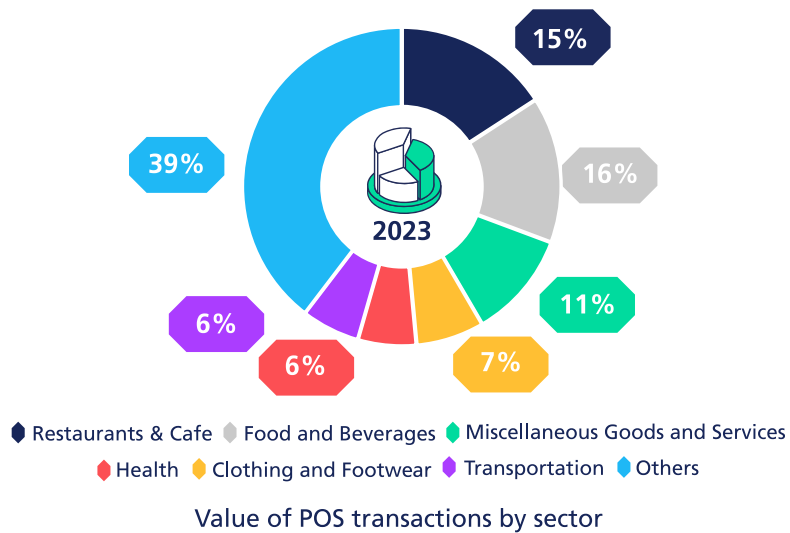
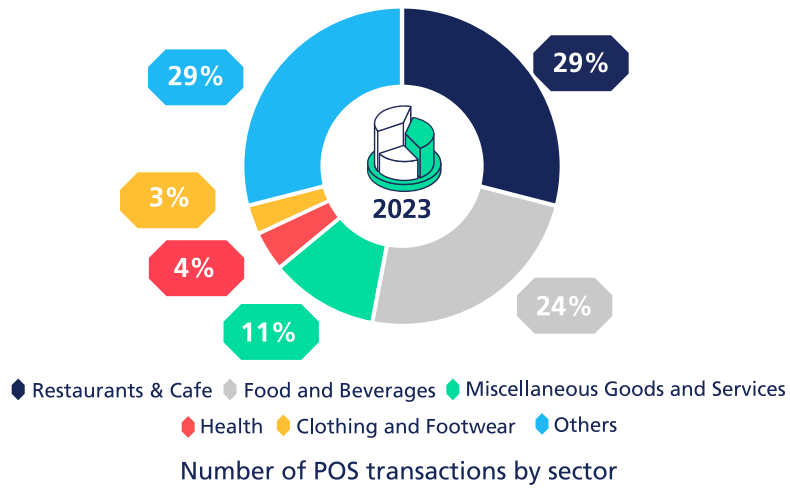


¹ The data in this section collected from SAMA Open Data Portal.

Payments

Figure 3.1.20:

Total number and value of POS transactions by sector



Payments

3. E-commerce Payment Acceptance¹

This business model involves providing services that enable merchants to accept online payments through digital channels. Fintechs in this business model provide payment gateway integration to online businesses. They support them to accept various payment methods, including credit/debit “MADA” cards, EMI Digital Wallets, and bank transfers, catering to diverse customer preferences. In 2022, 21 fintechs operated within the E-commerce Payment Acceptance business model. By 2023, this number had grown to 26.

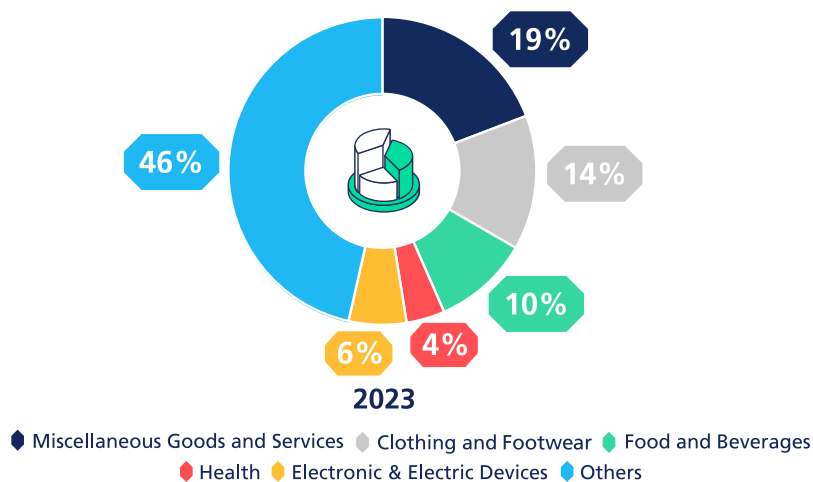
CUSTOMER DEMOGRAPHICS (FIGURE 3.1.21 TO 3.1.22)

By the end of 2023, the total number of registered e-commerce merchants increased by 32%, reaching 58.4K. The top three sectors for merchants were Miscellaneous Goods and Services at 19%, followed by Clothing and Footwear at 14%, and Food and Beverages at 10%.

Figure 3.1.21:
Number of registered merchants in E-commerce



Figure 3.1.22:
Breakdown of registered merchants by sector in E-commerce



¹ The data included in this section is inclusive of transactions made on mada debit cards and credit cards from E-commerce Payment providers.

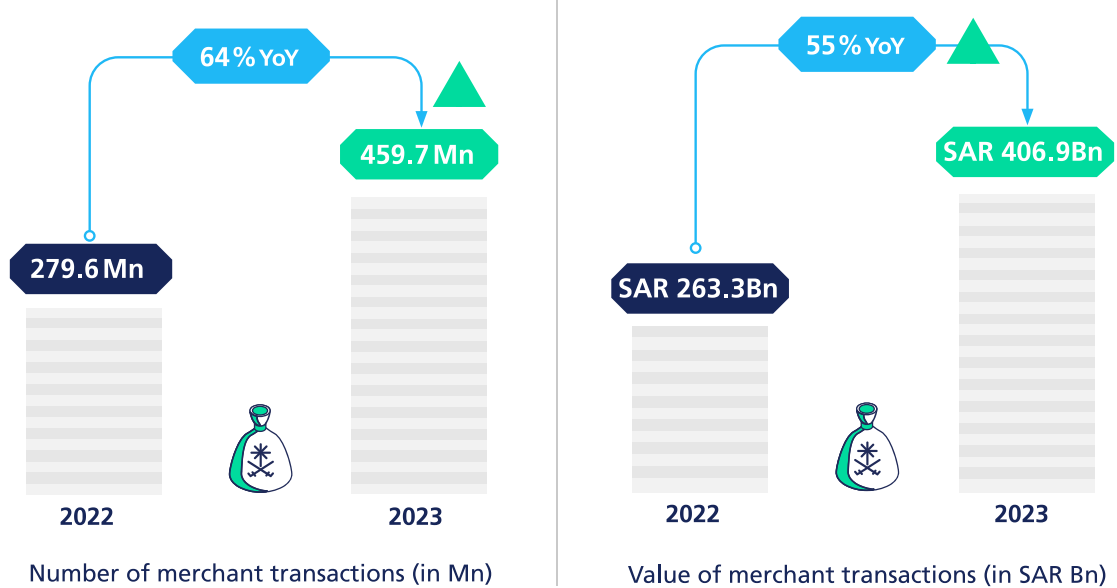
Payments

SECTORAL TRENDS AND TRACTION (FIGURE 3.1.23)

The total number of processed transactions in E-Commerce Payment Acceptance sector grew by 64%, reaching 459.7Mn. Meanwhile, the value of these transactions increased by 55%, totaling SAR 406.9Bn.

Figure 3.1.23:

Total number and value of processed transactions in E-Commerce



Payments

4. SADAD Bill Aggregation

SADAD Aggregators are entities that enter into a contractual and technical relationship with Payments Deputyship to be enabled, once licensed by SAMA and certified by Payments Deputyship, to onboard Billers interested to utilize and offer SADAD services to their consumers.

In both 2022 and 2023, 3 fintechs operated as SADAD Bill Aggregators in the KSA.

CUSTOMER DEMOGRAPHICS (FIGURE 3.1.24 TO FIGURE 3.1.26)

In 2023, the total number of registered SADAD Billers reached 215, marking a 90% YoY increase. Of these registered SADAD Billers, 74% were active within the year. Riyadh Province emerged as the top region for SADAD Billers at 70%, followed by Makkah Province at 16% and Eastern Province at 9%.

Figure 3.1.24:
Total number of registered SADAD billers

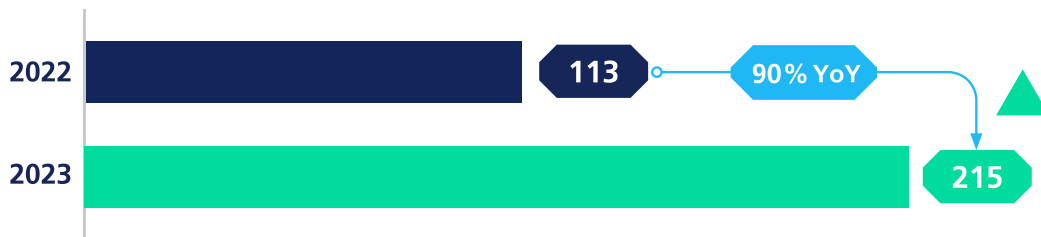
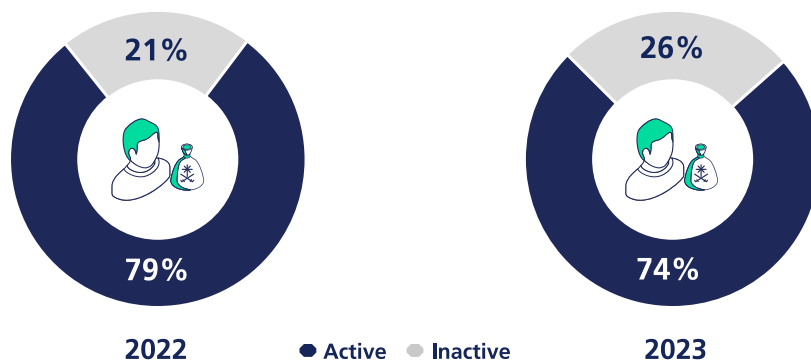


Figure 3.1.25:
Breakdown of SADAD billers by level of activity

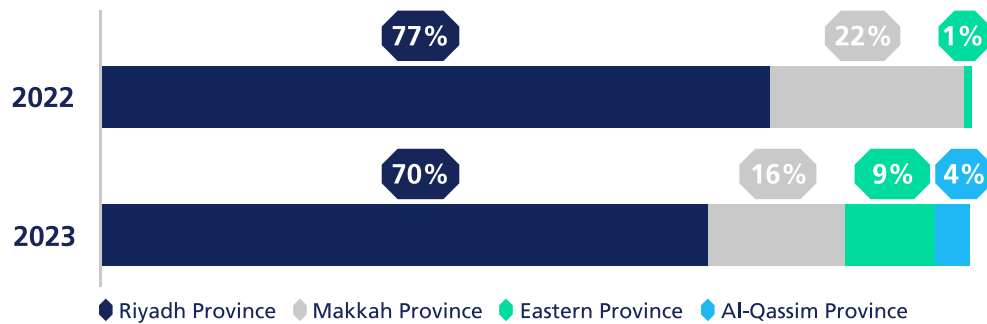


Active - A customer that conducted at least one transaction in the year to 31 Dec.
Inactive - A customer that does not conduct any transactions in the year to 31 Dec.

Payments

Figure 3.1.26:

Breakdown of corporate customers/ merchants by geographic locations

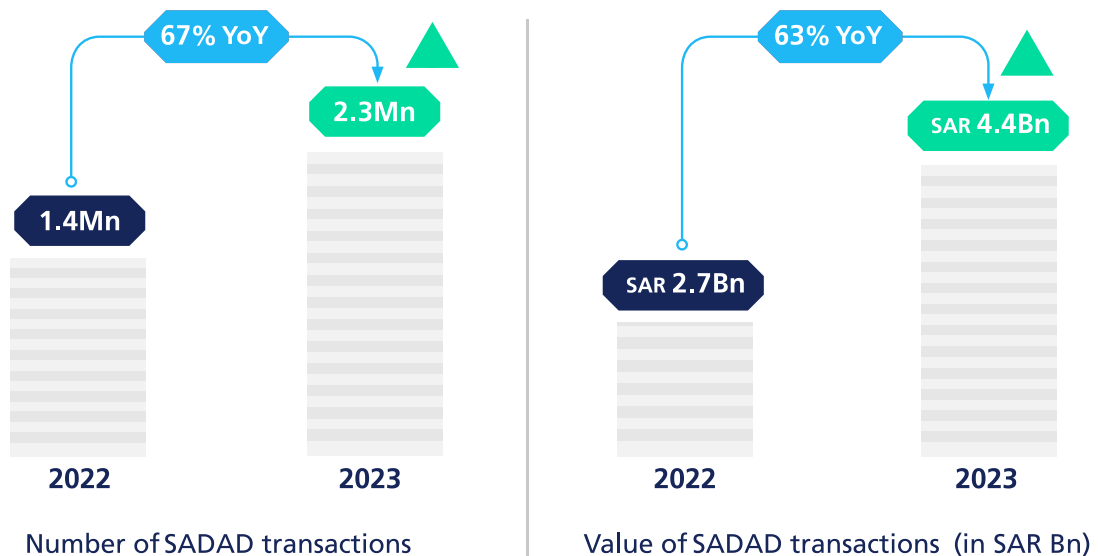


SECTORAL TRENDS AND TRACTION (FIGURE 3.1.27 TO FIGURE 3.1.28)

The total number of SADAD transactions increased by 67% to reach 2.3Mn by the end of 2023. The total value of SADAD transactions increased by 63% to reach SAR 4.4Bn. Additionally, the average number of transactions per merchant decreased by 22% to 10.9K transactions per merchant. The top three sectors for SADAD Billers by transaction value were Insurance at 34%, followed by Finance and Leasing at 21%, and Education at 10%.

Figure 3.1.27:

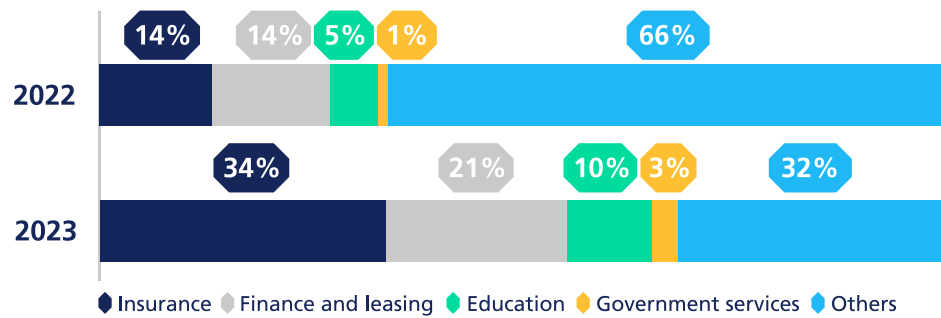
Total number and value of SADAD transactions



Payments

Figure 3.1.28:

Breakdown of total value of SADAD transaction by registered biller category



3.2

FINTECHS EXPANDING THE REACH OF TRADITIONAL FINANCE IN KSA

BUY NOW PAY LATER | DEBT CROWDFUNDING | CONSUMER MICROFINANCE

Insights into Finance through fintechs in KSA

In KSA, the Finance fintech sector has been growing steadily. By 2023, the number of fintech companies in this sector grew to 25 from 15 in 2022. This growth in the sector has been carefully managed by SAMA through important legislative changes, aimed at balancing growth with consumer protection and financial stability. SAMA has introduced Debt Crowdfunding regulations in 2021 and Buy Now Pay Later (BNPL) regulations in 2023. The BNPL rules aim to regulate the licensing of BNPL companies and set minimum standards and procedures required to offer BNPL services in the KSA. Currently, the sector is shaped by three main business models: Debt Crowdfunding, Consumer Microfinance, and BNPL.

Finance

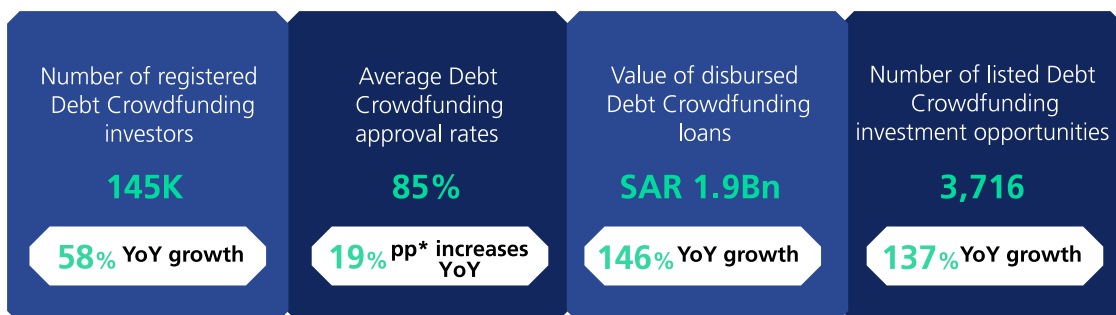
Figure 3.2.1:

Snapshot of business metrics of Finance fintech in Saudi Arabia:

BNPL

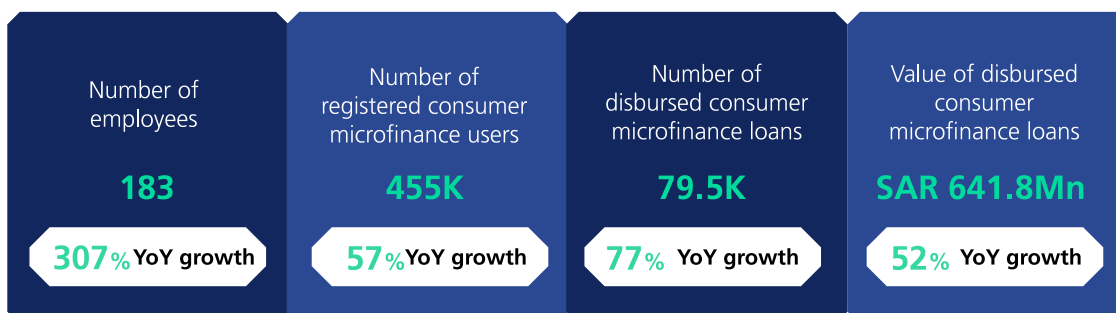


Debt Crowdfunding



*pp stands for percentage points, which measure the absolute difference between two percentages.

Consumer Microfinance



Finance

1. Buy Now Pay Later

The BNPL business model lets consumers buy products and pay for them in installments over time, often without any extra charges. BNPL providers collaborate with retailers and merchants to make this payment option available at the checkout. The provider pays the retailer immediately and then collects the installments payments from the consumer. This model is designed to boost consumer spending by providing flexible payment terms and is particularly popular in the E-commerce and retail sectors. The number of fintechs provide BNPL services grew from 3 in 2022 to 8 in 2023.

CUSTOMER DEMOGRAPHICS (FIGURE 3.2.2 TO FIGURE 3.2.8)

The number of customers using BNPL platforms increased to 13.2Mn in 2023, a 32% increase from the 10Mn recorded the previous year. The percentage of active consumers decreased from 58% in 2022 to 43% in 2023. The gender balance experienced a minor change, as male users increased from 43% to 44%. In terms of nationality, Saudi nationals comprised 60% of all BNPL users.

Consumers from the 20-30 age group were the dominant users of BNPL services, accounting for 37% of the total. The 30-40 year age group followed at 33%, and the 40-50 year age group at 16%. The geographical distribution of BNPL users was as follows: 42% were located in the center, 25% in the West, 13% in the East, 12% in the North, and 7% in the South.

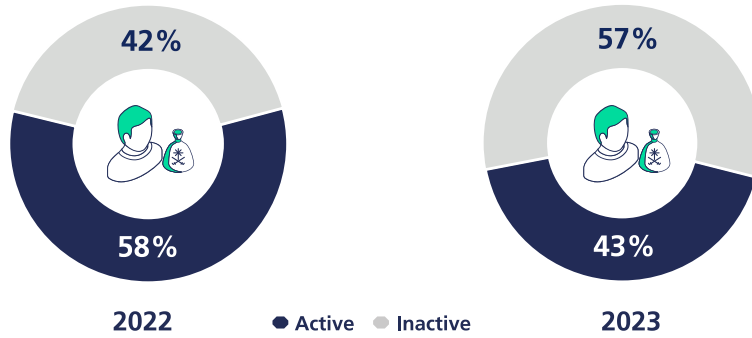
The number of merchants that offered BNPL had increased from 28.9K in 2022 to 58.7K in 2023, marking a 103% Year-over-Year (YoY) growth.

Figure 3.2.2:
Number of retail customers registered with BNPL providers



Finance

Figure 3.2.3:
Breakdown of retail customers by level of activity



Active - A customer that conducted at least one transaction in the year to 31 Dec.
Inactive - A customer that does not conduct any transactions in the year to 31 Dec.

Figure 3.2.4:
Gender breakdown of retail customers

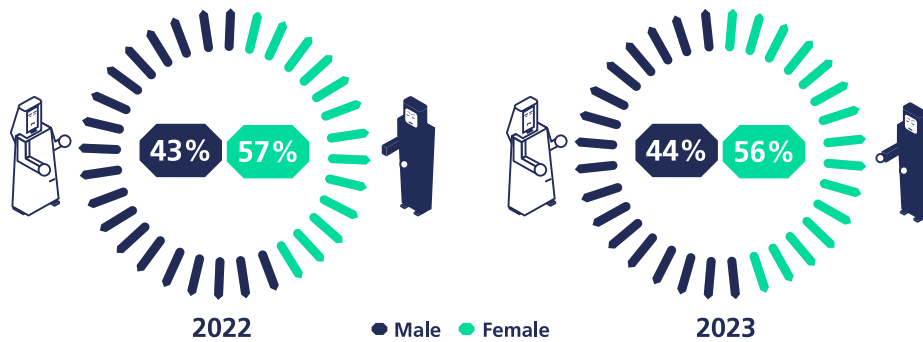
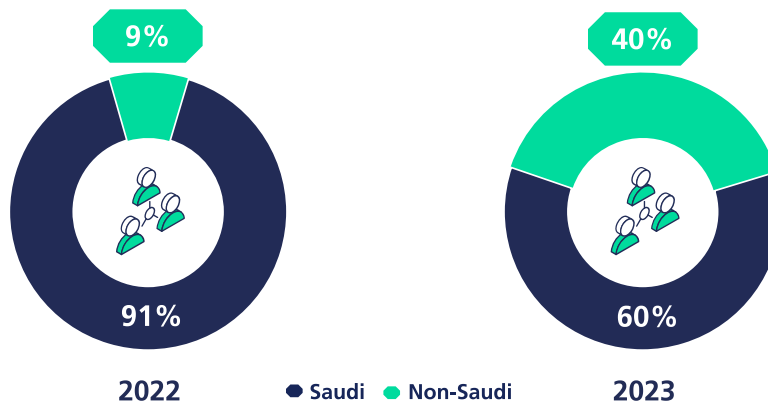


Figure 3.2.5:
Nationality breakdown of retail customers



Finance

Figure 3.2.6:

Total number of retail customers by age

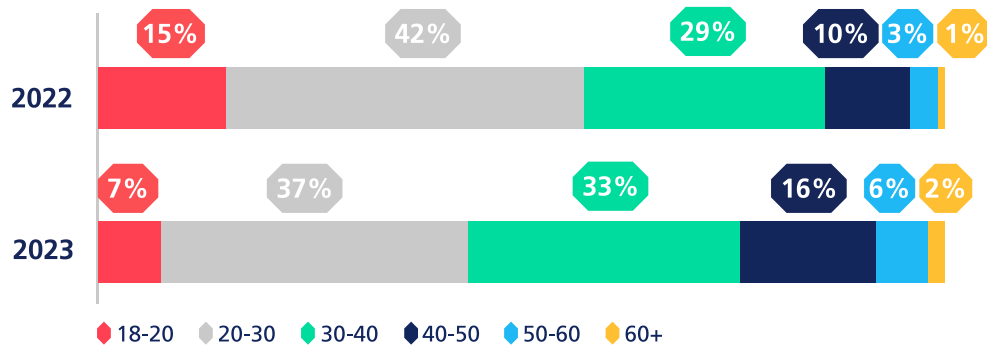


Figure 3.2.7:

Total number of retail customers by geographic location

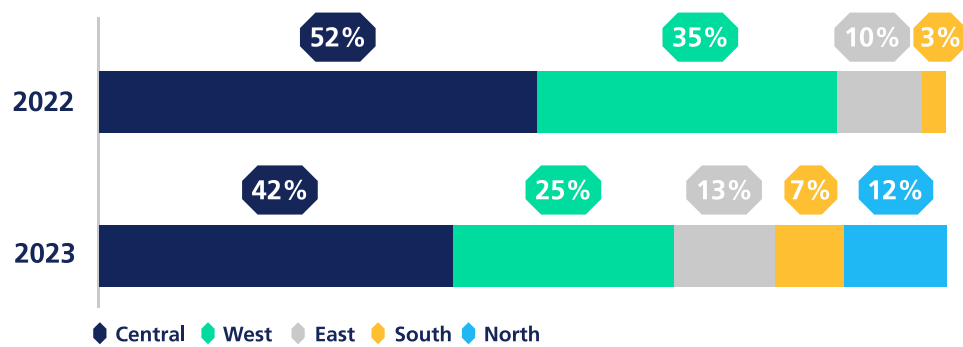
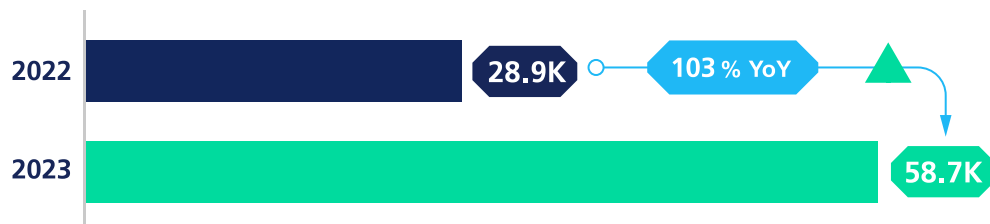


Figure 3.2.8:

Number of registered merchants with BNPL providers



Finance

SECTORAL TRENDS AND TRACTION (FIGURE 3.2.9 TO FIGURE 3.2.13)

In 2023, the Gross Merchandise Value (GMV) of goods sold with BNPL more than tripled to reach SAR 26.6Bn. The number of transactions increased by 178% YoY, reaching 43.3Mn in 2023. Clothing & Footwear (25%), Electronics (15%), and Health (14%) emerged as the top three sectors with the highest transaction values via BNPL.

Debit cards "MADA" constituted the largest segments in both volume and value of payment channels, accounting for 91% of the transactions by volume and 89% by value. Conversely, credit cards accounted for 9% of transactions by volume and 11% by value.

Figure 3.2.9:

Total GMV of goods sold (BNPL)

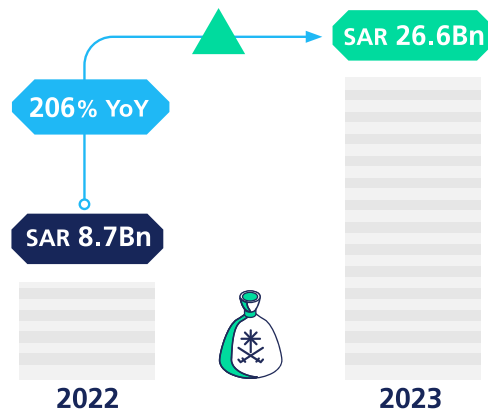
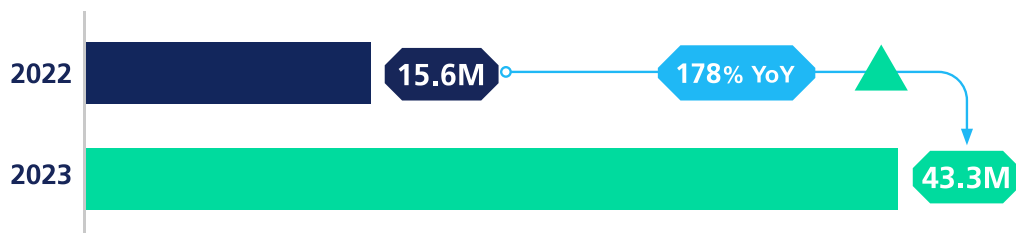


Figure 3.2.10:

Total number of purchase transactions (BNPL)



Finance

Figure 3.2.11:
Breakdown of total value of transactions by sector (BNPL)

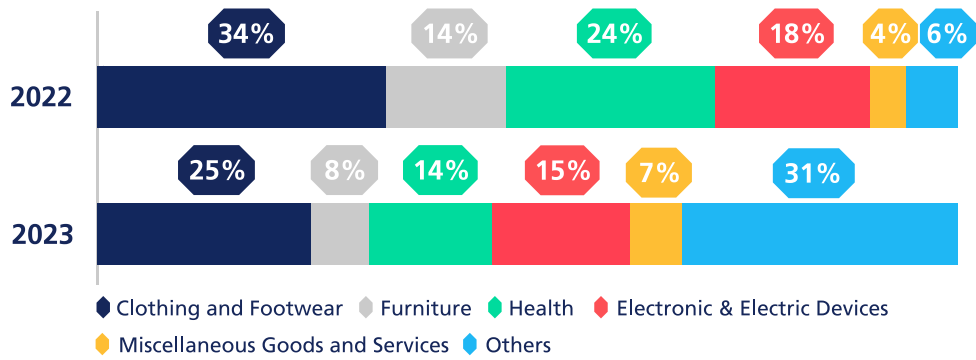


Figure 3.2.12:
Breakdown of total value of installment by payment channel (BNPL)

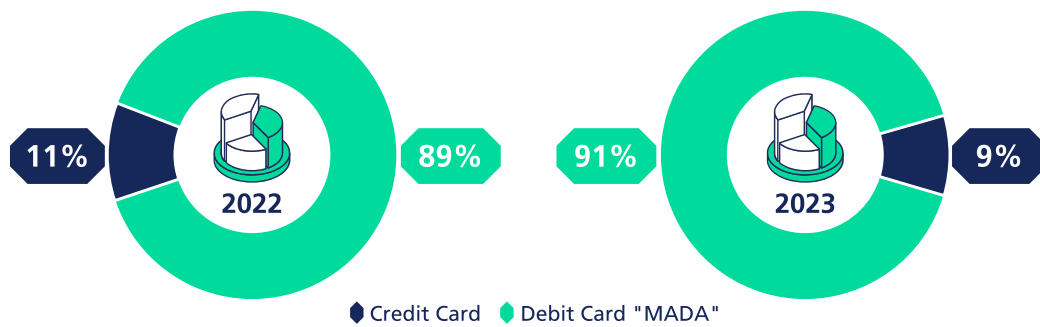
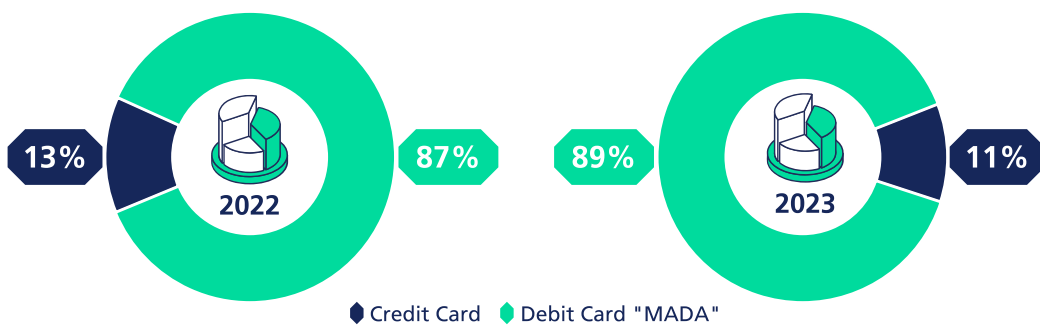


Figure 3.2.13:
Breakdown of total value of installments by payment channel (BNPL)



Finance

EMPLOYMENT DYNAMICS (FIGURE 3.2.14 TO FIGURE 3.2.16)

In 2023, the number of employees in BNPL fintechs almost doubled to 331. The workforce consists of 97% employees were Saudi. Female composition increased from 52% in 2022 to 54% in 2023.

Figure 3.2.14:
Number of employees in Fintechs (BNPL)

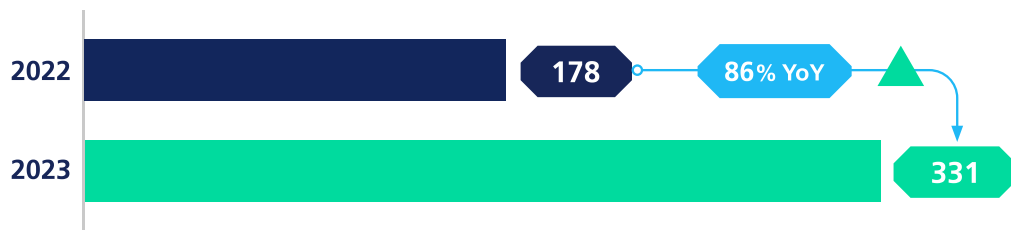


Figure 3.2.15:
Employee breakdown by location of residence (BNPL)

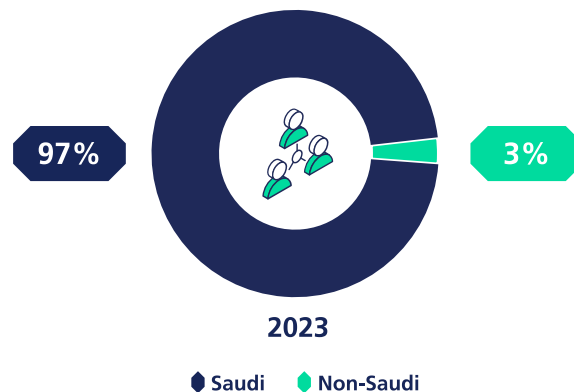
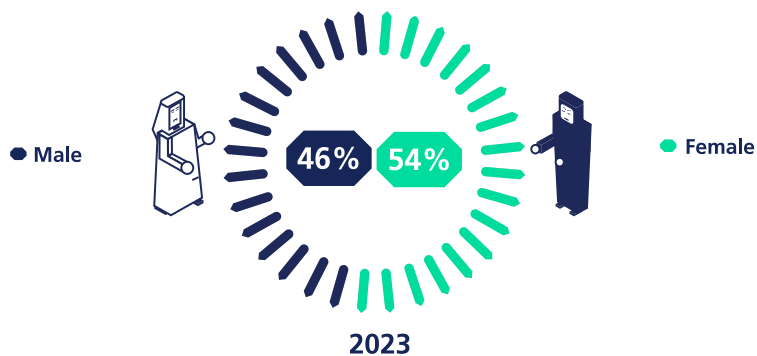


Figure 3.2.16:
Gender breakdown of employees in Fintechs (BNPL)



Finance

2. Debt Crowdfunding

This business model enables businesses to gather small amounts of capital from many individuals to fund a business loan. Fintechs that facilitate this process connect borrowers directly with potential lenders. Some of the key components of the business model include credit assessment, risk evaluation, and loan management. The goal of this model is to make access to credit easier and provide investors with an opportunity to earn profit on their funding contributions. The number of fintechs participating in Debt Crowdfunding increased slightly from 7 in 2022 to 8 in 2023.

CUSTOMER DEMOGRAPHICS (FIGURE 3.2.17 TO FIGURE 3.2.22)

The total number of investors using Debt Crowdfunding platforms in 2023, which included both regular and qualified investors, amounted to 145K, representing a 58% YoY growth. 14% of regular investors were active users, and 48% of qualified investors were active users in 2023.

The majority of investors were between the ages of 30 and 40, accounting for 39% of the total. The next largest group was between the ages of 20 and 30, with 35%, and the age group of 40 to 50 accounted for 17% of investors. Riyadh Province was the primary location for Debt Crowdfunding investors, accounting for 42% of the total. Makkah Province and the Eastern Province each accounted for 20% and 16%, respectively.

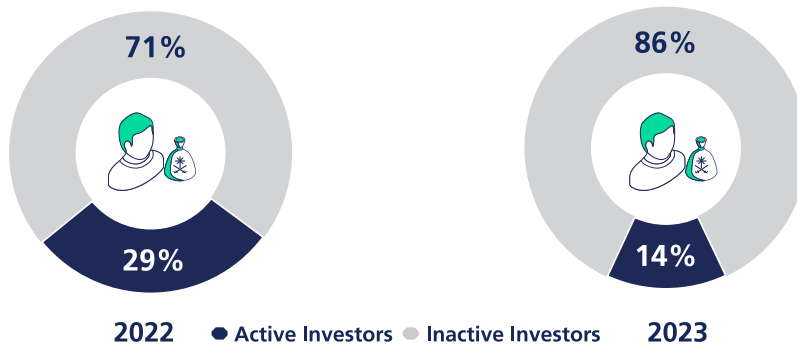
In terms of business scale, small enterprises comprised 66% of all borrowers, medium-sized enterprises accounted for 23%, and micro-enterprises, the remaining 11%.

Finance

Figure 3.2.17:
Total number of investors (regular + sophisticated)

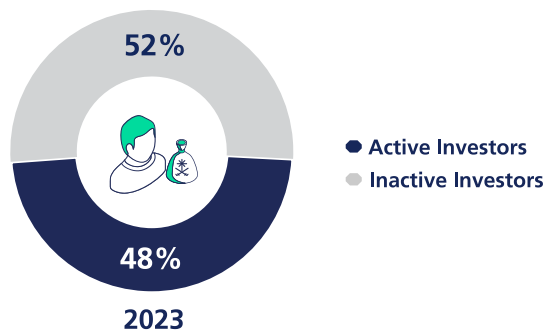


Figure 3.2.18:
Breakdown of regular investors by level of activity



Active Investor - An investor that conducted at least one investment in the year to 31 Dec
Inactive Investor - An investor that did not conduct any investment in the year to 31 Dec

Figure 3.2.19:
Breakdown of sophisticated investors by level of activity



Active Investor - An investor that conducted at least one investment in the year to 31 Dec
Inactive Investor - An investor that did not conduct any investment in the year to 31 Dec

Finance

Figure 3.2.20:

Breakdown of registered investors by age

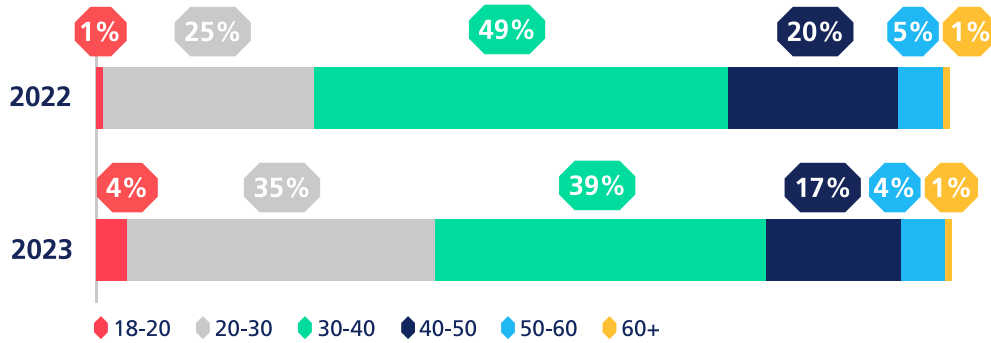


Figure 3.2.21:

Breakdown of registered investors by geographic location

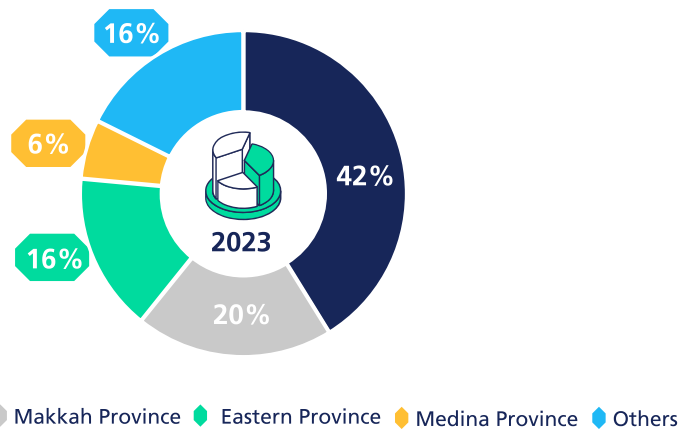
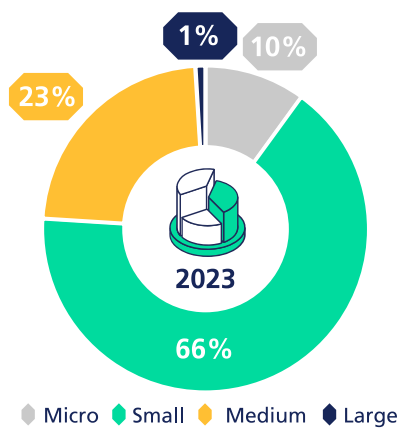


Figure 3.2.22:

Total number of registered borrowers by company size



Finance

SECTORAL TRENDS AND TRACTION (FIGURE 3.2.23 TO FIGURE 3.2.27)

Debt Crowdfunding platforms helped originate 3,581 loans in 2023, an 184% increase from last year. These loans' overall value increased by 146% YoY to reach SAR 1.9Bn. The leading industries borrowing funds using Debt Crowdfunding were Miscellaneous Goods and Services (17%), Telecommunications (15%), and Construction, Building and Materials (14%).

The number of investment prospects listed on the Debt Crowdfunding sites reached 3,716, a 137% YoY increase. From SAR 36K the year before, the average investment amount by Debt Crowdfunding investors increased to SAR 47K, a 31% YoY rise. The approval rates for these platforms have also improved, from 66% in 2022 to 85% in 2023.

Figure 3.2.23:

Total number and value of disbursed Debt Crowdfunding loans

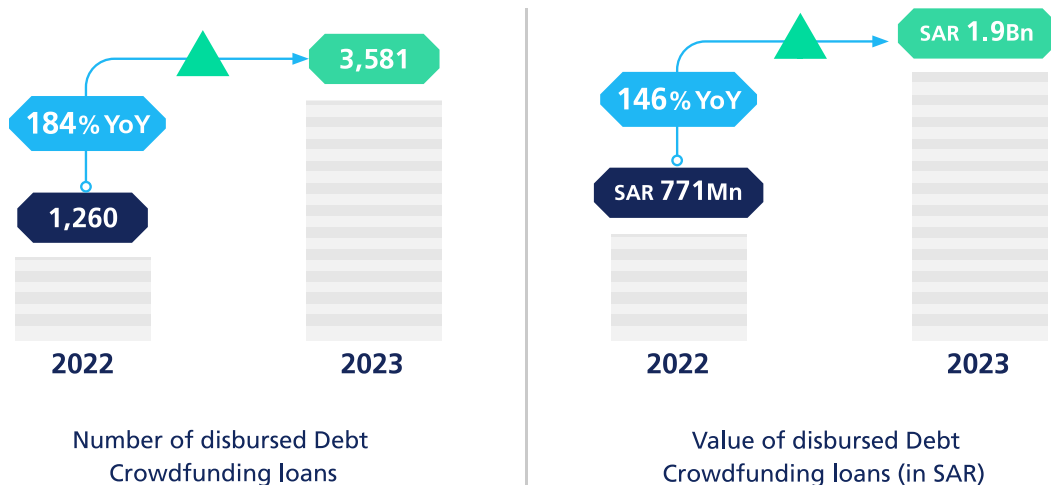
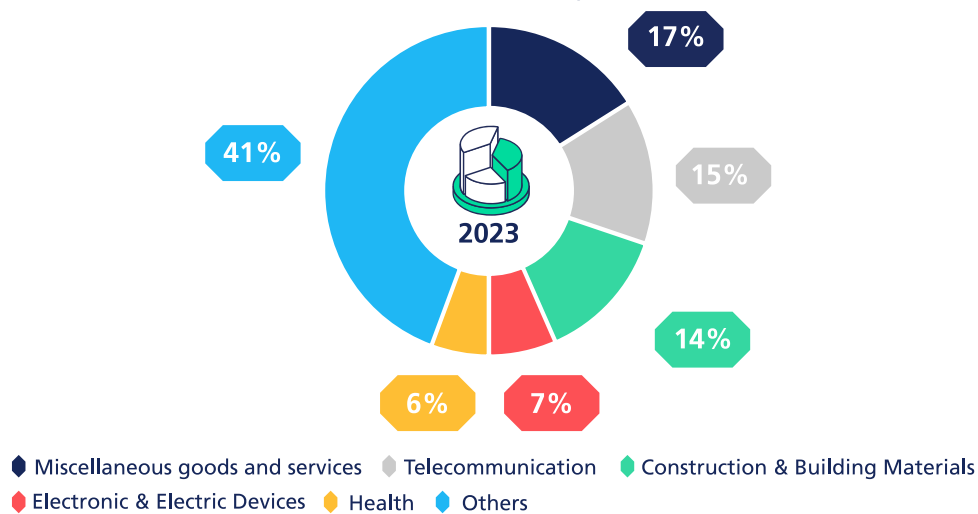


Figure 3.2.24:

Breakdown of the total value of disbursed loans by sector



Note: Sectors comprising less than 4% of the total have been clubbed under 'Others.'

Finance

Figure 3.2.25:
Total number of listed opportunities on the platforms

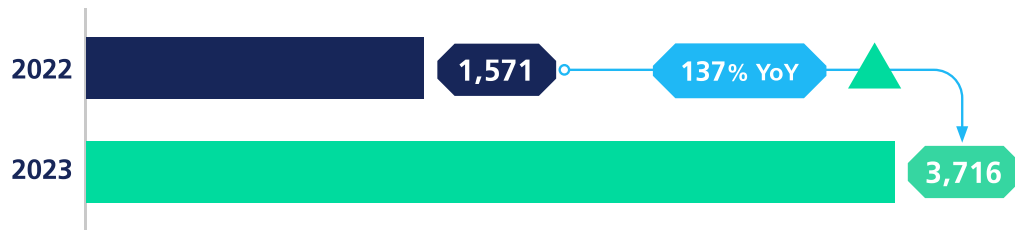


Figure 3.2.26:
Average investment amount of Debt Crowdfunding (in SAR)

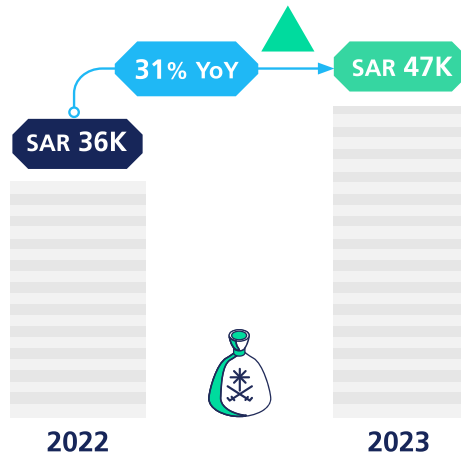


Figure 3.2.27:
Average Debt Crowdfunding approval rates



Finance

EMPLOYMENT DYNAMICS (FIGURE 3.2.28 TO FIGURE 3.2.30)

In 2023, the workforce expanded by over 2.5x, reaching a total headcount of 202 professionals. The proportion of female employees increased to 32% from 28% in the preceding year. 92% of the workforce were Saudi.

Figure 3.2.28:

Total number of employees in Debt Crowdfunding

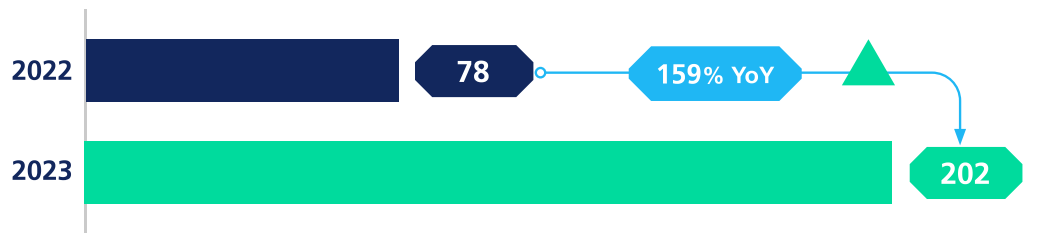


Figure 3.2.29:

Employee breakdown by location of residence in Debt Crowdfunding

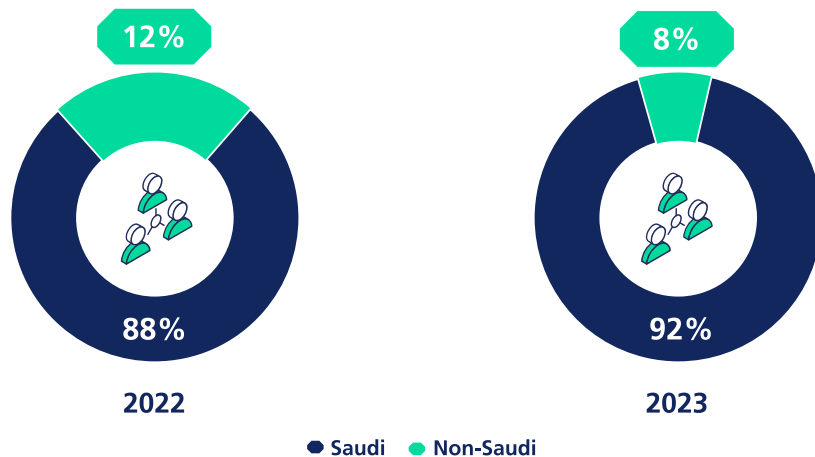
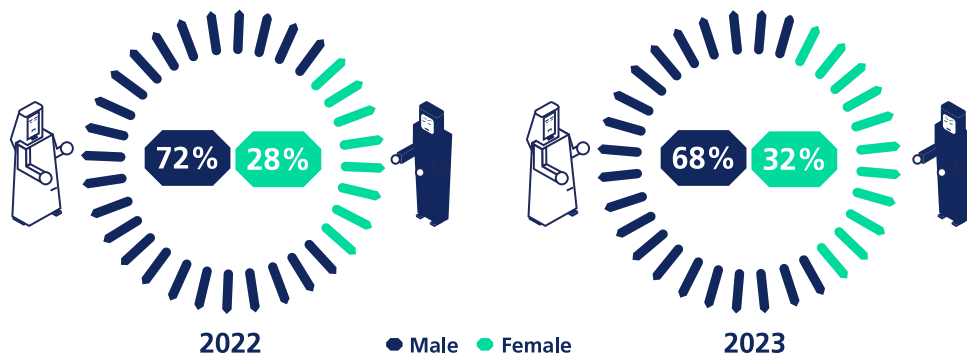


Figure 3.2.30:

Gender breakdown of employees in Debt Crowdfunding



Finance

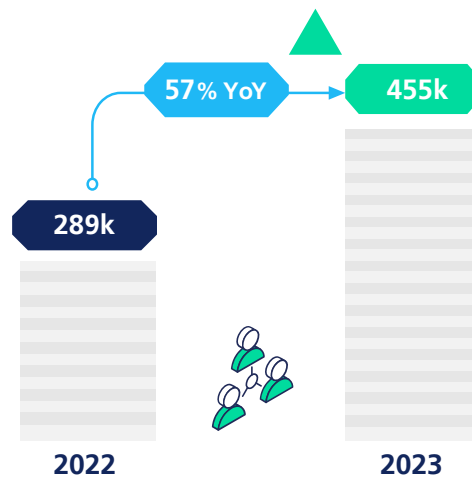
3. Consumer Microfinance

Fintech platforms in this business model provide small loans to individuals, often underserved by traditional banking institutions. The process involves assessing the borrower's creditworthiness, underwriting the loan, disbursing funds, and managing repayments. 5 fintechs were operating under the Consumer Microfinance business model in the KSA during both 2022 and 2023.

CUSTOMER DEMOGRAPHICS (FIGURE 3.2.31 TO FIGURE 3.2.34)

In 2023, the number of borrowers on Consumer Microfinance platforms increased by 57%, to reach 455K. The gender distribution shifted moderately, and the share of female customers increased from 23% in 2022 to 38% in 2023. The majority of borrowers on Consumer Microfinance platforms were from the 20-30 and 30-40 age groups, representing 40% and 35% of the total, respectively. Those aged 40-50 accounted for 15% of borrowers. During the year, 79% of borrowers took out a single loan, 16% took out two loans, and 4% took out three loans.

Figure 3.2.31:
Total number of users in Consumer Microfinance



Finance

Figure 3.2.32:
Breakdown of users in Consumer Microfinance by gender

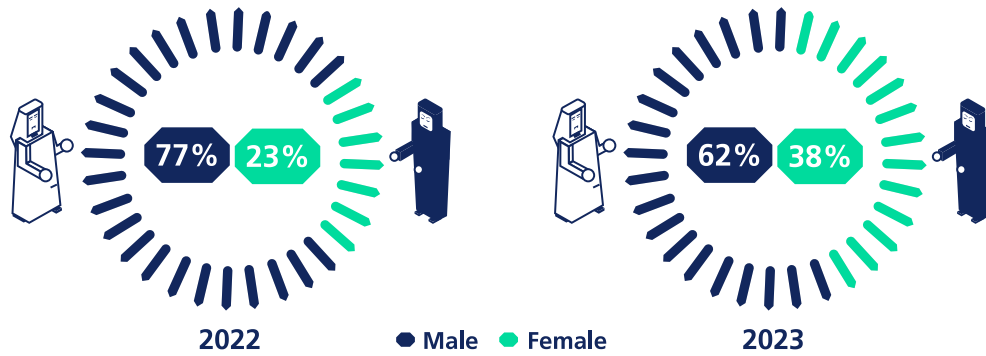


Figure 3.2.33:
Breakdown of users in Consumer Microfinance by age

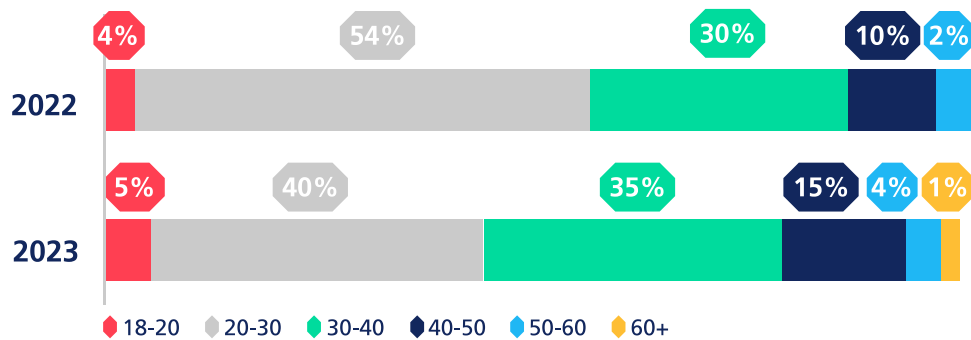
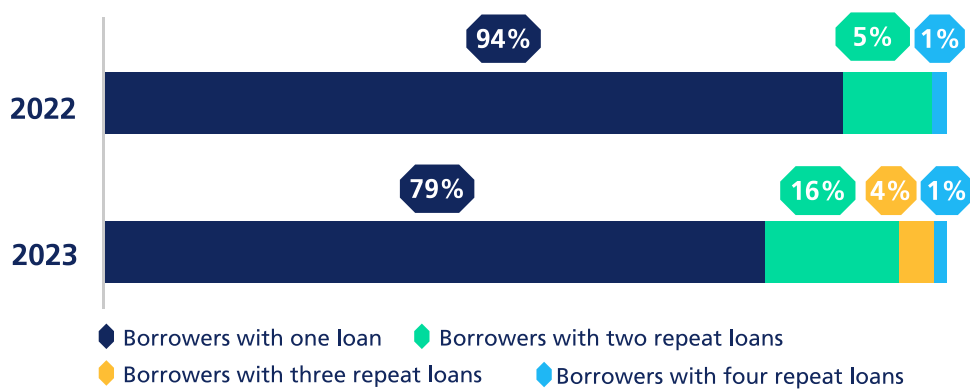


Figure 3.2.34:
Number of borrowers with repeat loans



Finance

SECTORAL TRENDS AND TRACTION (FIGURE 3.2.35 TO FIGURE 3.2.38)

The total number and value of loans disbursed by Consumer Microfinance platforms grew by 77% and 52% YoY, respectively, reaching 79.5K in number and SAR 641.8Mn in value by the end of 2023.

The loan approval rate reduced considerably from 74% in 2022 to 47% in 2023. Smaller ticket loans of up to SAR 5K and SAR 5K–10K comprised the majority of the number of loans disbursed, at 41% and 42%, respectively. In terms of value, however, SAR 5K–10K and SAR 20–25K loans made up the majority, at 42% and 21%, respectively.

Figure 3.2.35:

Total number and value of Disbursed Consumer Microfinance loan

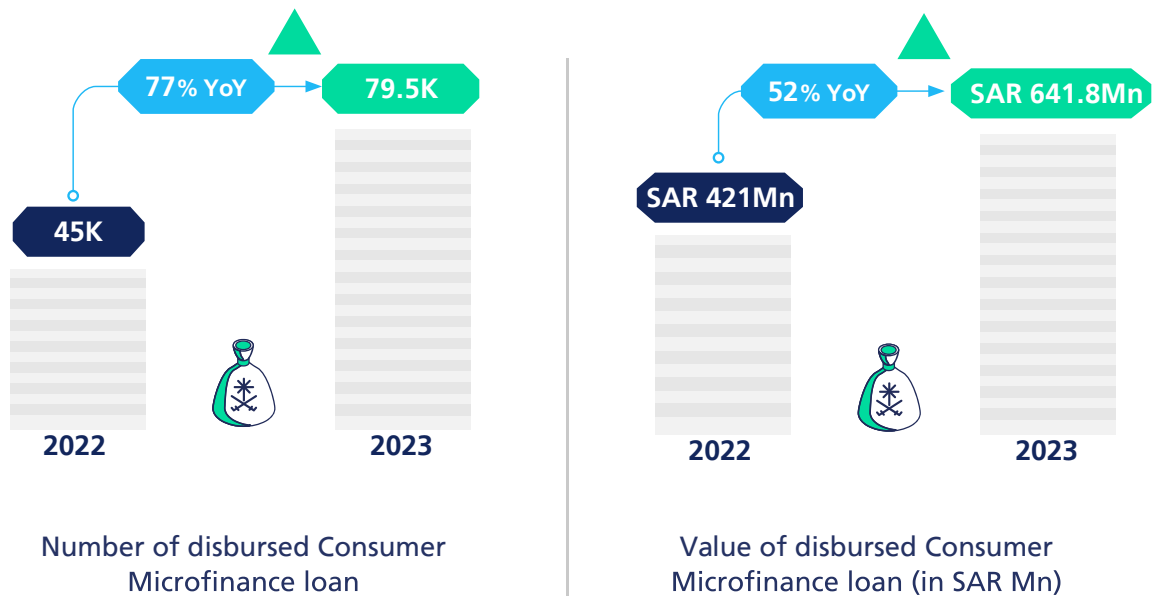
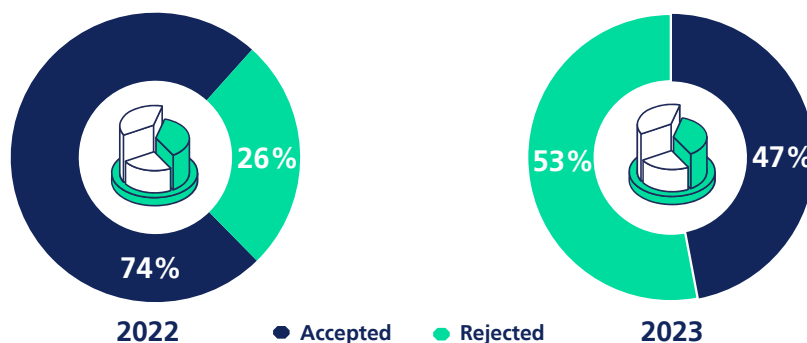


Figure 3.2.36:

Approval rates for loans requested



Finance

Figure 3.2.37:

Breakdown of number of disbursed loans by size

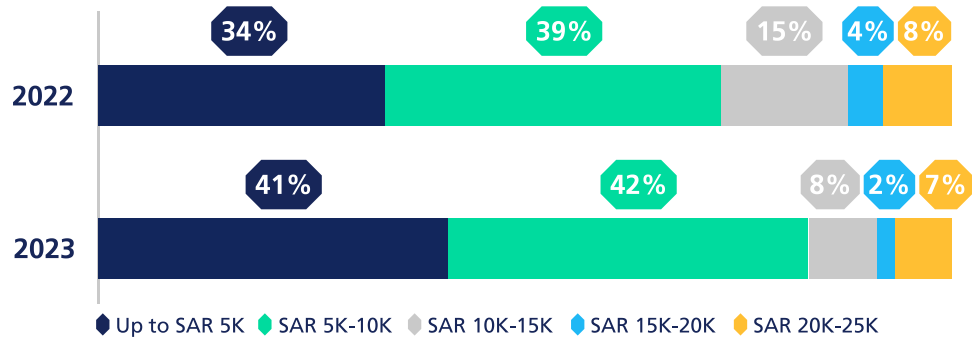
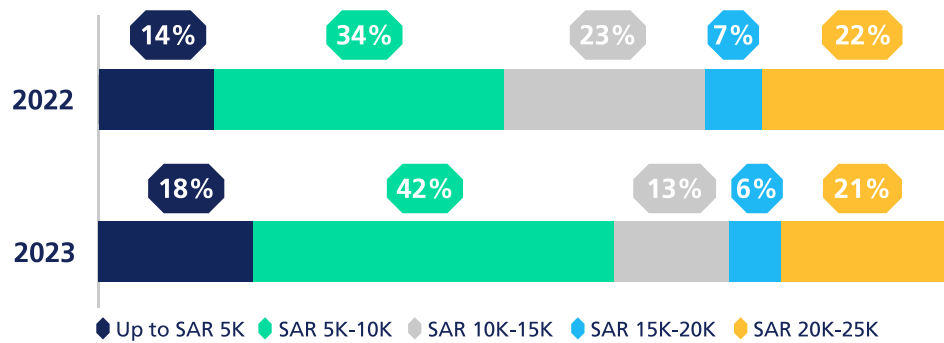


Figure 3.2.38:

Breakdown of value of disbursed loans by size



Finance

EMPLOYMENT DYNAMICS (FIGURE 3.2.39 TO FIGURE 3.2.41)

In 2023, the employee cohort within the Consumer Microfinance business model grew by 4x, resulting in a workforce comprising 183 individuals. The entire workforce was Saudi. The proportion of female employees increased from 33% in 2022 to 38% in 2023.

Figure 3.2.39:
Number of employees in Consumer Microfinance

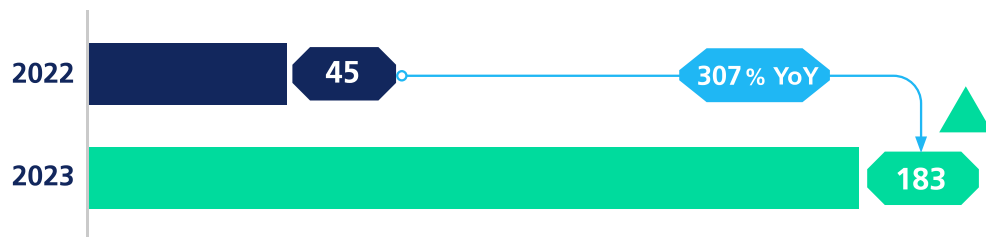


Figure 3.2.40:
Employee breakdown by location of residence in Consumer Microfinance

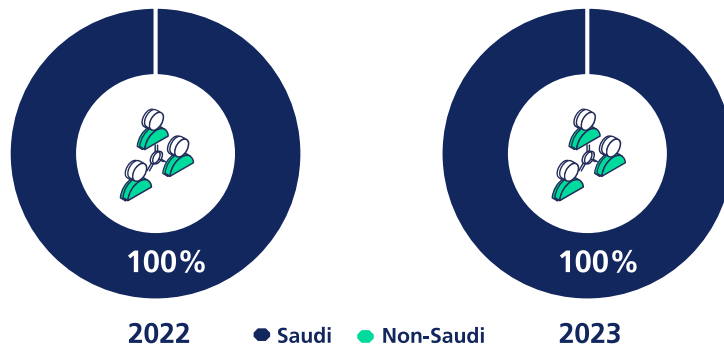
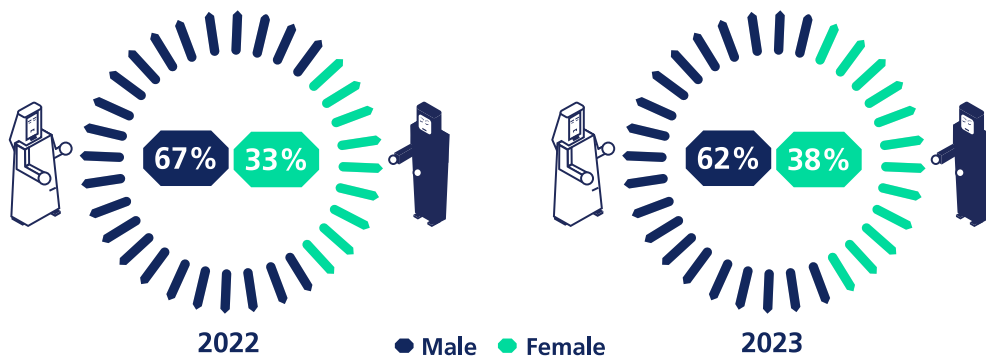


Figure 3.2.41:
Gender breakdown of employees in Consumer Microfinance



3.3

OPEN BANKING IN KSA

THIRD-PARTY PROVIDERS (TPPS) | SPONSOR TPPS

Insights into Open Banking through fintechs in KSA

Open Banking in KSA, led by SAMA, is an initiative aimed at empowering bank customers to safely share their financial data with approved TPPs. Open Banking is expected to lead to direct innovation, increase competition and financial inclusion, and provide greater efficiency in the banking system.

At the beginning of 2021, SAMA launched a roadmap for implementing Open Banking and followed this up by introducing an Open Banking Framework in November 2022. In January 2023, SAMA launched the Open Banking Lab, a technical testing environment for banks and fintechs to develop and test the compatibility of their open banking services with the Open Banking framework. The Open Banking framework revolves around four key business models:

1) Third-Party Providers: An entities that offer Payment Account Information Services (AIS) and/or Payment Initiation Services (PIS). TPPs are authorized entities by SAMA to offer AIS/PIS and are the consumers of the APIs produced by PASPs.

2) Sponsor TPPs: Sponsor TPPs offer Sponsored TPPs with the necessary API connections to PASPs and facilitate the integration and data sharing for the Sponsored TPPs.

3) Sponsored TPPs: Sponsored TPPs (Sponsored AISP/Sponsored PISP) are TPPs that rely on other TPPs (Sponsor TPPs) to connect with PASPs. The characteristics of the Sponsored TPP are described below:

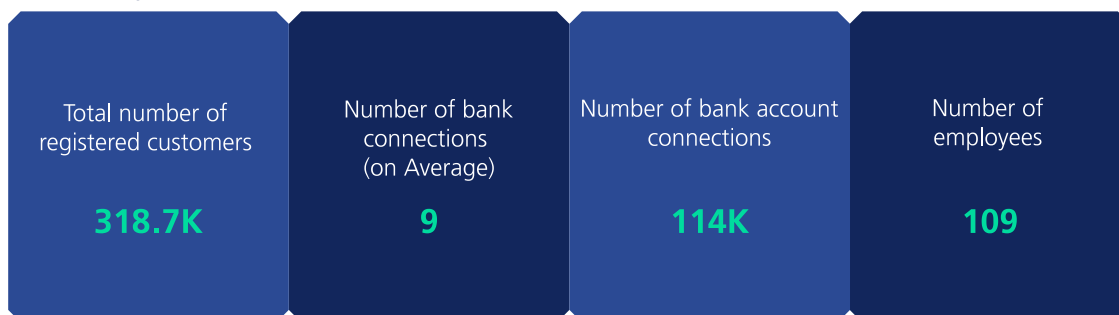
- Do not have direct integrations with the PASPs but provide AIS and/or PIS services by using a Sponsor TPP to connect with PASPs.
- Cannot sponsor other TPPs

4) Payment Account Service Providers (PASPs): Financial institution which offers Payment Accounts for Payment Service Users (PSUs), and has at least one digital channel, such as online banking or mobile banking where a payment account is any account that can be used by PSUs to initiate a payment.

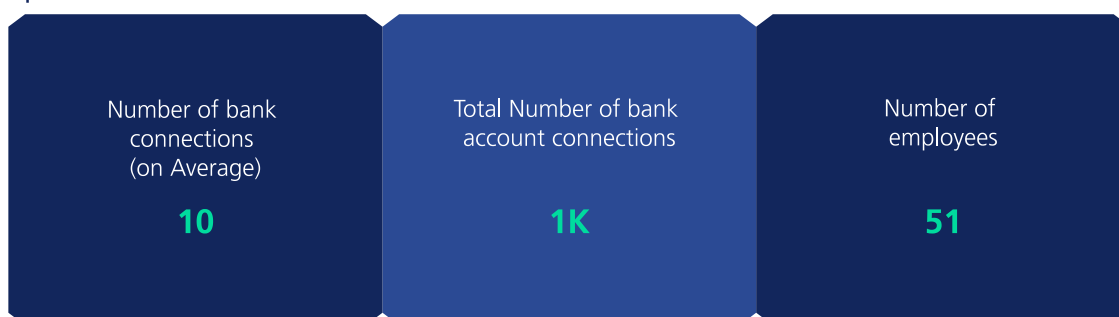
Open Banking

Figure 3.3.1:
A snapshot of business metrics of Open Banking in Saudi Arabia

Third-Party Providers (TPPs)



Sponsor TPPs



1. TPPs for Financial Management

SAMA has permitted TPPs to operate within a Regulatory Sandbox to ensure safety and compliance. At present, the main use cases of Open Banking in the KSA focus on Personal Financial Management (PFM) for individuals and Enterprise Financial Management (EFM) for businesses. PFM/EFM aggregate view of a customers' finances with features such as analytics, insights, and recommendations to manage personal finances. It helps customers better understand their spending patterns, optimize their finances, and reduce unnecessary expenses.

CUSTOMER DEMOGRAPHICS (FIGURE 3.3.2 TO 3.3.8)

In 2023, the number of registered customers using TPPs, which include EFM and PFM, reached 318.7K. The percentage of active users was 74% in 2023. The demographic distribution consists of 88% registered customers were Saudi nationals. 83% of the registered customers were male. Age-wise, the largest group of registered customers were individuals aged 20-30, making up 44%, followed by those aged 30-40 at 35%, and 40-50 at 12%. Riyadh Province remains the top region for Open Banking TPP users, with 37% of them based there. Makkah Province follows with 19% of users, and the Eastern Province hosts 14%.

Open Banking

In 2023, the use of Open Banking is deepening in the KSA, as more users start to link multiple bank accounts to manage their financial needs across several accounts. 72% of customers linked to one bank. Concurrently, the proportion of users connecting to two banks reached 20%, and 8% of customers linked to three or more banks.

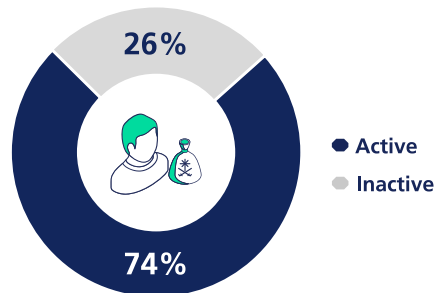
Figure 3.3.2:

Total number of registered customers (TPPs)



Figure 3.3.3:

Breakdown of registered customers by level of activity (TPPs)



2023

Active - A customer that used the platform once during the year

Inactive - A customer that never used the platform during the year

Open Banking

Figure 3.3.4:
Breakdown of registered customers by nationality (TPPs)

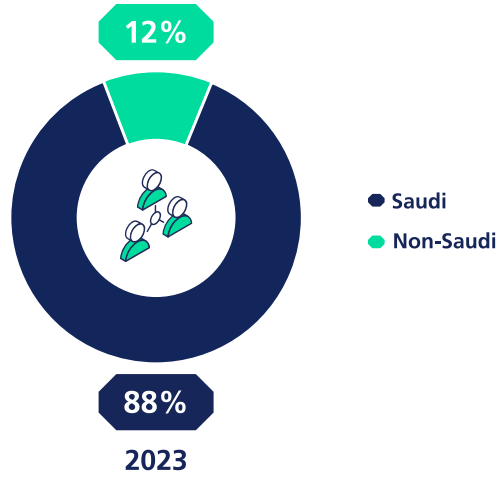


Figure 3.3.5:
Gender breakdown of customers (TPPs)

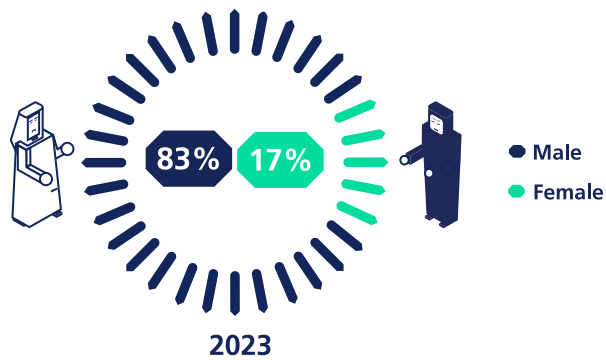
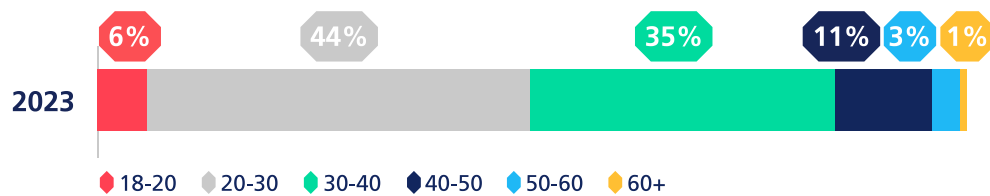


Figure 3.3.6:
Breakdown of customers by age (TPPs)



Open Banking

Figure 3.3.7:
Breakdown of customers by geographic location (TPPs)

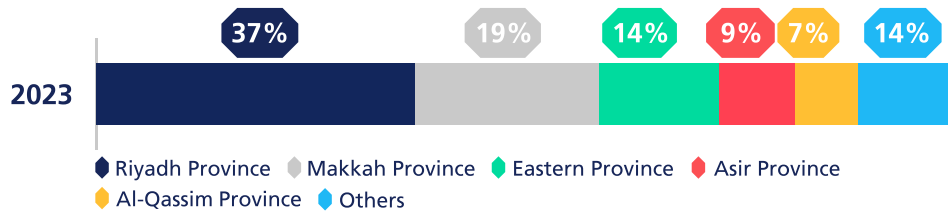


Figure 3.3.8:
Number of customers broken down by number of links to banks (TPPs)



Open Banking

SECTORAL TRENDS AND TRACTION (FIGURE 3.3.9 TO FIGURE 3.3.11)

The average number of bank connections and linked bank accounts with TPPs reached 9 banks and 114K bank accounts in 2023. The number of TPPs providing data aggregation services for both account information and transaction history reached 6 while financial product data was 2.

Figure 3.3.9:

Average number of bank connections for TPPs



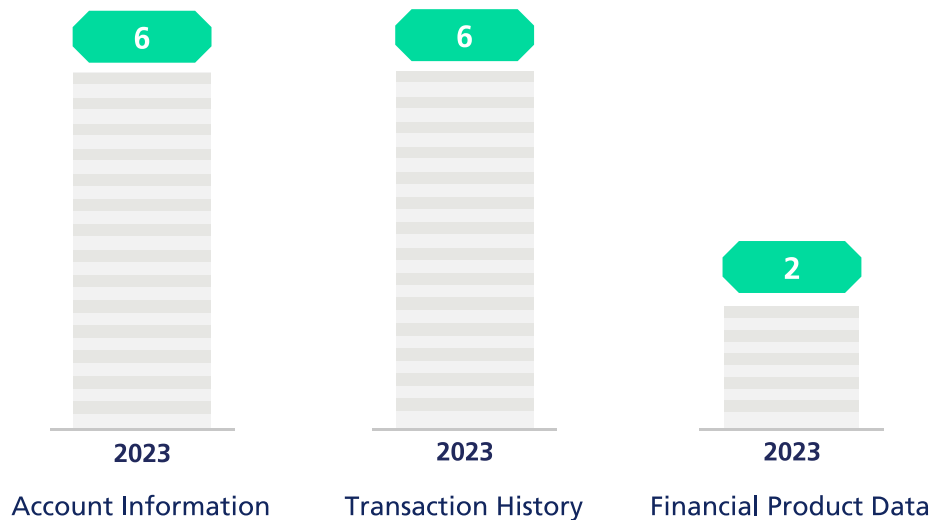
Figure 3.3.10:

Number of bank account connections for TPPs



Figure 3.3.11:

Number of TPPs involved in aggregating different data types



Open Banking

EMPLOYMENT DYNAMICS (FIGURE 3.3.12 TO 3.3.14)

In 2023, the workforce engaged in the TPP fintechs nearly doubled to reach 109 employees. Of these, 81% were Saudi. The proportion of female employees increased from 20% to 23% in 2023.

Figure 3.3.12:
Total number of employees (TPPs)



Figure 3.3.13:
Employee breakdown by location of residence (TPPs)

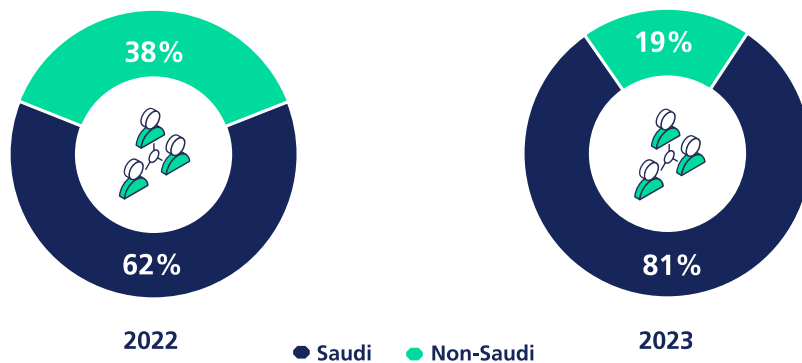
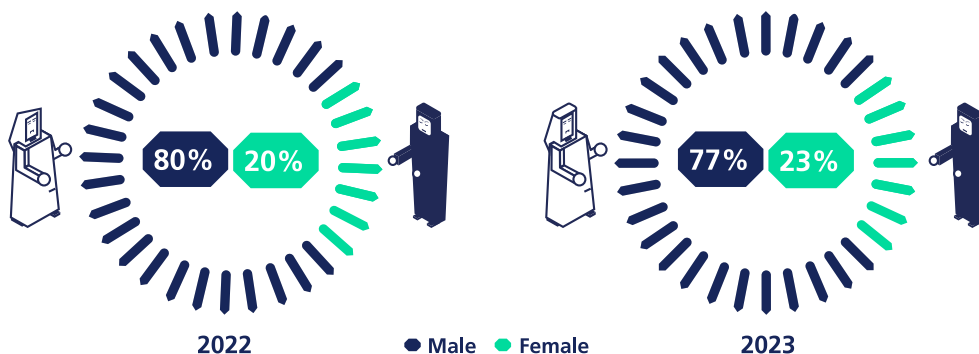


Figure 3.3.14:
Gender breakdown of employees in TPPs



Open Banking

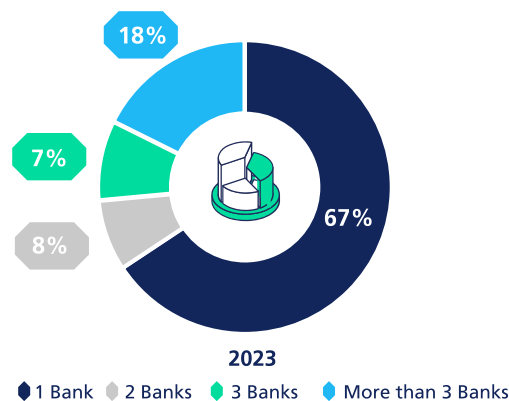
2. Sponsor TPPs

Sponsor TPPs, authorized by SAMA to work within the Regulatory Sandbox, set up direct API connections with banks. They handle the consent management and provide the necessary infrastructure for data sharing between banks and end-user-facing TPPs, also known as Sponsored TPPs, in the KSA. This intermediary role enables many-to-many connectivity between banks and Sponsored TPPs, facilitating seamless data sharing across the network.

CUSTOMER DEMOGRAPHICS (FIGURE 3.3.15)

The number of customers who linked their bank accounts were as follows: 67% connected to one bank, 8% linked to two banks, 7% linked to three banks, and 18% connected to more than three banks.

Figure 3.3.15:
Breakdown of registered B2B customers by number of bank connections (Sponsor TPPs)



Open Banking

SECTORAL TRENDS AND TRACTION (FIGURE 3.3.16 TO FIGURE 3.3.18)

In 2023, the average number of bank connections per Sponsor TPP reached 10 banks. And, the number of linked bank accounts was 1,043. The number of Sponsor TPPs providing data aggregation services for both account information and transaction history was 3 in 2023.

Figure 3.3.16:

Average Number of bank connections for Sponsor TPPs



Figure 3.3.17:

Number of bank account connections for Sponsor TPPs



Figure 3.3.18:

Number of Sponsor TPPs involved in aggregating different Open Banking data types



Open Banking

EMPLOYMENT DYNAMICS (FIGURE 3.3.19 TO FIGURE 3.3.21)

In 2023, the workforce of the Open Banking Infrastructure Providers (Sponsor TPPs) grew by 34%, reaching 51 employees. 67% of employees were Saudi. Over the year, there was also a shift in gender distribution - the percentage of male employees rose from 68% in 2022 to 73% in 2023.

Figure 3.3.19:
Number of employees in Sponsor TPPs



Figure 3.3.20:
Employee breakdown by location of residence in Sponsor TPPs

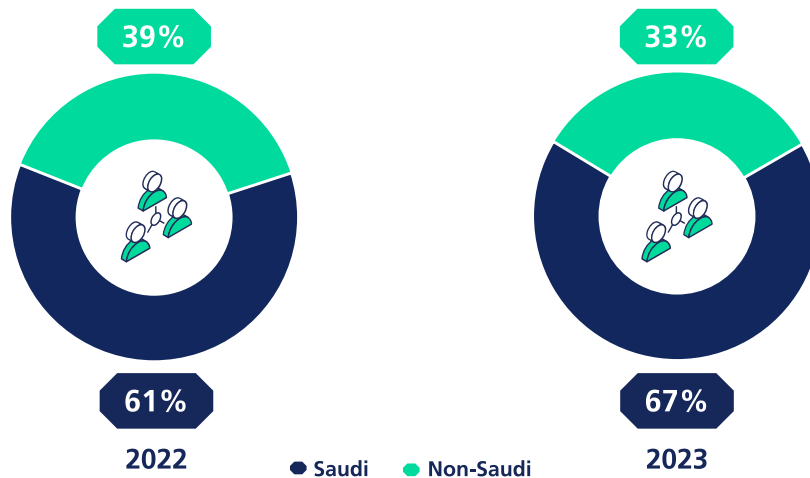
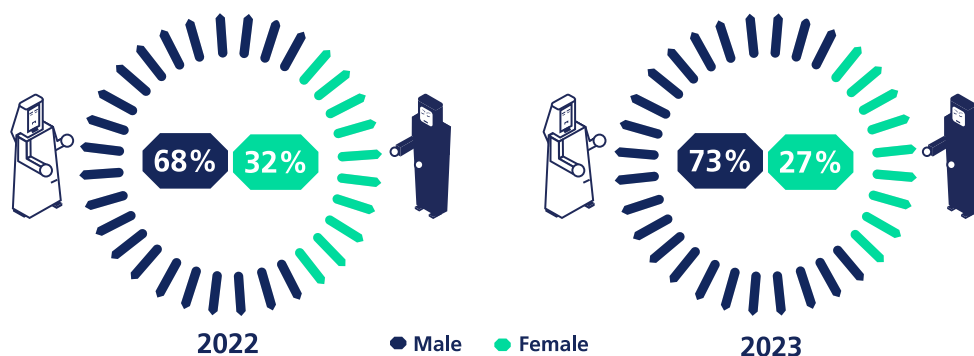


Figure 3.3.21:
Gender breakdown of employees in Sponsor TPPs



3.4

FINTECHS REDEFINING SAVINGS TOOLS IN KSA

Insights into Savings Tools through fintechs in KSA

The Savings Tools sector currently features the Digital Savings Associations (DSAs) business model. In 2023, 3 fintechs were actively engaged with this model within SAMA's Regulatory Sandbox, focusing on its development and driving adoption.

Savings Tools

Figure 3.4.1:
A snapshot of business metrics of DSAs in Saudi Arabia



Digital Savings Associations

DSAs bring a modern twist to the traditional practice of rotating savings and credit associations (ROSCA) by utilizing digital technologies like mobile apps and online banking. Members can contribute fixed amounts to a shared fund on these platforms. These funds are then systematically distributed to various members of the platform in a scheduled rotation. This digital makeover of an established social savings practice not only fosters disciplined saving but also increases transparency within the business model. By doing so, the model seeks to expand the culture of savings and community financing, to make financial products more accessible to those who are unbanked or underbanked. In 2022 and 2023, 3 fintechs were operating in DSAs business model in the KSA.

CUSTOMER DEMOGRAPHICS (FIGURE 3.4.2 TO 3.4.8)

DSA platforms in the KSA witnessed steady growth in 2023. The number of registered customers increased to 2Mn, an increase of 116% from 925.7K in the previous year. The share of active users also grew slightly, making up 13% of the total user base, compared to 10% in 2022. There was a slight increase in female consumers, from 31% to 33%. The majority of customers were Saudi nationals, accounting for 91%.

In terms of the age distribution of customers on the DSA platforms, 38% of registered customers were in the 20-30 age group, 32% were in the 30-40 age group, and 17% were in the 18-20 age group. Riyadh Province was the most prevalent location, accounting for 37% of the customer base. Makkah Province and the Eastern Province followed, each with 27% and 25% of the customer base, respectively.

Savings Tools

Figure 3.4.2:

Total number of registered customers

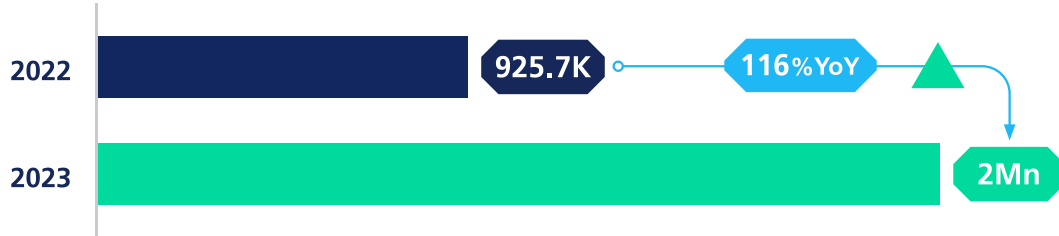
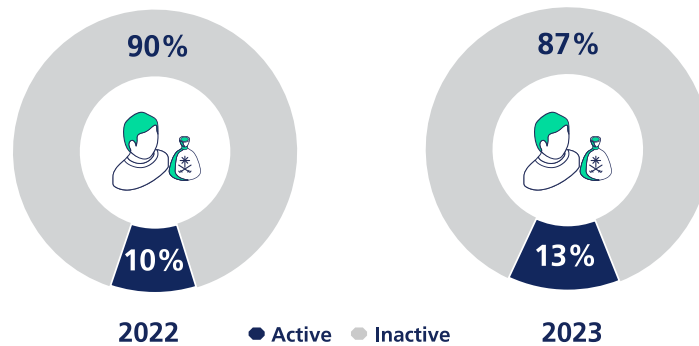


Figure 3.4.3:

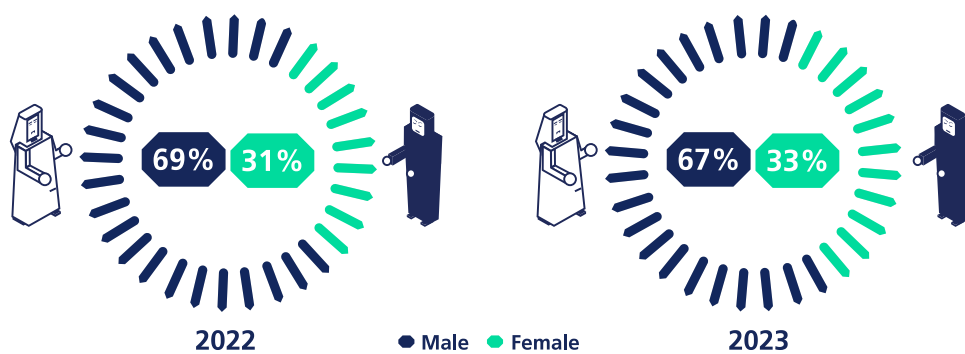
Breakdown of customers by the level of activity



Active - A customer that joined savings associations group during the year
 Inactive - A customer that did not join savings associations group during the year but is registered with an existing platform

Figure 3.4.4:

Gender breakdown of customers in DSAs



Savings Tools

Figure 3.4.5:
Customer breakdown by nationality (%)

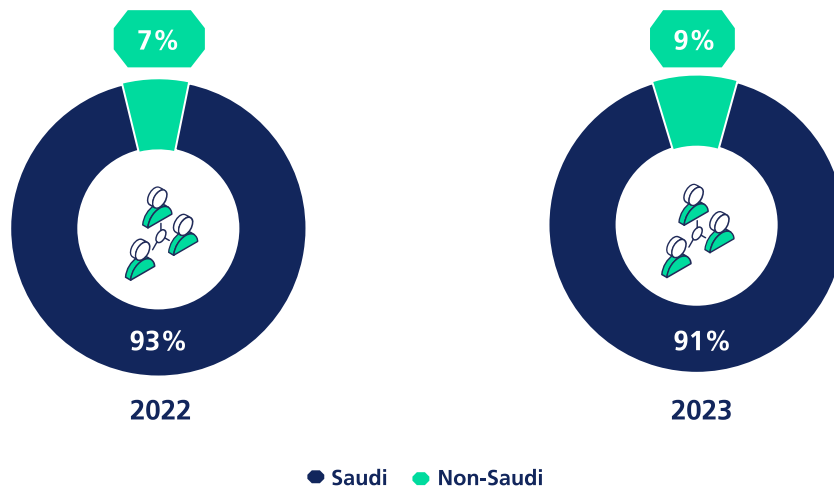
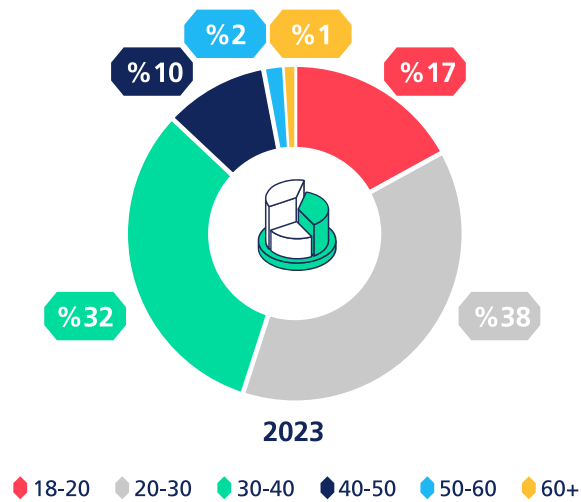


Figure 3.4.6:
Breakdown of registered customer by age



Savings Tools

Figure 3.4.7:
Breakdown of registered customer by geographical location

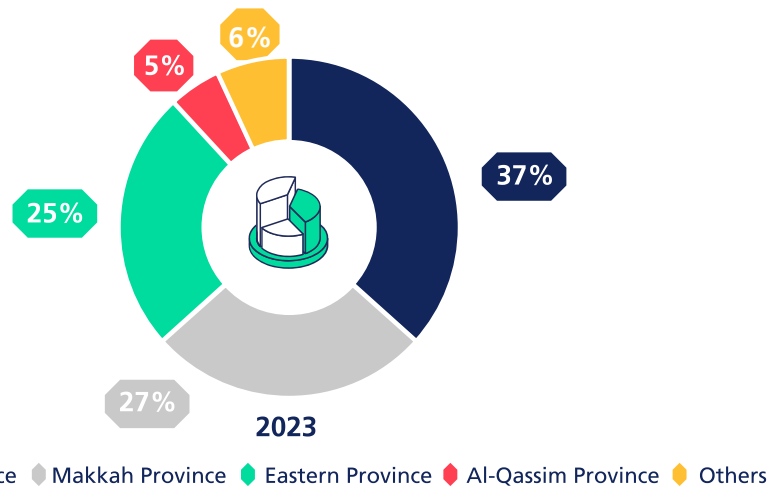
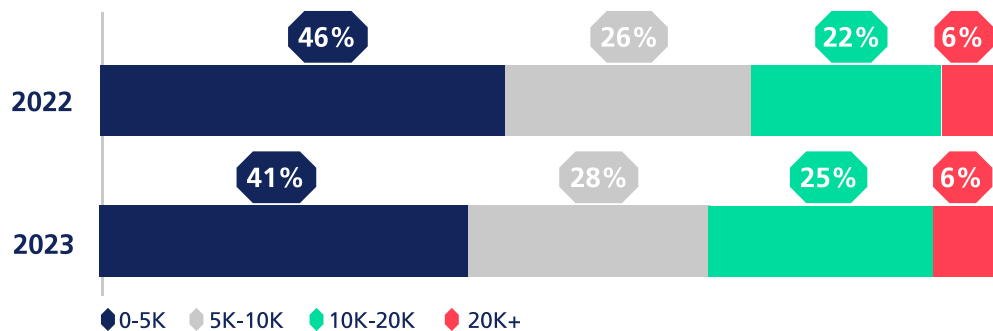


Figure 3.4.8:
Breakdown of registered customer by monthly salaries (in SAR)



Savings Tools

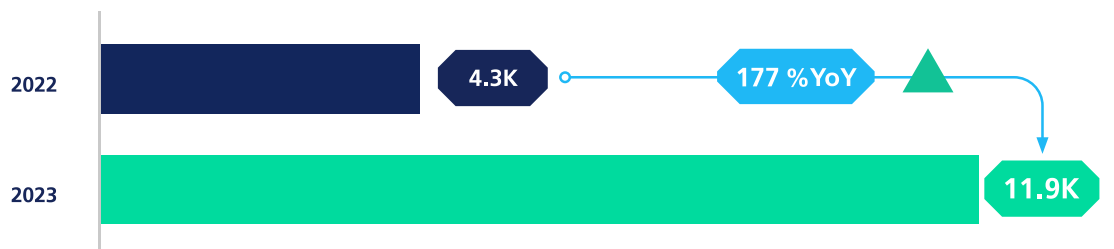
SECTORAL TRENDS AND TRACTION (FIGURE 3.4.9 TO 3.4.11)

The DSA business model saw growth and expansion on multiple fronts in 2023. The number of DSA groups reached 11.9K, which increased 177% Year-over-Year (YoY) in 2023. The total value of deposits within DSA groups also surged 4x, reaching SAR 2Bn from the preceding year's SAR 491Mn. The average value of user contribution into DSA doubled to reach SAR 11K in 2023.

Deposit patterns have shown consistency, as most members (93%) maintain deposits primarily under the SAR 5K threshold. 68% of members deposited amounts less than SAR 1K, 25% of members deposited between SAR 1K and 5K.

Figure 3.4.9:

Number of Digital Savings Association Groups



Value of Digital Savings Association Groups (in SAR)

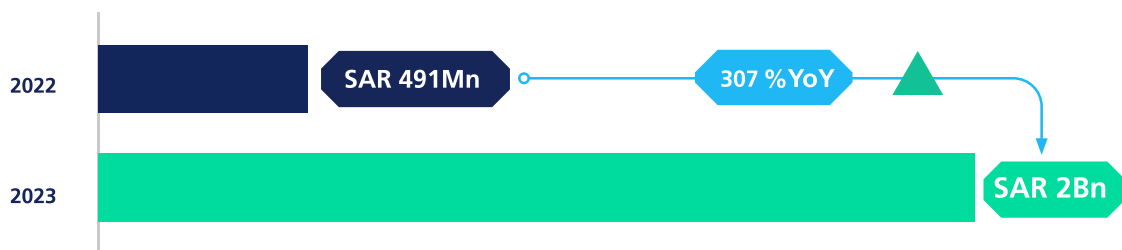
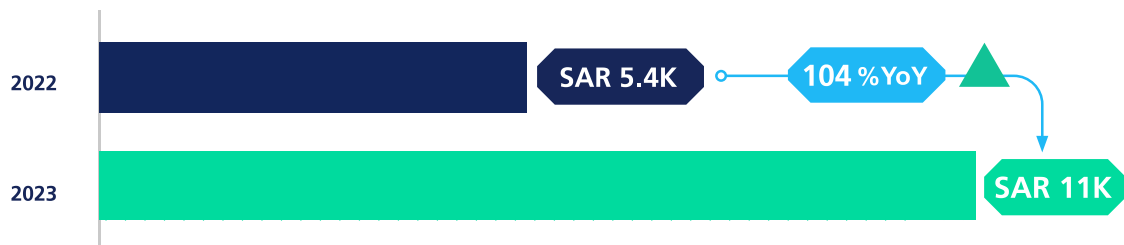


Figure 3.4.10:

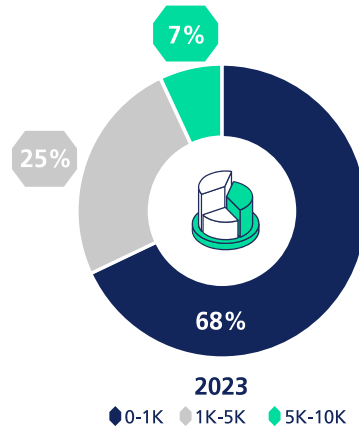
Average value of user contribution in Digital Savings Groups (in SAR)



Savings Tools

Figure 3.4.11:

Breakdown of total number of members by average deposit amount



Savings Tools

EMPLOYMENT DYNAMICS (FIGURE 3.4.12 TO 3.4.14)

In 2023, the workforce within DSA platforms increased by 33%, culminating in a headcount of 68 by year-end. 74% of the workforce was Saudi. The female representation increased to 38% from 37% in the preceding year.

Figure 3.4.12:
Total number of employees in DSAs



Figure 3.4.13:
Employee breakdown by location of residence in DSAs

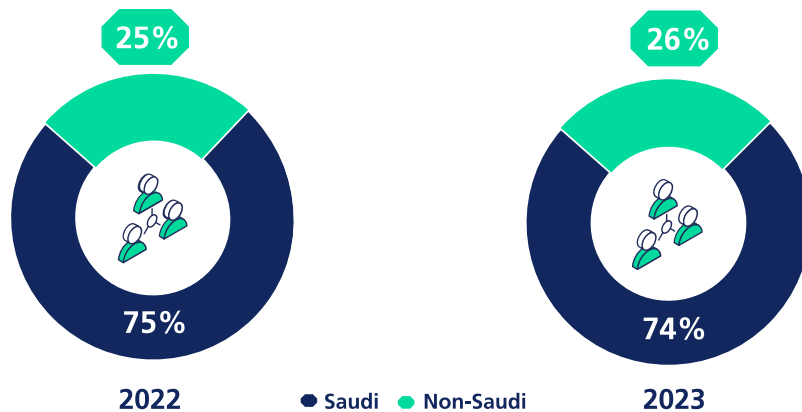
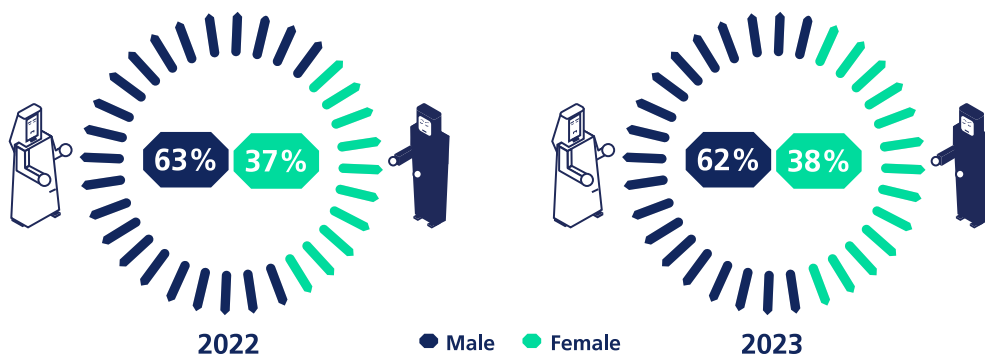


Figure 3.4.14:
Gender breakdown of employees in DSAs



3.5

FINTECHS REDEFINING INVESTMENT MANAGEMENT AND ADVISORY IN KSA

ROBO-ADVISORY | SOCIAL TRADING | AI IN ADVISORY

Insights into Investment Management and Advisory through fintechs in KSA

The Investment Management and Advisory sector currently includes three key business models: Robo-Advisory, Social Trading, and AI in Advisory.

The Investment Management and Advisory sector, regulated by CMA, includes fintechs specializing in Robo-Advisory, Social Trading, and AI in Advisory. To operate, these fintechs need either a CMA authorization or a Fintech ExPermit from the CMA's FinTech Lab, and they must follow strict rules on licensing, disclosure, client protection, and business conduct. By the end of 2023, there were 11 fintechs in this sector: 9 focused on Robo-Advisory, 1 on Social Trading, 1 on AI in Advisory, and Custody. Robo-Advisory is the most established of these business models.

ROBO-ADVISORY

Robo-Advisory is a service which allows clients to get advice on securities or investment schemes through direct access to an automated online platform (or application). Additionally, the platform is able to offer automated online discretionary investment management, where the clients can automatically make investments through the platform or the application by giving the management of the company the responsibility to invest on their behalf, within parameters and mandates agreed with the client, on an ongoing basis. In 2023, the number of fintechs operating with Robo-advisory business model stood at 9.

Investment Management and Advisory

CUSTOMER DEMOGRAPHICS (FIGURE 3.5.1 TO 3.5.7)

The Robo-Advisory business model continues to gain traction, as evidenced by its user base, which grew by 204% Year-over-Year (YoY) to reach 491.6K in 2023. Retail investors dominated this growth, comprising 99.5% of the user base. The number of retail investors in the business model increased from 161.5K in 2022 to 491.3K in 2023. The number of qualified and institutional investors also expanded, rising by 78% from 131 to 233. The business model attracted primarily younger investors, with those aged 20-40 accounting for 77% of the investor base. Geographically, Riyadh province was the leading center for Robo-Advisory investments, accounting for 39% of the investor population, followed by Makkah province at 22% and the Eastern Province at 16%. This shows a strong interest in Robo-Advisory services among a younger, tech-savvy demographic seeking innovative investment solutions.

Figure 3.5.1:

Number of investors in Robo-Advisory

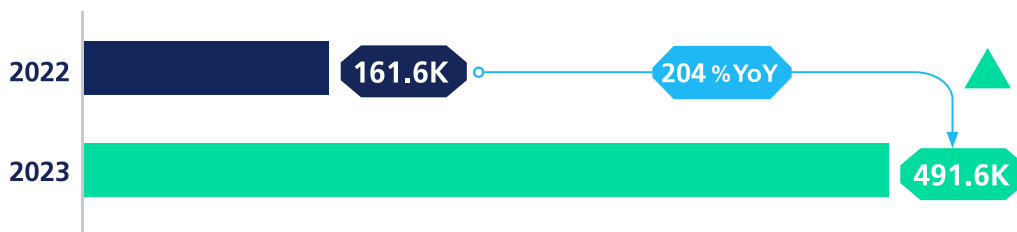
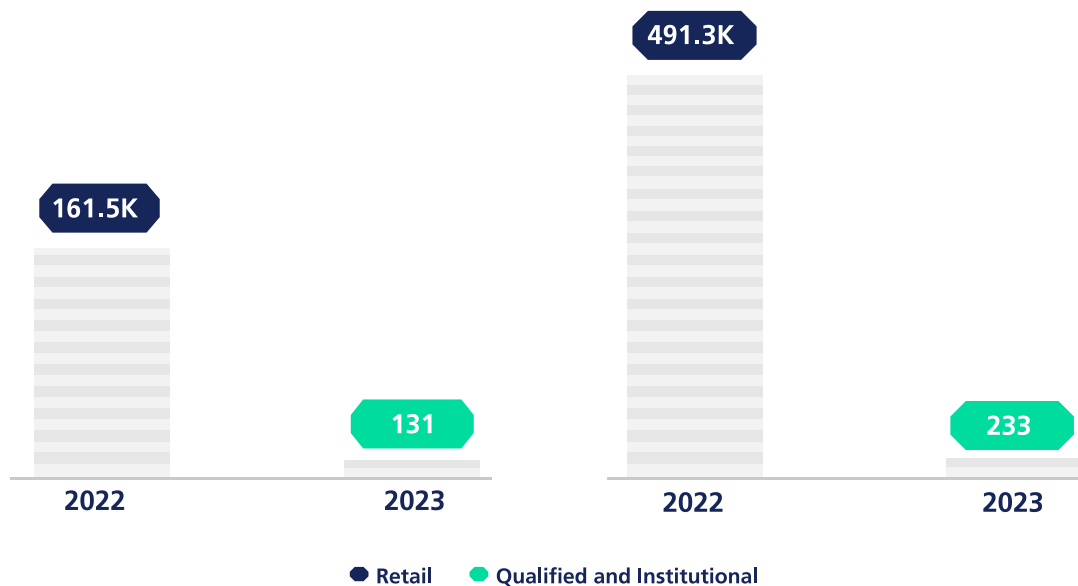


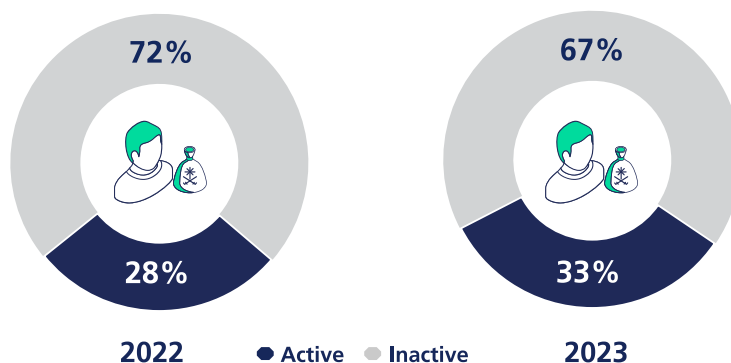
Figure 3.5.2:

Type of investors in Robo-Advisory



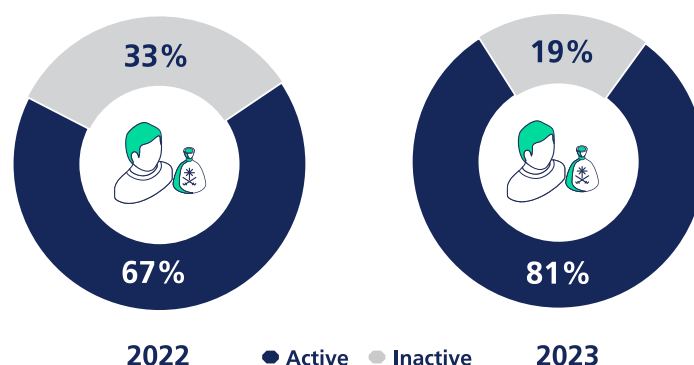
Investment Management and Advisory

Figure 3.5.3:
Breakdown of retail investors by level of activity



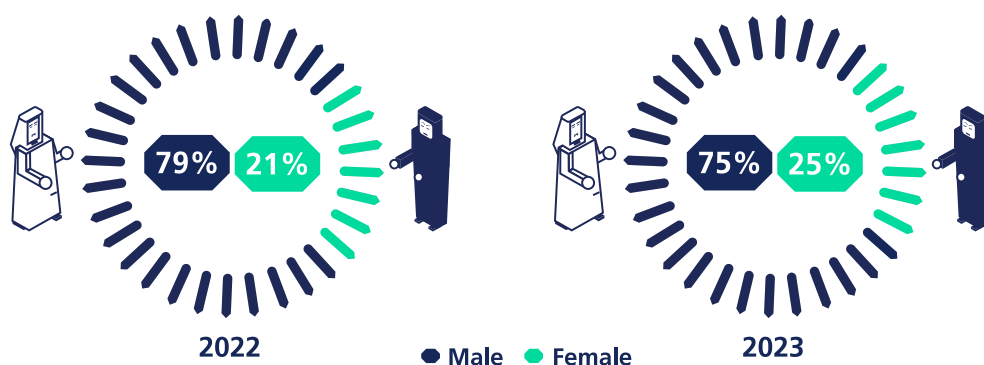
Active - An investor that conducted at least one investment in the year to 31 Dec.
Inactive - An investor that did not conduct any investment in the year to 31 Dec.

Figure 3.5.4:
Breakdown of qualified and institutional investors by level of activity



Active - An investor that conducted at least one investment in the year to 31 Dec.
Inactive - An investor that did not conduct any investment in the year to 31 Dec.

Figure 3.5.5:
Gender breakdown of investors in Robo-Advisory



Investment Management and Advisory

Figure 3.5.6:
Total number of registered investors by age

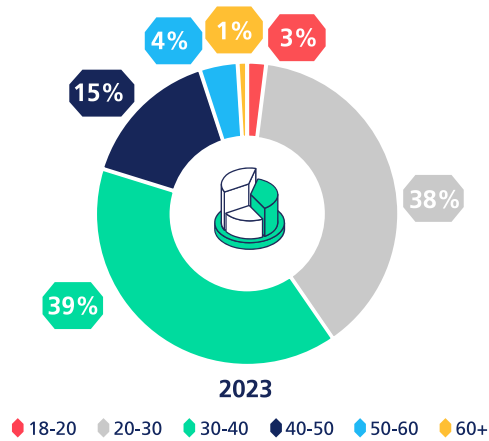
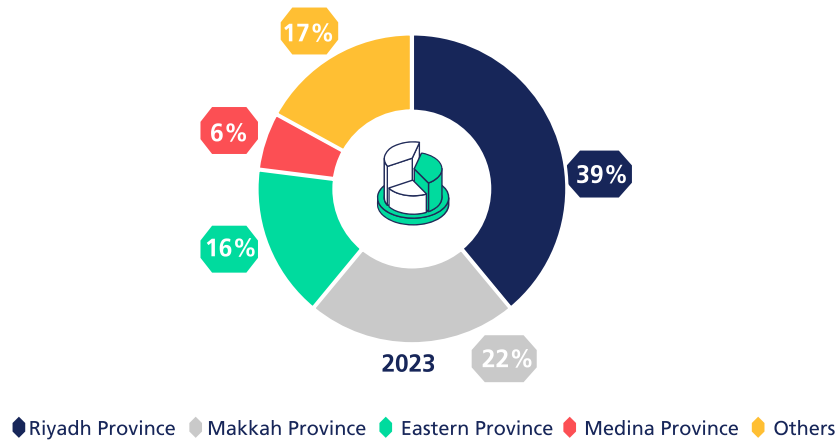


Figure 3.5.7:
Total number of registered investors by geographic location



Investment Management and Advisory

SECTORAL TRENDS AND TRACTION (FIGURE 3.5.8 TO 3.5.12)

The Robo-Advisory business model experienced growth in AUM, with an increase of 354% YoY, reaching SAR 1.4Bn from the previous year's SAR 308.2Mn. This model serves two types of investments: regular interval investors that contribute small amounts consistently over time, and lump-sum investors that invest larger amounts in a single transaction. In 2023, both investor groups witnessed growth, with regular interval investors growing from 16K to 67.5K, and lump-sum investors from 28.6K to 86.3K.

The value of regular interval investments rose to SAR 1.2Bn, a 568% increase YoY, outpacing the growth of lump-sum investments, which grew by 290% reaching SAR 831.8Mn. This trend suggests that more investors are favoring regular investments over lump-sum investments.

In terms of risk preferences, 91% of investors opted for either high-risk (38%) or moderate-risk (53%) investment products, while only 9% chose low-risk options. Examining the value of investors' portfolios reveal a trend towards larger investments among retail investors. In 2022, 87% of portfolios were valued at less than SAR 10K. In 2023, this dropped to 79%. Portfolios ranging from SAR 10K to SAR 50K increased to 16% from 11%, and portfolios exceeding SAR 50K grew to 5% from 3% the previous year.

Figure 3.5.8:
Asset Under Management

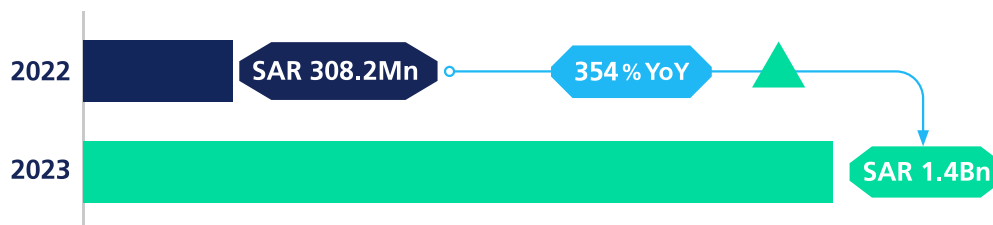
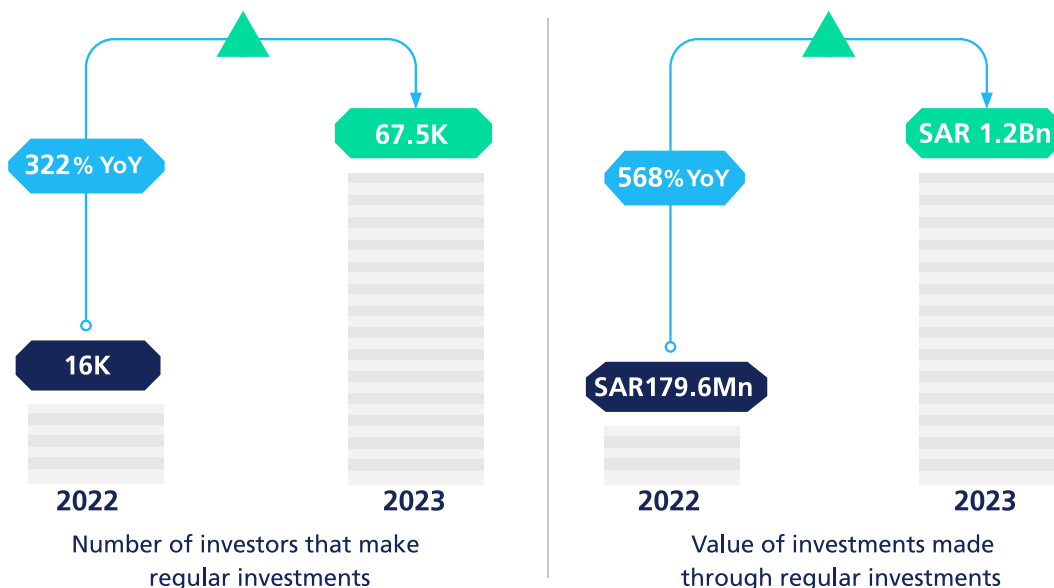


Figure 3.5.9:
Number of investors and total investment value for regular interval investments



Investment Management and Advisory

Figure 3.5.10:
Number of investors and total investment value for lump-sum investments

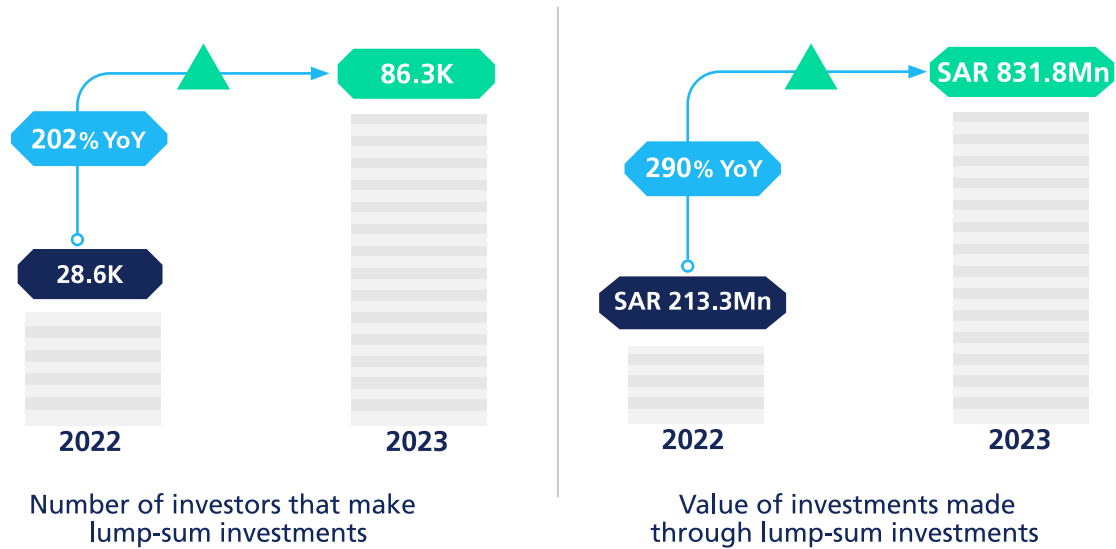


Figure 3.5.11:
Risk level association with composition of portfolio of investors

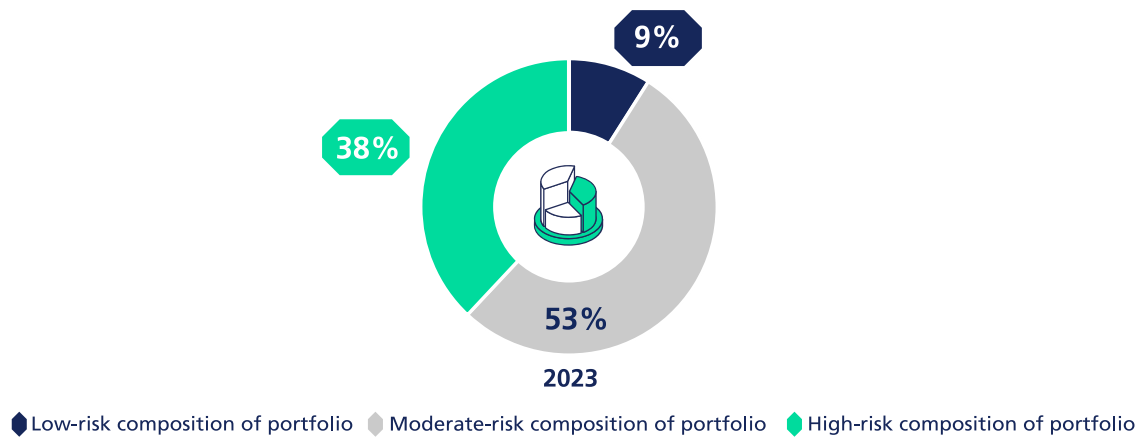
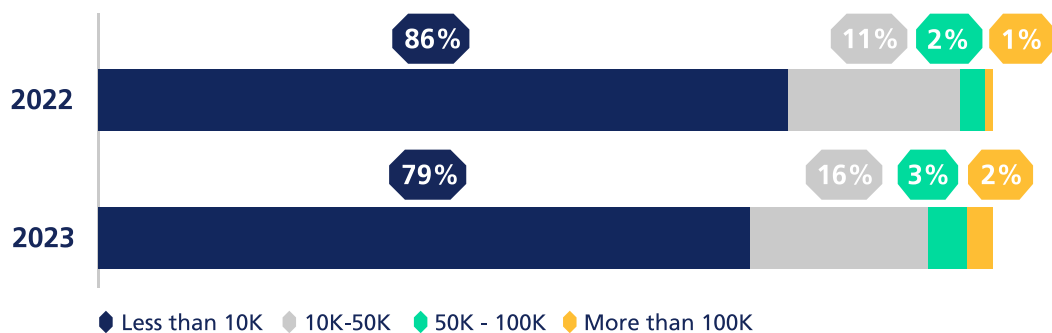


Figure 3.5.12:
Portfolio size distribution among investors (SAR)



Investment Management and Advisory

EMPLOYMENT DYNAMICS (FIGURE 3.5.13 TO 3.5.15)

In 2023, the workforce within the Robo-Advisory business model almost doubled from 32 in 2022 to reach a headcount of 61 by year-end. 93% of the workforce was Saudi. Additionally, the sector observed a shift in gender composition: female representation increased from 16% to 23%, signaling progress toward a more balanced gender distribution.

Figure 3.5.13:
Number of employees in Robo-Advisory

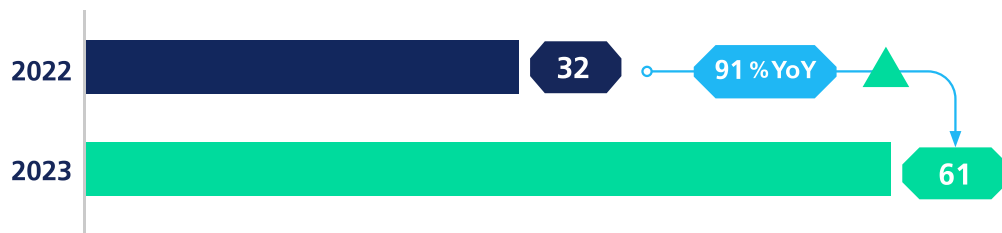


Figure 3.5.14:
Employee breakdown by location of residence in Robo-Advisory

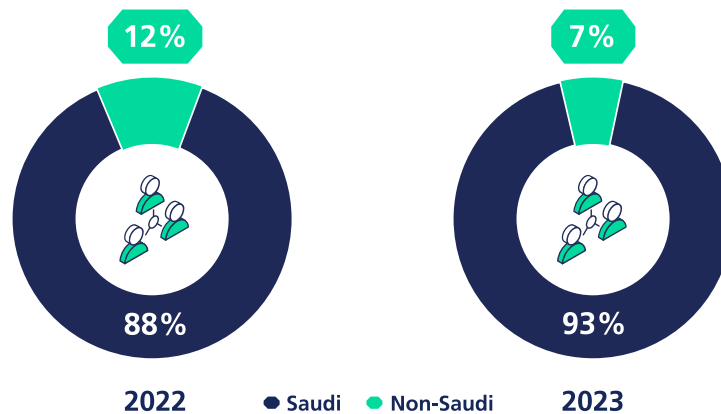
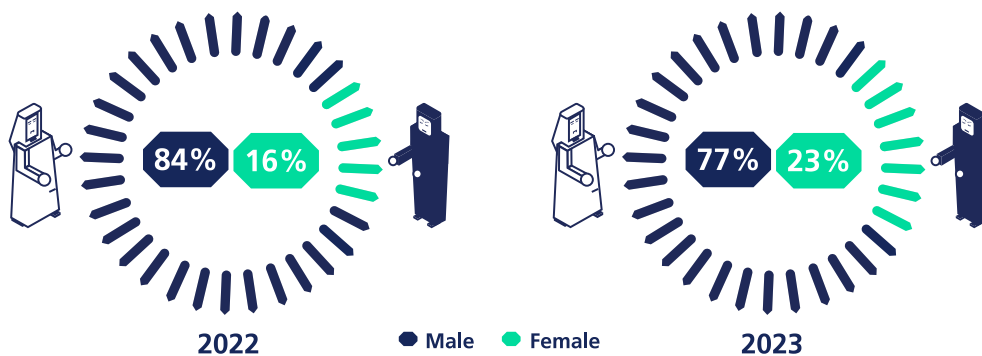


Figure 3.5.15:
Gender breakdown of employees in Robo-Advisory



3.6

FINTECHS ENABLING ALTERNATIVE INVESTMENTS IN KSA

INVESTMENT and REAL ESTATE FUNDS DISTRIBUTION (IREFD) PLATFORMS | EQUITY CROWDFUNDING | OFFERING AND INVESTMENT IN DEBT INSTRUMENTS

Insights into Alternative Investments through fintech in KSA

Alternative Investments represent a broad spectrum of non-traditional assets extending beyond standard financial instruments such as stocks and bonds. In the KSA fintech ecosystem, the Alternative Investments sector is further segmented into Four primary business models: Investment and Real Estate Funds Distribution (IREFD) Platforms, Equity Crowdfunding, Offering and Investment in Debt Instruments, to use Distributed Ledger Technology (DLT) to Arrange and Offer of Securities and Custody Services.

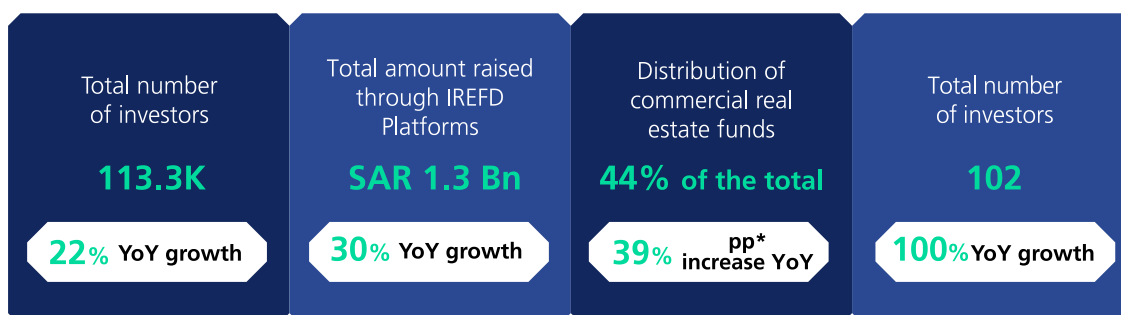
CMA regulates fintechs involved in Investment and Real Estate Funds Distribution Platforms, Equity Crowdfunding, Offering and Investment in Debt Instruments and to use Distributed Ledger Technology (DLT) to Arrange and Offer of Securities and Custody Services business models. There were 35 fintech operating across these 4 business models in 2023.

Alternative Investments

Figure 3.6.1:

A snapshot of KSA's Alternative Investments sector in 2023

Investment and Real Estate Funds Distribution Platforms



*pp stands for percentage points, which measure the absolute difference between two percentages.

Equity Crowdfunding



Offerings and Investment in Debt Instruments



1. Investment and Real Estate Funds Distribution Platforms

IREFD Platforms are a distribution of investment units issued by Investment and Real Estate Investment funds established in the KSA and offered publicly or privately in accordance with the relevant regulations issued by the CMA, in which the offering is conducted to a group of investors (platform clients) through a platform established for this purpose ("platform"). The units obtained through the platforms should be registered under the investor's name (end beneficiary) with the fund manager, ensuring that these investors who invested through the platform exercise their rights as owners of units in accordance with the relevant executive regulations. The number of fintechs operating with IREFD business model increased from 9 in 2022 to 13 in 2023.

Alternative Investments

CUSTOMER DEMOGRAPHICS (FIGURE 3.6.2 TO FIGURE 3.6.8)

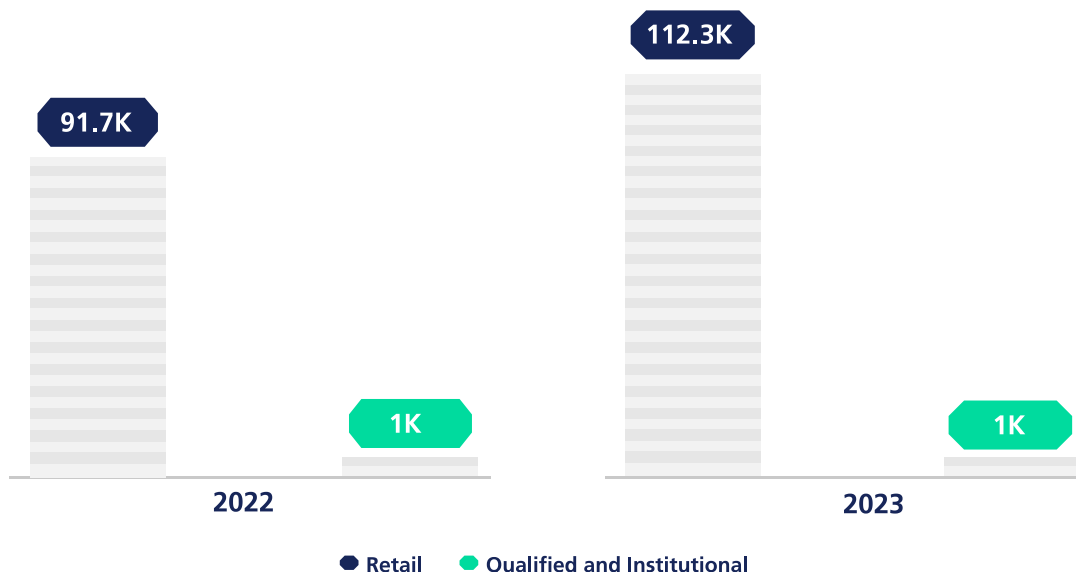
By the end of 2023, the number of investors registered with IREFD Platforms in the KSA reached 113.3K, marking a growth of 22% compared to the previous year. Retail investors formed the core of the customer base, comprising 99% of the total. While the total customer base of investors participating in IREFD Platforms is increasing, the proportion of active investors, i.e., those who made at least one investment in the year, is growing at a slower pace or declining. In 2023, 33% of retail investors were active, down from 42% in 2022. Conversely, 43% of qualified and institutional investors were active in 2023, an increase from 38% the previous year. Additionally, male investors constituted 80% of the cohort in 2023, while female investors made up the remaining 20%.

The predominant age demographic of investors is concentrated in the 30-40 age group, which accounts for 40% of the total. This is followed by the 20-30 age group (34%), and the 40-50 age group (17%). Geographically, Riyadh province emerged as the primary hub for IREFD Platforms retail users, constituting 52% of the total user base. Makkah Province (20%) and Eastern Province (10%) ranked behind with relatively lower participation.

Figure 3.6.2:
Number of investors on IREFD Platforms

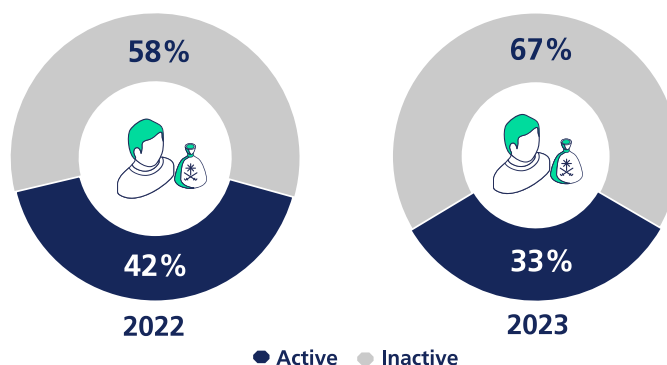


Figure 3.6.3:
Type of investors on IREFD Platforms



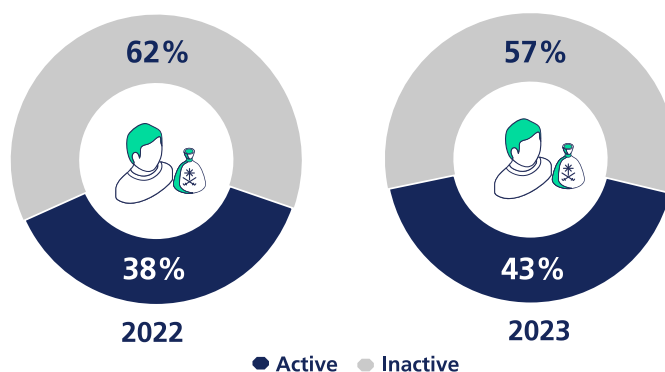
Alternative Investments

Figure 3.6.4:
Breakdown of retail investors by level of activity



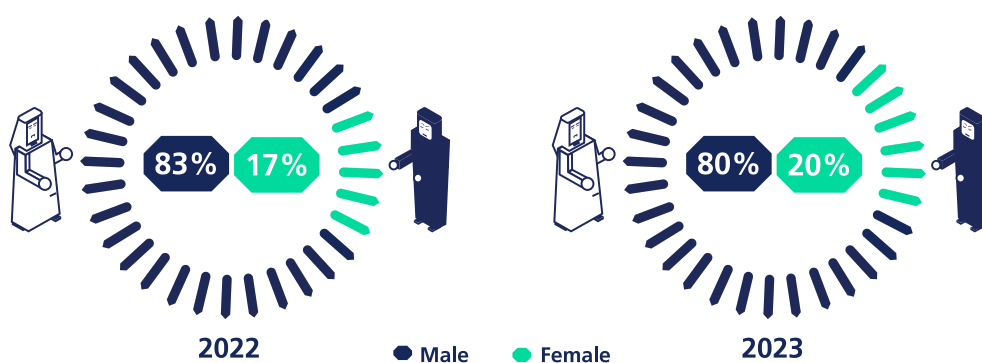
Active - An investor that conducted at least one investment in the year to 31 Dec.
Inactive - An investor that did not conduct any investments in the year to 31 Dec.

Figure 3.6.5:
Breakdown of qualified and institutional investors by level of activity



Active - An investor that conducted at least one investment in the year to 31 Dec.
Inactive - An investor that did not conduct any investment in the year to 31 Dec.

Figure 3.6.6:
Gender breakdown of investors in IREFD Platforms



Alternative Investments

Figure 3.6.7:
Total number of registered investors by age

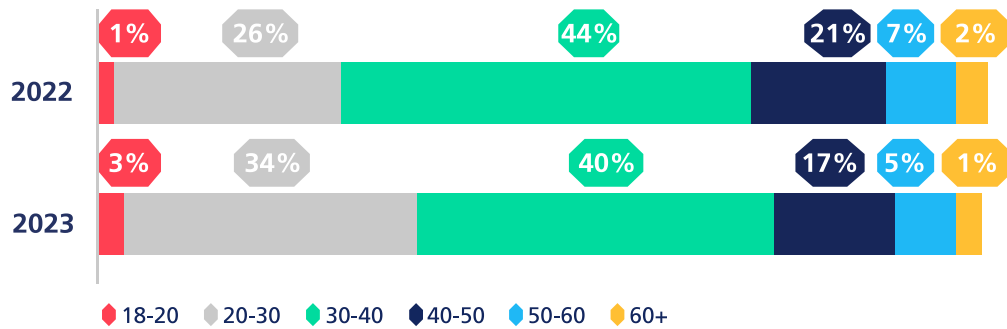
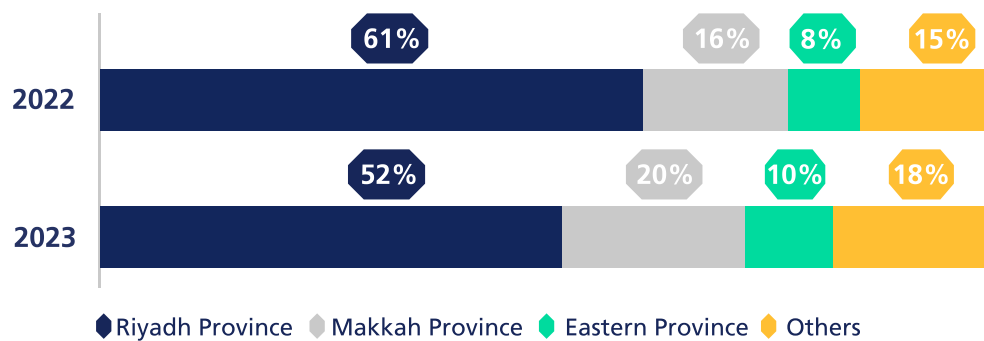


Figure 3.6.8:
Total number of registered investors by geographic location



Alternative Investments

SECTORAL TRENDS AND TRACTION (FIGURE 3.6.9 TO 3.6.13)

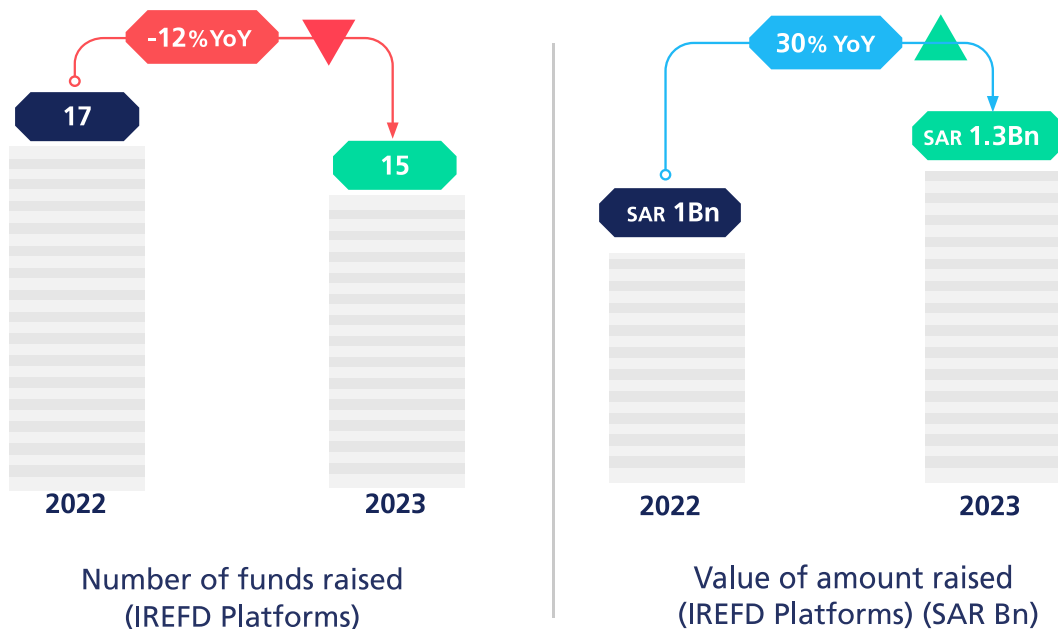
The total number of funds within the IREFD platforms decreased by 12% to 15 funds at the year end. However, the total collected fund amount through these platforms surged by 30% to reach SAR 1.3Bn in 2023, compared to the preceding year's SAR 1Bn.

Real estate funds predominantly directed their investments toward Housing Projects, which accounted for 56% of the total, while Commercial investments constituted the remaining 44%. This allocation marks a significant shift from 2022, where Housing projects dominated the investment landscape, comprising 95% of total investments, with commercial ventures receiving only 5%.

Geographically, the Riyadh province serves as the primary investment hub, dominating both the number of funds and the value of funds invested. In 2022, Riyadh province accounted for 59% of the total number of funds invested, and this share slightly increased to 60% in 2023. In terms of the value of funds, Riyadh province held 59% of the total value of funds invested in 2022, which saw an increase to 81% in 2023.

Figure 3.6.9:

The total number and value of amount raised (IREFD Platforms)



Alternative Investments

Figure 3.6.10:
Type of asset class

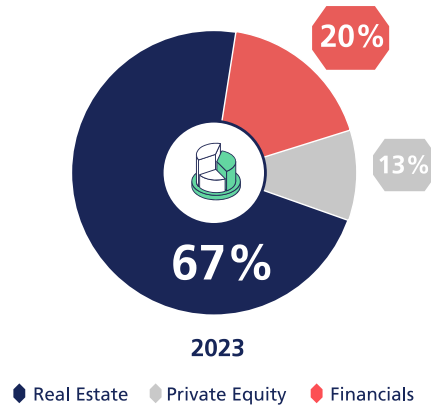


Figure 3.6.11:
Breakdown of type of real-estate funds by purpose

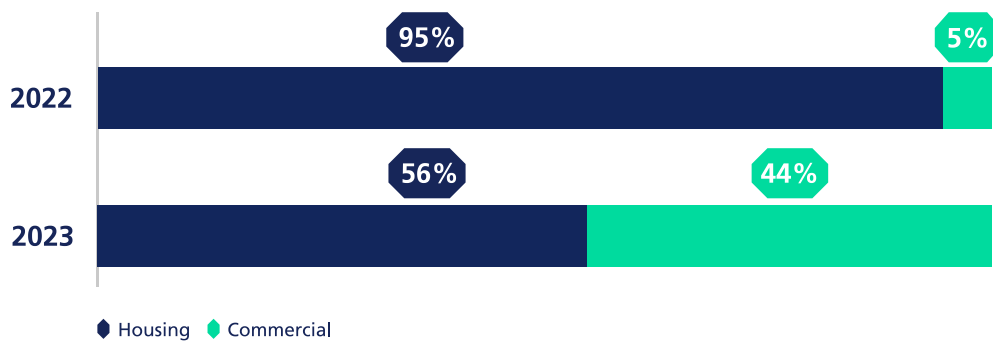
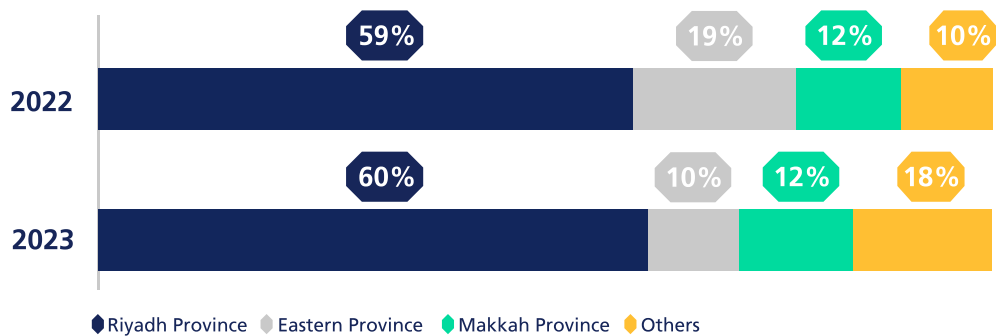


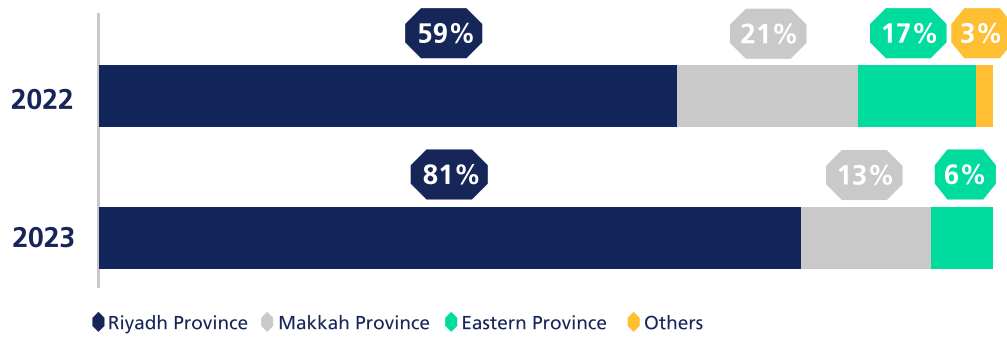
Figure 3.6.12:
Breakdown of number of funds invested by geographic location



Alternative Investments

Figure 3.6.13:

Breakdown of value of funds invested by geographic location



Alternative Investments

EMPLOYMENT DYNAMICS (FIGURE 3.6.14 TO FIGURE 3.6.16)

The number of employees in the IREFD Platforms business model fintechs grew by 100% Year-over-Year (YoY) to reach 102. This growth was driven by increased hiring and the addition of a new entrant in the business model. The workforce primarily consisted of Saudi employees. The proportion of male employees rose from 63% in 2022 to 67% in 2023.

Figure 3.6.14:
Number of employees in IREFD Platforms

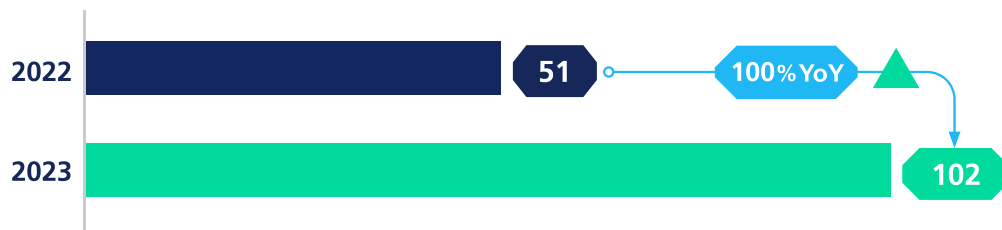


Figure 3.6.15:
Employee breakdown by location of residence in IREFD Platforms

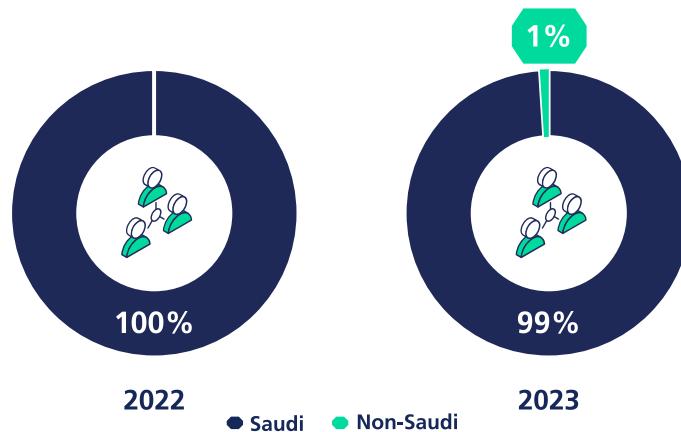
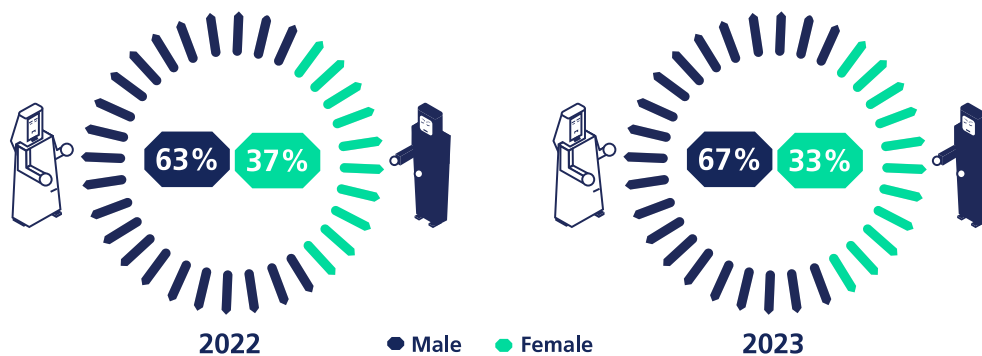


Figure 3.6.16:
Gender breakdown of employees in IREFD Platforms



Alternative Investments

2. Equity Crowdfunding

An Equity Crowdfunding platform allows investors to participate in funding small and medium size enterprises (SMEs) in exchange for shares in such enterprises. The service is provided through an electronic platform owned and monitored by the permitted company. The number of fintechs operating with Equity Crowdfunding business model decreased from 10 in 2022 to 7 in 2023.

CUSTOMER DEMOGRAPHICS (FIGURE 3.6.17 TO FIGURE 3.6.24)

In 2023, there were a total of 118.5K registered investors on Equity Crowdfunding platforms in KSA. Compared to 2022, the overall number of investors grew by 6% over the course of 12 months. Retail investors accounted for 96% of this cohort, with qualified and institutional investors comprising the remaining 4%. Within the retail investor segment, there was an 11% Year-over-Year (YoY) increase, reaching a total of 113.9K users in 2023. 9% of retail investors were active in 2023, compared to 10% of qualified and institutional investors.

The gender composition has remained consistent over the past two years, with male investors making up 85% of the total investor base and female investors constituting the remaining 15%. 99% of the total investors are Saudi-nationals. The demographic profile of Equity Crowdfunding investors predominantly spans the age groups of 30-40 constituting 47% of the base, followed by the age groups 20-30 (24%) and 40-50 (21%).

In terms of investors who invested in two or more investments in 2023, those who made two investments represented 48% of the investor group. This was followed by investors who made three investments at 21%, and those who made more than four investments at 20%.

Figure 3.6.17:
Number of investors in Equity Crowdfunding



Alternative Investments

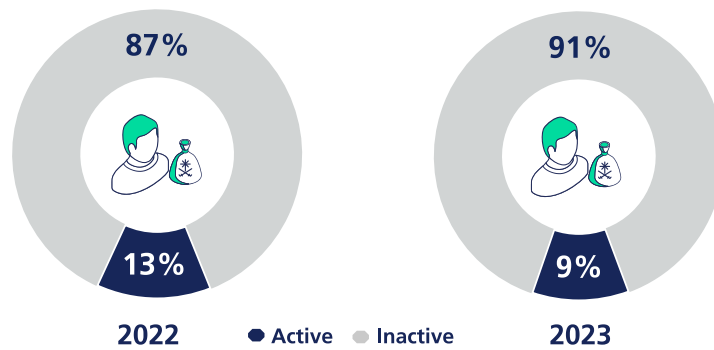
Figure 3.6.18:

Type of investors in Equity Crowdfunding



Figure 3.6.19:

Breakdown of retail investors by level of activity



Active - An investor that conducted at least one investment in the year by 31 Dec.
Inactive - An investor that conducted not make any investments in the year by 31 Dec.

Alternative Investments

Figure 3.6.20:

Breakdown of qualified and institutional investors by level of activity



Active - An investor that conducted at least one investment in the year by 31 Dec.
Inactive - An investor that conducted not make any investments in the year by 31 Dec.

Figure 3.6.21:

Gender breakdown of investors in Equity Crowdfunding

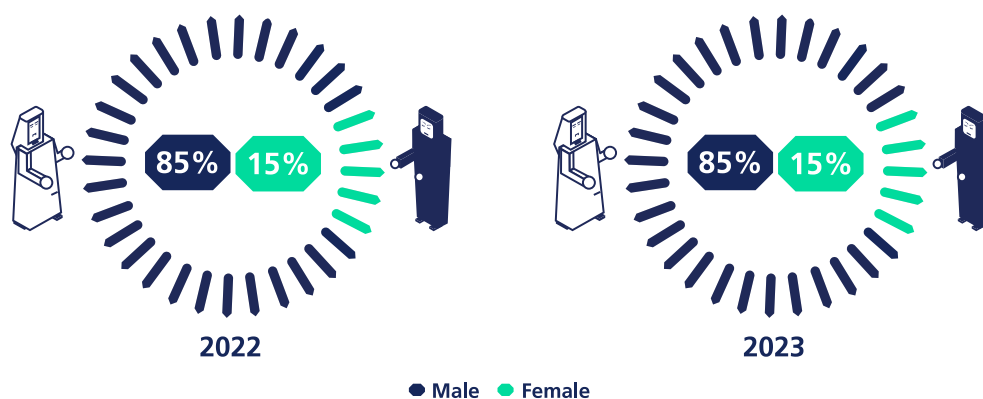
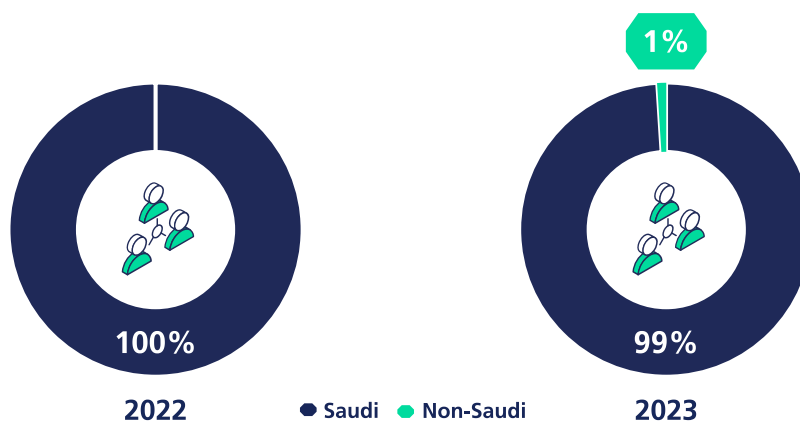


Figure 3.6.22:

Total number of registered investors by nationality



Alternative Investments

Figure 3.6.23:

Total number of registered investors by age

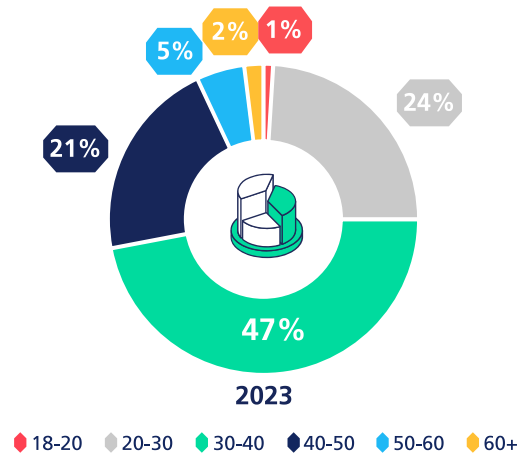
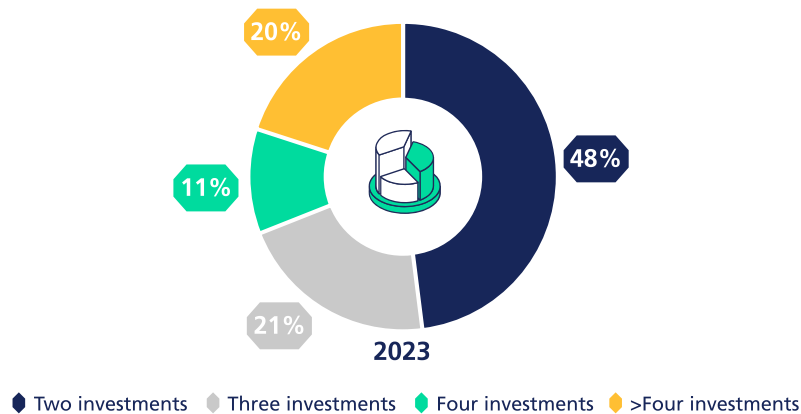


Figure 3.6.24:

Total number of investors that made more than one investment in the year



Alternative Investments

SECTORAL TRENDS AND TRACTION (FIGURE 3.6.25 TO FIGURE 3.6.30)

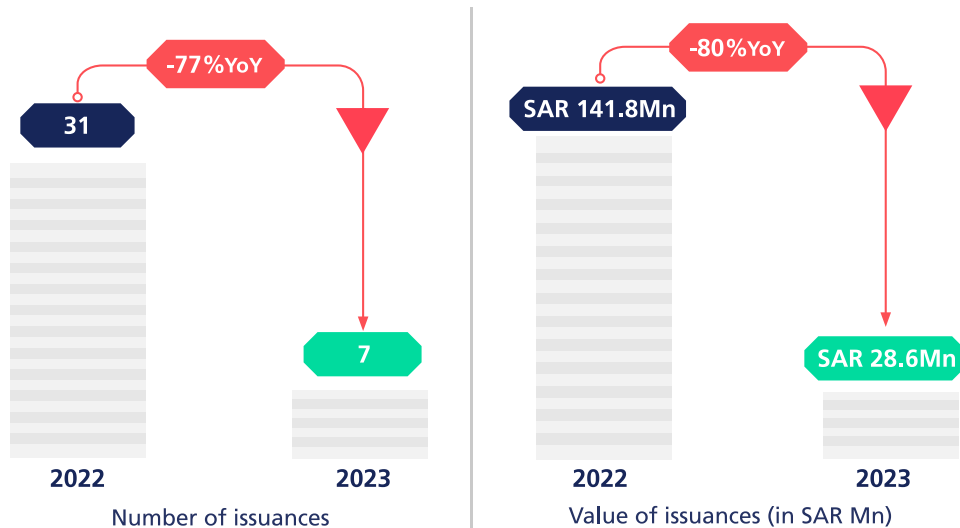
In this business model, the total count of issuances dropped by 77% compared to the previous year's total of 31, resulting in just 7 issuances. Aligned with this trend, the amount raised through Equity Crowdfunding platforms witnessed an 80% decline, dropping from SAR 141.8Mn in 2022 to SAR 28.6Mn in 2023. The predominant reason for companies raising funds through Equity Crowdfunding platforms was geared towards purchasing assets, representing 96%, while a nominal 4% was allocated for working capital financing.

Industry was the dominant sector in terms of attracting equity crowdfunding investments, capturing 50% of the total investment amount. Telecommunications followed with a 3% share. Raw materials secured 2% of the total investments. The remaining 45% were invested in other sectors.

In 2023, companies in the post-revenue stage represent 86% of the total, while pre-revenue companies make up the remaining 14%. In 2023, the average investment amount per investor decreased by 50% YoY, falling to SAR 4,649 from SAR 9,318 in 2022. Additionally, there was a 0.3 month reduction in the average duration of crowdfunding campaigns from offering to full funding.

Figure 3.6.25:

The total number and value of issuances (Equity Crowdfunding)



Alternative Investments

Figure 3.6.26:
Reasons for funding raised

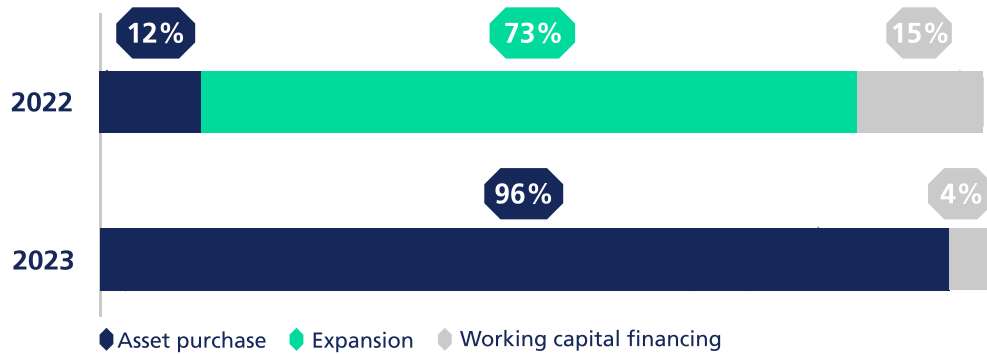


Figure 3.6.27:
Total investment amount in the year by sector (SAR)

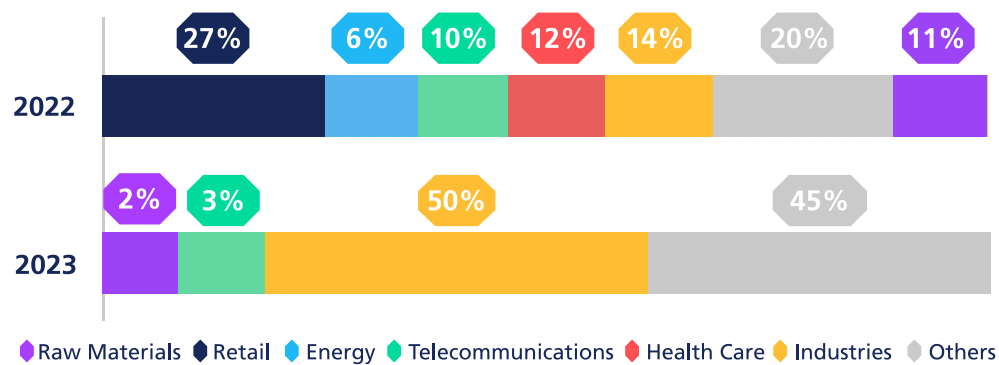
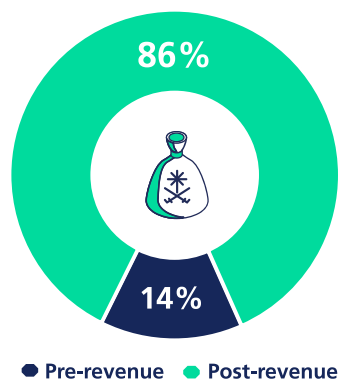


Figure 3.6.28:
Total number of companies looking for investment by operational stage



Alternative Investments

Figure 3.6.29:

Average investment amount (Per investor) in the year

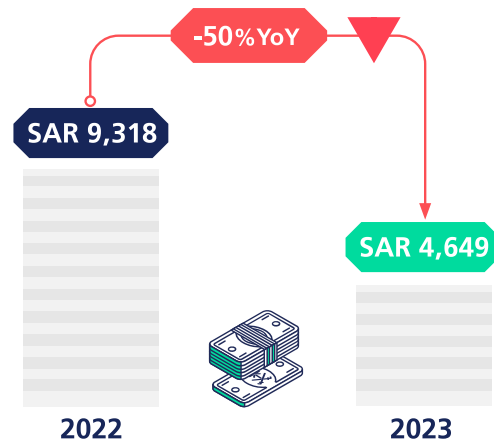
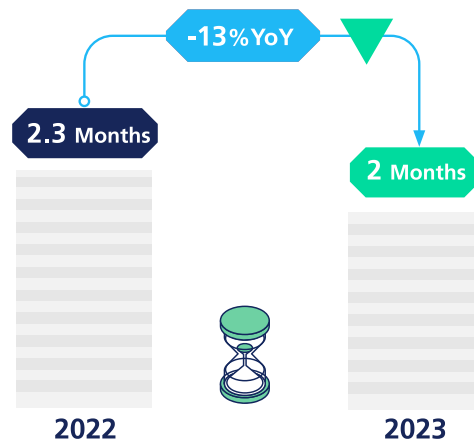


Figure 3.6.30:

Average duration of a crowdfunding campaign on the platform from offering to fully funded



Alternative Investments

EMPLOYMENT DYNAMICS (FIGURE 3.6.31 TO FIGURE 3.6.33)

The workforce within the Equity Crowdfunding business model experienced a Year-over-Year (YoY) growth of 20% to 67 by the end of 2023. The proportion of male employees increased from 64% in 2022 to 66% in 2023, Saudi employees constituted the majority, occupying 99% of the workforce.

Figure 3.6.31:
Number of employees in Equity Crowdfunding



Figure 3.6.32:
Employee breakdown of location of residence in Equity Crowdfunding

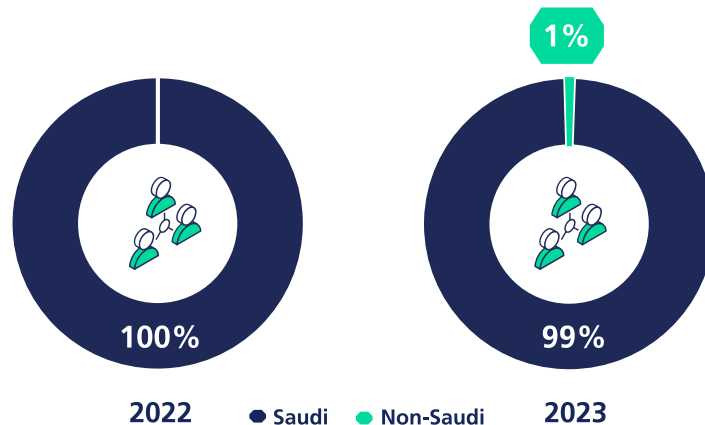
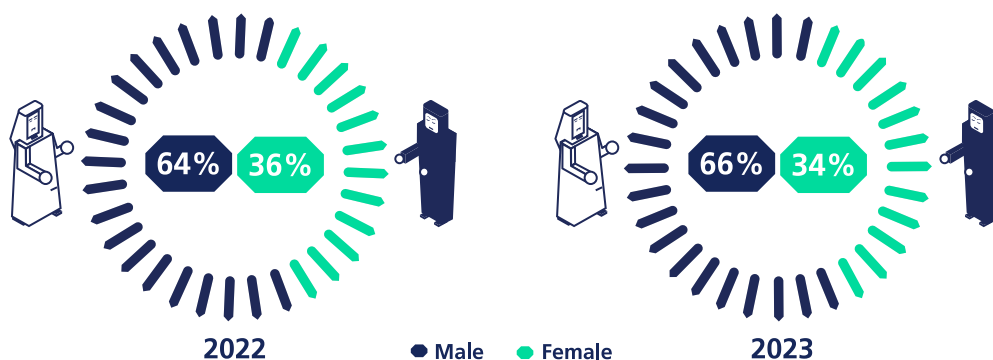


Figure 3.6.33:
Gender breakdown of employees in Equity Crowdfunding



Alternative Investments

3. Offering and Investment in Debt Instruments

These fintechs provide a platform for offering and investing in debt instruments that enables SMEs to obtain the required funding by arranging the offering of Sukuks to finance projects and offering them to the collective investors registered on the platform.

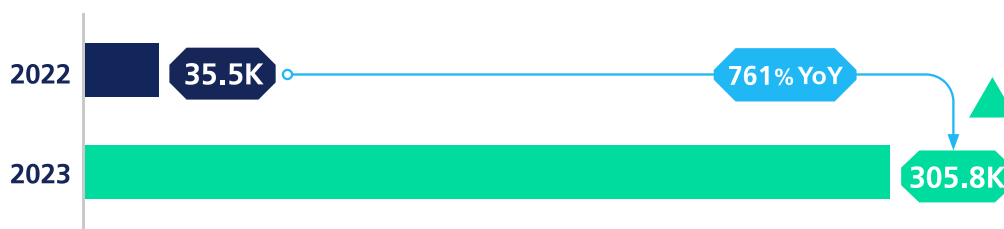
The business model is witnessing growth driven by both supply-side and demand-side factors. Corporates and Small Medium Enterprises in KSA routinely issue debt securities to raise capital for working capital financing, project financing, and asset financing requirements. In addition, there is a growing demand from investors seeking stable and reliable investment opportunities. The number of fintechs operating with Offering and Investment in Debt Instruments business model doubled from 7 in 2022 to 14 in 2023.

CUSTOMER DEMOGRAPHICS (FIGURE 3.6.34 TO FIGURE 3.6.40)

In 2023, the investor base in the debt instrument investment business model saw a 761% expansion, reaching a total of 305.8K Investors. Retail investors represent 99% of the total user base, while qualified and institutional investors account for 1%. Specifically, the retail investor segment grew 789% Year-over-Year (YoY) to 302.1K investors. Within this cohort, the number of active retail investors represented 13%. The total qualified and institutional investors, expanded to 3.7K, marking a YoY increase of 147%. Gender dynamics within the investor pool shifted, with female participation increasing to 18% from 13% in the previous year.

Investors aged between 30-40 constituted the largest segment, representing 42% of the total. This group was closely followed by the 20-30 age group, at 32%, and the 40-50 cohort, at 17%. Geographically, Riyadh Province emerged as the predominant province for investors, comprising 43% of the overall investor base. Makkah Province and the Eastern province followed, with contributions of 18% and 16%, respectively.

Figure 3.6.34:
Number of investors in Offering and Investment in Debt Instruments



Alternative Investments

Figure 3.6.35:

Type of investors in Offerings and Investment in Debt Instruments

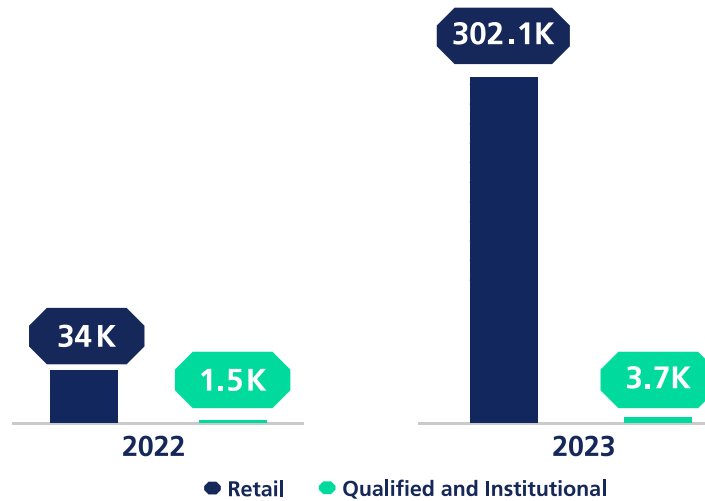
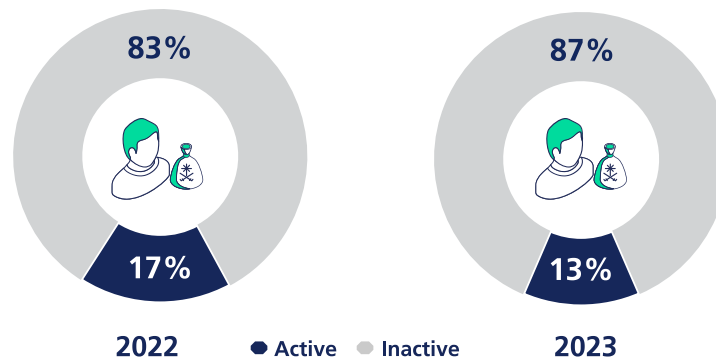


Figure 3.6.36:

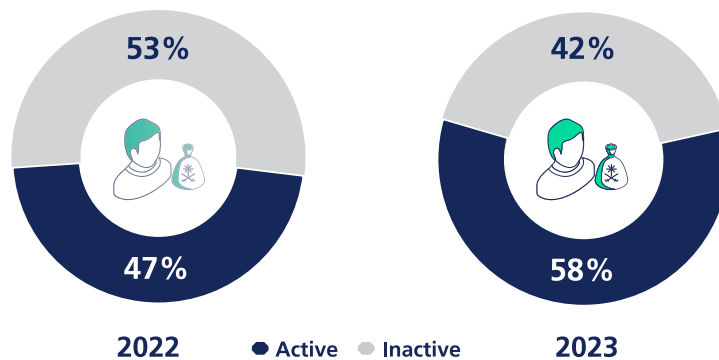
Breakdown of retail investors by level of activity



Active - An investor that conducted at least one investment in the year to 31 Dec.
Inactive - An investor that did not conduct any investment in the year to 31 Dec.

Figure 3.6.37:

Breakdown of qualified and institutional investors by level of activity



Active - An investor that conducted at least one investment in the year to 31 Dec.
Inactive - An investor that did not conduct any investment in the year to 31 Dec.

Alternative Investments

Figure 3.6.38:
Gender breakdown of investors in Debt Instruments

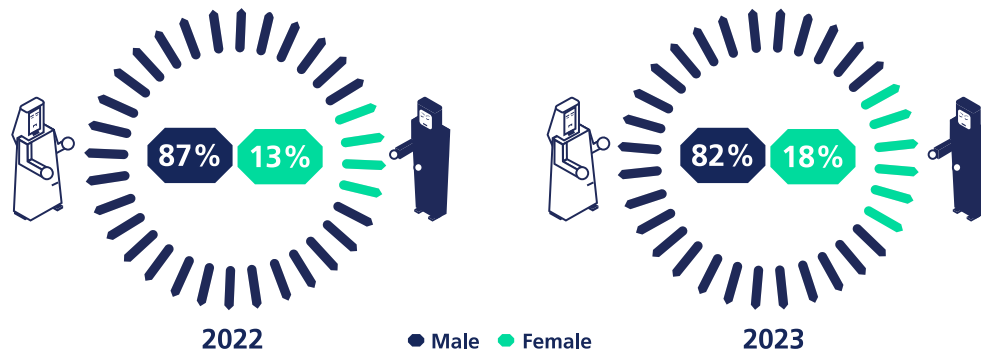


Figure 3.6.39:
Total number of registered investors by age

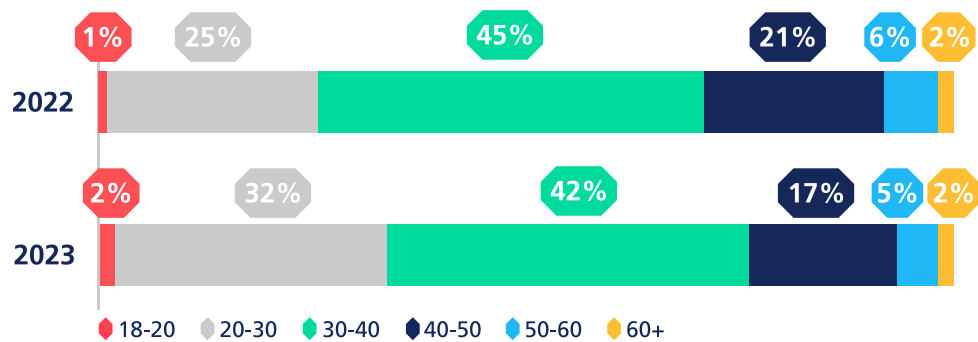
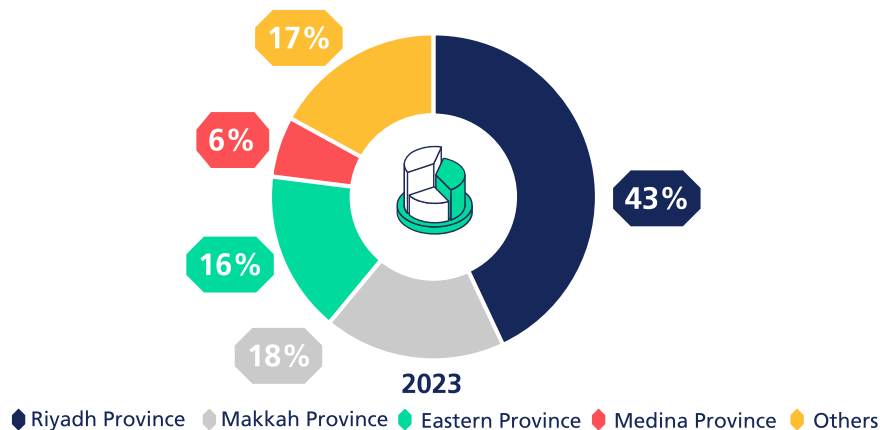


Figure 3.6.40:
Total number of registered investors by geographic location



Alternative Investments

SECTORAL TRENDS AND TRACTION (FIGURE 3.6.41 TO 3.6.47)

The issuance of debt instruments grew by 478%, to reach a total of 2,001 instruments in 2023, up from 346 in the previous year. Of these, 98% were debt-based⁸, with the remaining 2% being asset-backed⁹.

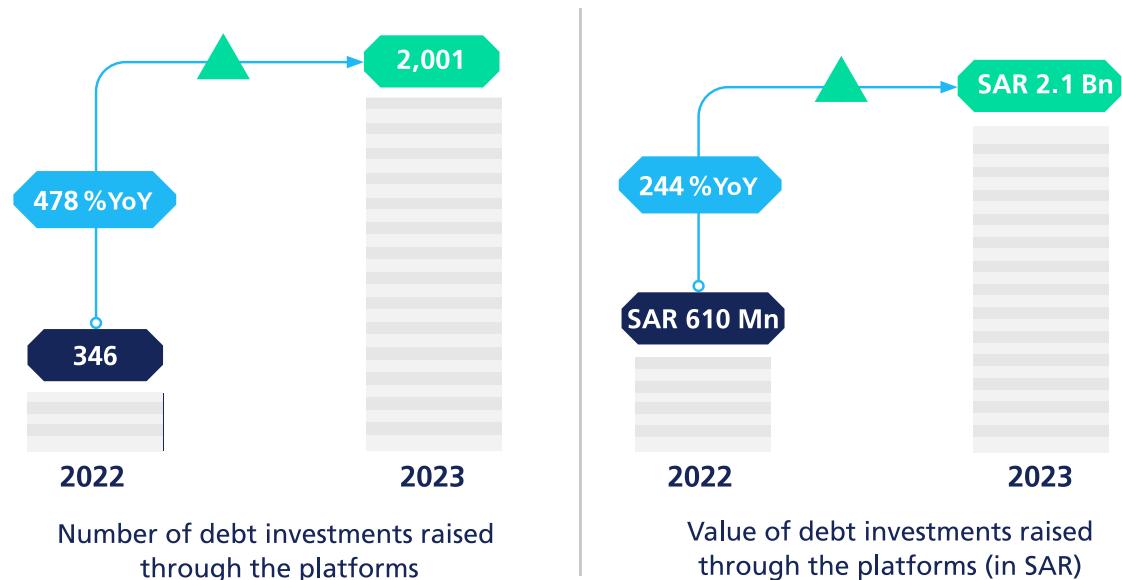
In 2023, the debt investment market saw an increase in money flow through fintech platforms, with total investments rising by 244% YoY from SAR 610Mn in 2022 to SAR 2.1Bn. The average size of investments decreased by 25%, reaching SAR 897.7K from SAR 1.2Mn in 2022.

The distribution of capital raised across issuer sectors was spearheaded by the Industrial sector at 24%, closely followed by Consumer Discretionary at 21%, and Materials along with Consumer Staples at 14% each. The predominant reason for raising funds was geared towards Working capital financing at 49%, followed by Project financing at 14% and Asset financing and Capital expenditure at 10% each.

Furthermore, the average time for new debt offerings to achieve full subscriptions on the platform grew by 30% YoY with an increase from 3 days in 2022 to 4 days in 2023.

Figure 3.6.41:

Total number and value of debt investments raised through the platforms



⁸ Debt-based (Glossary, Page 144, Article 4).

⁹ Asset-backed (Glossary, Page 144, Article 2).

Alternative Investments

Figure 3.6.42:
Total number of issuances by debt instruments type

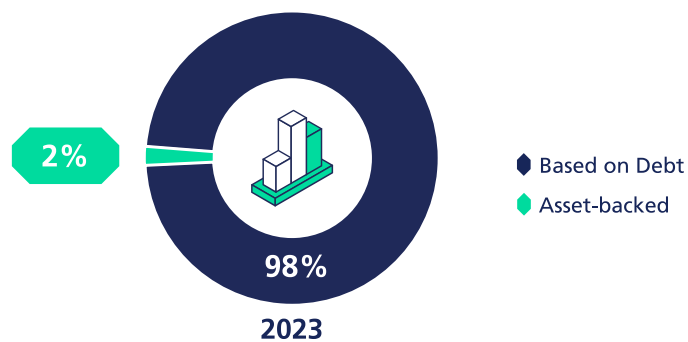
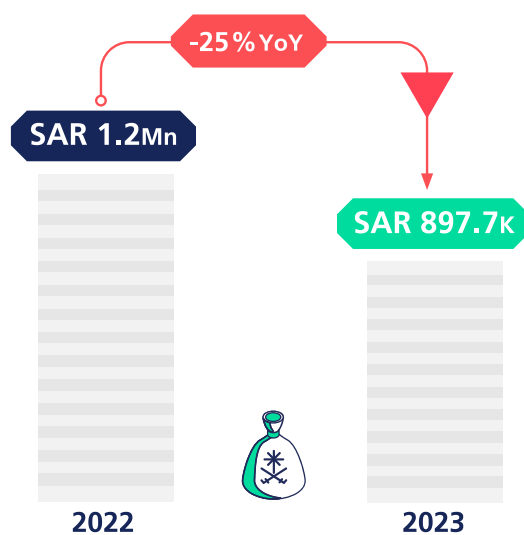


Figure 3.6.43:
The average size of debt investment deals on the platforms (in SAR)



Alternative Investments

Figure 3.6.44:

Breakdown of debt instruments by maturity period on the platforms

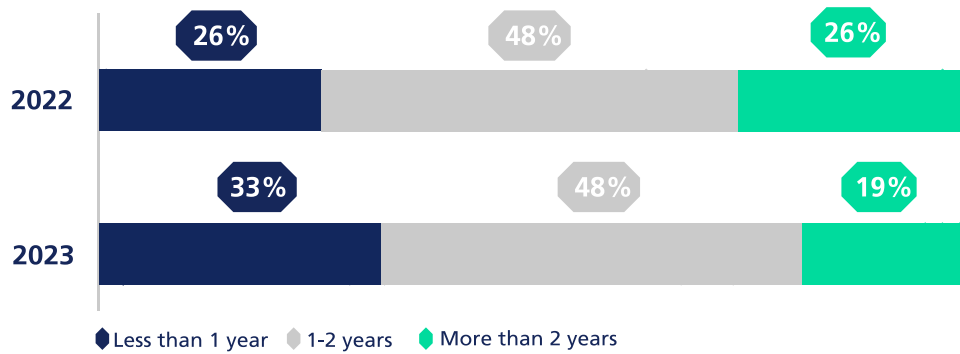


Figure 3.6.45:

Capital raised across issuer sectors

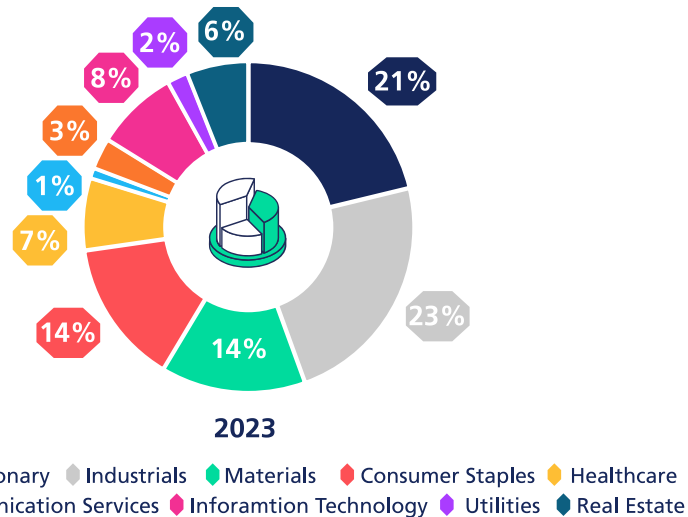
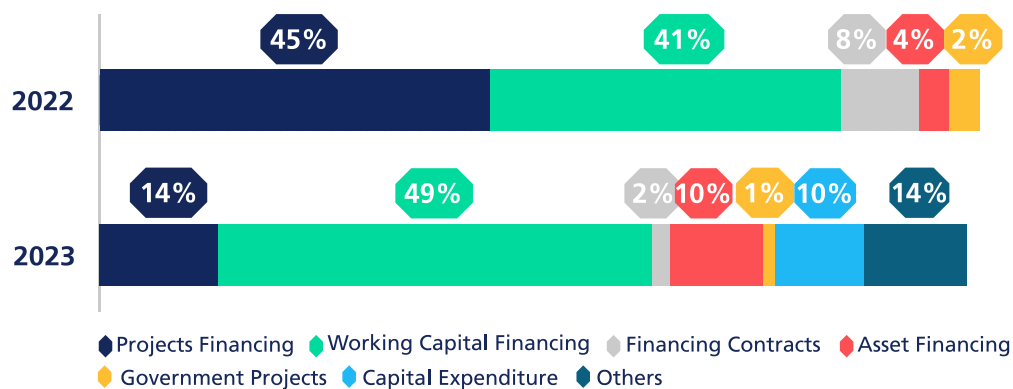


Figure 3.6.46:

Reasons for raising funds



Alternative Investments

Figure 3.6.47:

The average time (days) taken for a new debt offering to be fully subscribed on the platforms

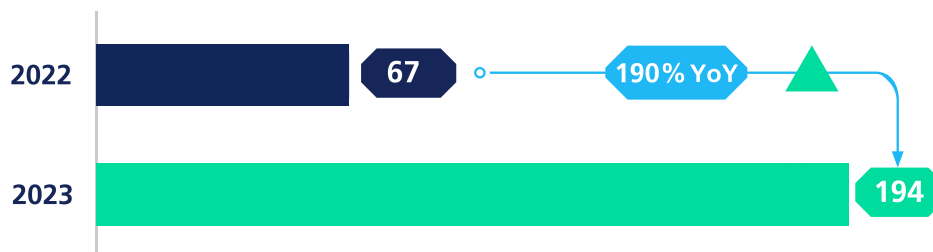


EMPLOYMENT DYNAMICS (FIGURE 3.6.48 TO 3.6.50)

In 2023, the workforce experienced an expansion of 190%, culminating in a total headcount of 194 professionals. The gender composition of the workforce evolved, with female representation increasing from 19% to 22%. The majority of the workforce comprised Saudi employees, who accounted for 64%.

Figure 3.6.48:

Number of employees in Offering and Investment in Debt Instruments



Alternative Investments

Figure 3.6.49:

Employee breakdown by location of residence in Offering and Investment in Debt Instruments

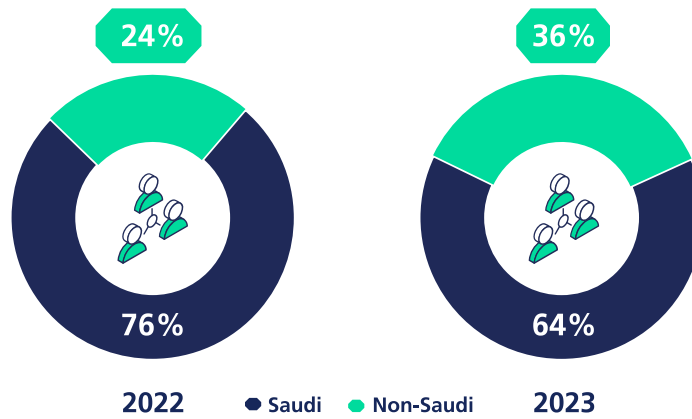
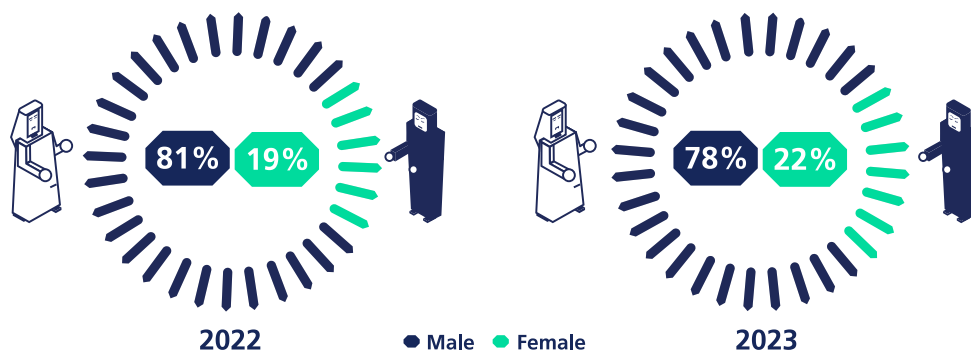


Figure 3.6.50:

Gender breakdown of employees in Offering and Investment in Debt Instruments



3.7

INSURANCE AGGREGATION IN KSA

Insights into Insurance Aggregation through fintechs in KSA

The insurance fintech industry (also known as Insurtech) in KSA comprises of companies offering insurance brokerage aggregation services, which enable customers to compare and purchase various types of insurance covers through online platforms. As of December 2023, 9 insurance aggregation fintechs were active in the KSA, offering services to retail and corporate customers.

Insurance

Figure 3.7.1:
Snapshot of Saudi Arabia's Insurance Aggregation Sector in 2023



CUSTOMER DEMOGRAPHICS (FIGURE 3.7.2 TO FIGURE 3.7.7)

In 2023, the combined number of registered customers across retail and corporate sectors with insurance aggregators surged to 6Mn from the previous year's 3.9Mn users, marking a 53% Year-over-Year (YoY) growth. The retail participants accounted for nearly 85% of the total. The number of retail customers increased 50% YoY, reaching 5.1Mn from 3.4Mn users in the previous year. Furthermore, the cohort of corporate customers expanded by 84%, increasing from 483K to 890K users in 2023. Among the registered retail users, 64% were active in 2023 compared to 74% in 2022. Among registered corporate users, 44% were active users in 2023 – an increase of 5% points compared to 2022.

Within the customer demographic, customers aged between 30-40 constituted the largest segment, representing 31% of the total. This is followed by the 40-50 age group at 25%, and the 50-60 cohort at 17%.

At 92%, micro-enterprises made up most of the corporate user base of Insurance Aggregation fintechs in 2023. In 2023, the corporate customers consisted of 92% micro companies, 7% small companies, and 1% medium companies. This is more diverse than 2022 where the corporate customers base consisted of 97% micro companies.

¹ Includes both renewed and newly issued insurance policies for the year 2023.

² Includes the total value of both renewed and newly issued insurance policies in 2023.

Insurance

Figure 3.7.2:
Number of registered customers with Insurance Aggregators



Figure 3.7.3:
Type of registered customers with Insurance Aggregators

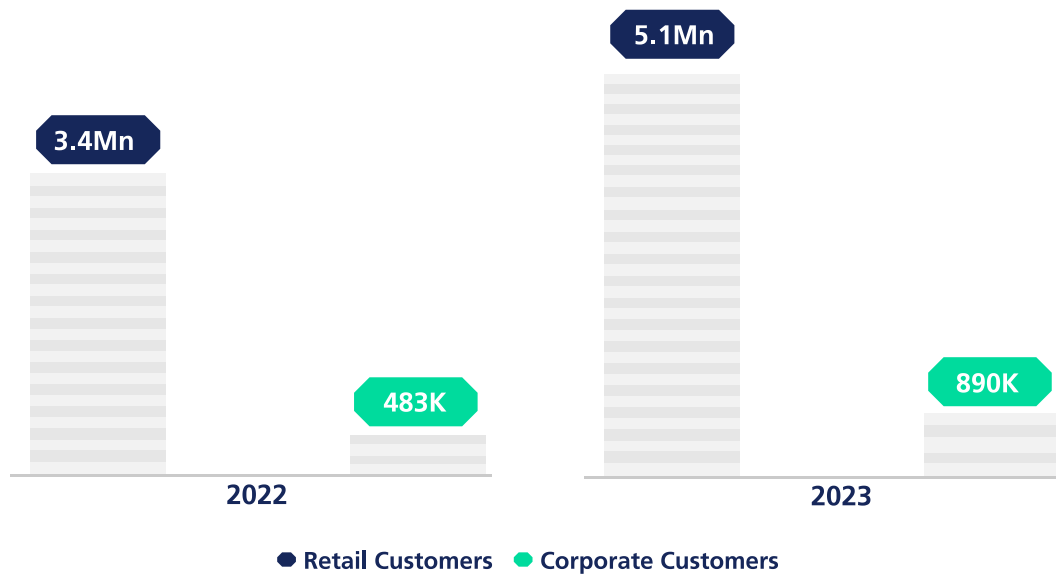
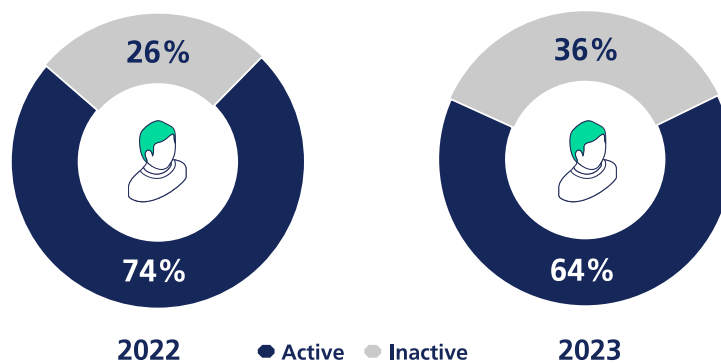


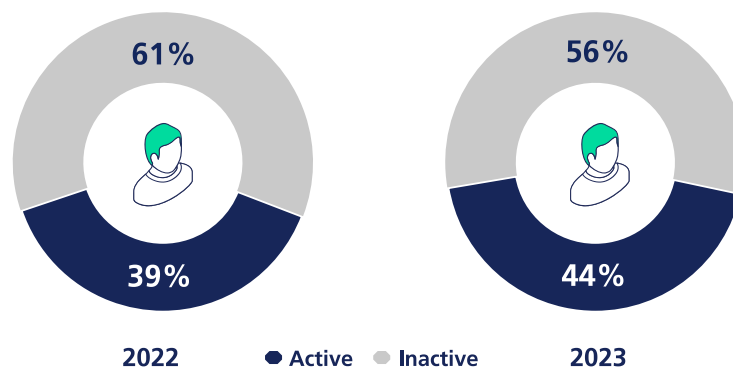
Figure 3.7.4:
Breakdown of retail customers by level of activity



Active - A customer that has at least one active policy in the year to 31 Dec.
Inactive - A customer that did not have an active policy in the year to 31 Dec.

Insurance

Figure 3.7.5:
Breakdown of corporate customers by level of activity



Active - A customer that has at least one active policy in the year to 31 Dec.
Inactive - A customer that did not have an active policy in the year to 31 Dec.

Figure 3.7.6:
Breakdown of retail customers by age

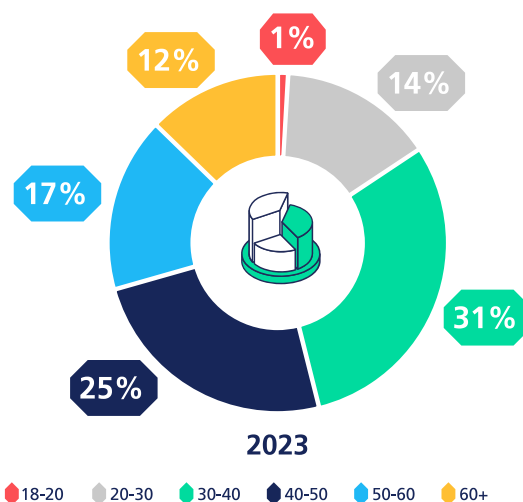
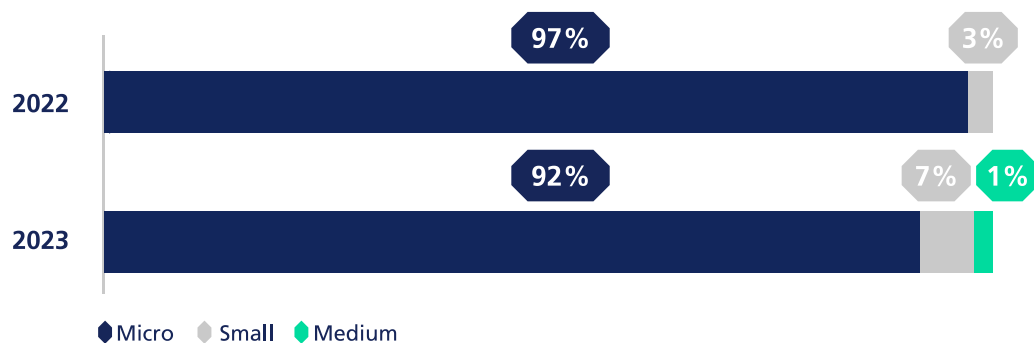


Figure 3.7.7:
Breakdown of corporate customers by size



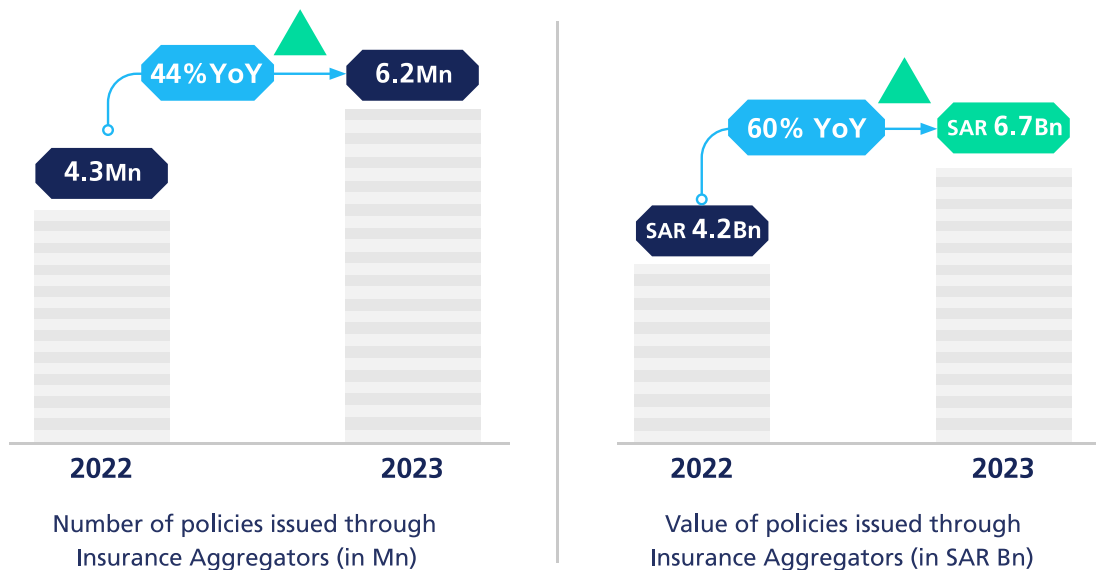
Insurance

SECTORAL TRENDS AND TRACTION (FIGURE 3.7.8 TO FIGURE 3.7.17)

The aggregate value of insurance policies issued by Insurance Aggregators increased to SAR 6.7Bn in 2023, a 60% rise from the previous year's SAR 4.2Bn. Approximately 6.2Mn policies were issued through insurance aggregators in 2023, reflecting a 44% increase compared to 2022. Among these, 5.3 Mn policies (86%) were newly issued, while 0.8 Mn policies (14%) were renewed by customers. The proportion of new policies from the total number of policies issued grew by 8% points in 2023.

The average number of insurance providers listed on Insurance Aggregation platforms increased slightly from 19 in 2022 to 19.3 in 2023. Furthermore, the conversion rate from inquiries to policy purchases on these platforms experienced a small increase to 6.1% in 2023 from the previous year's 6%. The percentage of retail customers using an aggregator for more than one insurance policies increased to 15% in 2023 from 12% in 2022.

Figure 3.7.8:
Total number and value of policies³ issued through Insurance Aggregators (SAR)



³ Includes both renewals and new insurance policies.

Insurance

Figure 3.7.9:
Share of purchases by insurance policy type

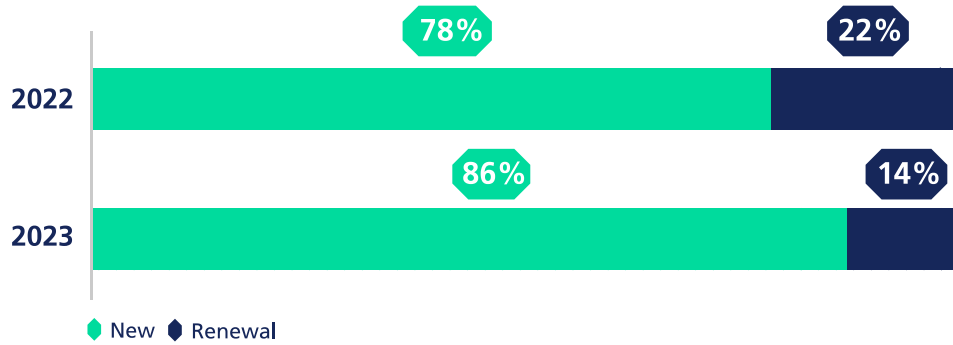


Figure 3.7.10:
Average number of insurance providers listed across Insurance Aggregation platforms



Figure 3.7.11:
Conversion rate from inquiries to policy purchases



Figure 3.7.12:
Share of retail customers using an aggregator for multiple insurance policies



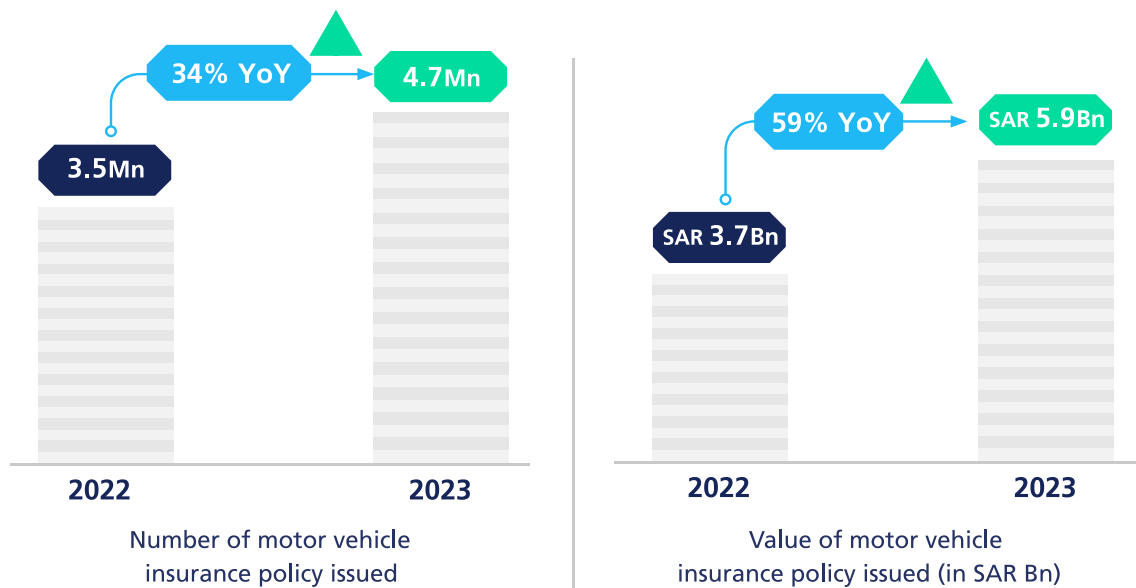
Insurance

Motor Insurance

The total value and number of motor vehicle insurance policies sold by insurance aggregators grew by 59% and 34% YoY, respectively, reaching SAR 5.9Bn in value and 4.7Mn in number of policies. Alongside this expansion, the average value of motor insurance policies issued through aggregators increased by 30% YoY, to reach SAR 1,271.

Figure 3.7.13:

Total number and value of motor vehicle insurance policy issued



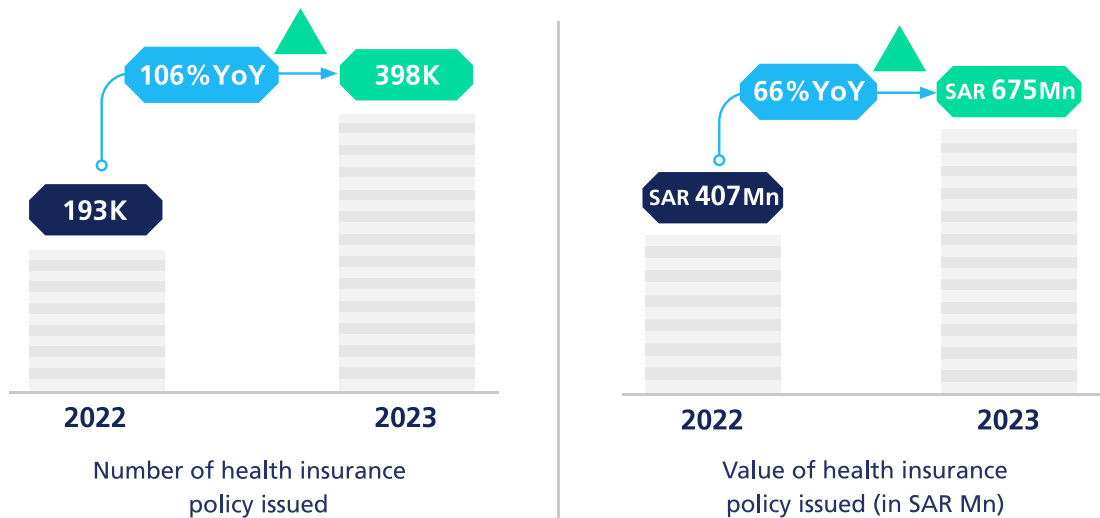
Insurance

Health Insurance

In 2023, the total number and value of health insurance policies managed by insurance aggregators grew by 106% and 66% YoY, respectively. Furthermore, the average value of health insurance policies decreased by 20% to SAR 1.7K from SAR 2.2K in 2022.

Figure 3.7.14:

Total number and value of health insurance policy issued



Insurance

Employment Dynamics

In 2023, the workforce within the insurance aggregation sub-sector experienced a 43% YoY growth, culminating in a headcount of 379 by year-end. This growth was partly driven by 5 new companies becoming operational in the sub-sector and driving job creation. The sub-sector's entire workforce has been Saudi employees. The sector observed a shift in gender composition: male representation increased to 65% from 48% in 2022.

Figure 3.7.15:

Number of employees in Insurance Aggregation



Figure 3.7.16:

Employee breakdown by location of residence in Insurance Aggregation

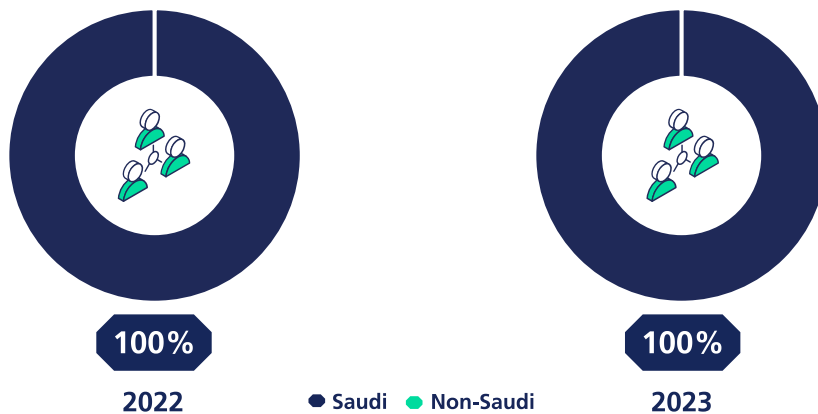
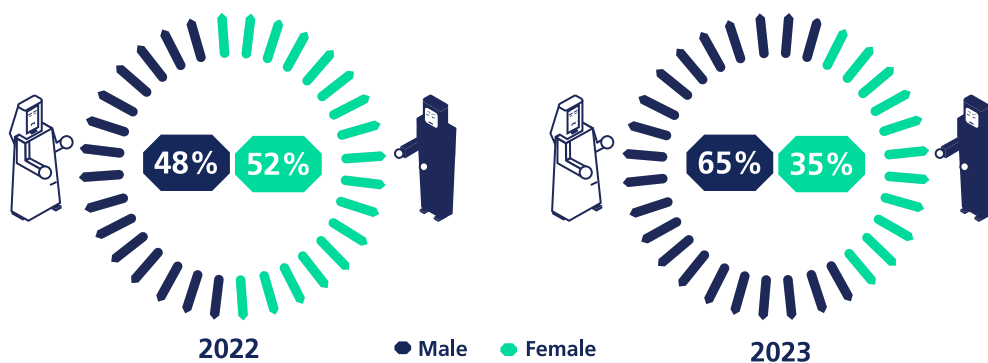


Figure 3.7.17:

Gender breakdown of employees in Insurance Aggregation



3.8

NON-REGULATED FINTECH SECTOR IN KSA

Insights into Non-Regulated Fintechs in KSA

The KSA fintech sector also includes fintechs that are currently not subject to direct oversight or regulation by one of the financial sector regulators, namely SAMA, CMA, and IA. These fintechs are able to enter and operate in the market without needing a license from regulators or entering a sandbox because they either do not engage in regulated activities or provide services to regulated entities. In 2023, the non-regulated fintech sector in KSA witnessed growth and diversity, featuring 50 operational fintechs across various sub-sectors such as Business Tools, Infrastructure Providers, and Regulation Risk Management (Regtech).

Non-Regulated Fintech Sectors

The Business Tools segment, the largest within the non-regulated fintech sector, grew to 33 fintechs from 27 in 2022. The business tools sub-sector includes fintechs that enable customers to manage financial services products, such as investment management, and equity data analysis. Additionally, these fintechs may also help businesses automate their financial operations, including procurement, invoicing, and expense tracking.

The non-regulated Infrastructure Providers segment also expanded, growing from 1 fintech in 2022 to 3 in 2023. These fintechs offer technology solutions such as core banking, loan origination, payment infrastructure that improve various aspects of back office operations for financial institutions.

The Regtech segment also saw growth, growing to 3 fintechs in 2023, up from 1 in the previous year. These companies develop technologies to help financial institutions remain compliant with regulations, offering services such as automated Know Your Customer (KYC)/Anti-money Laundering (AML) checks, and tools to keep compliance officers updated with regulatory changes.

In 2023, the number of non-regulated fintechs exploring alternative business models increased to 11, up from 10 in the previous year. These fintechs are experimenting with innovative models like Rent-Now-Pay-Later, Closed-Loop Payments, Personal Expense Management, and Insurance Intelligence. 4 fintechs within this segment partnered with regulated entities to offer their products and services in the KSA.

Non-Regulated Fintech Sectors

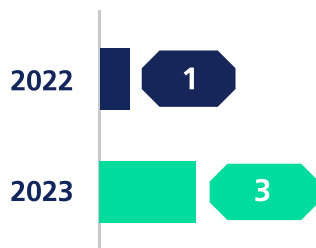
Figure 3.8.1:

Non-regulated fintech sectors

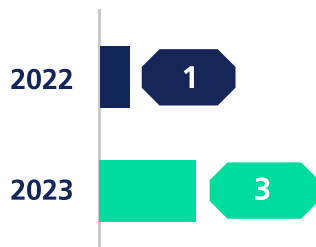
Business Tools



Infrastructure Providers



Regulation Risk Management (Regtech)



Alternative Business Model



* The data in this chapter was collected from active fintechs and publicly available sources. While we have made every effort to ensure its accuracy and completeness, please consider these factors when using the data.

CHAPTER 4

KSA FINTECH FUNDING TRENDS

- | KSA Fintech Funding Trends - 2023 Overview
- | KSA Fintech Funding Journey
- | Decoding KSA's Fintechs Funding Trends
- | Equity Funding Analysis by Sector Of Operation
- | Funding Analysis: Quarterly Breakdown
- | Venture Debt Emerging as A Catalyst for KSA's Fintech Rise
- | KSA Fintech Consolidation Trends
- | KSA Fintech Investor Participation Analysis

KSA Fintech Funding Trends

KSA FINTECH FUNDING TRENDS - 2023 OVERVIEW

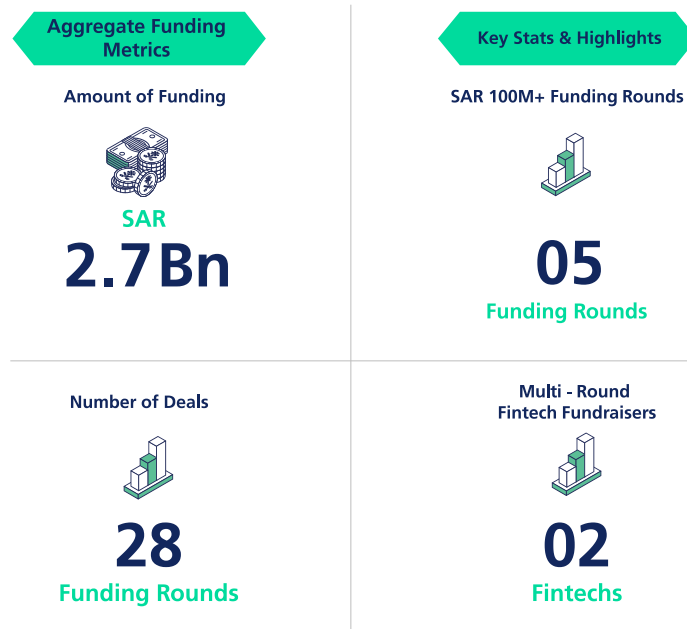
Investment into KSA fintechs rises **77.9%** amidst global fintech slowdown in 2023.

Global venture capital (VC) funding in fintech in 2023 decreased by 48% compared to 2022. Some analysts attribute this to a return to more typical investment patterns after the surge in activity seen during the pandemic. However, the medium to long-term trend of global fintech funding continues to be uncertain, influenced by several factors including increasing regulatory scrutiny, geopolitical conflicts, economic slowdown, and shifts in consumer behavior towards digital financial services. Amid global uncertainty, KSA stands out as a market where fintech funding flourished in 2023. The fintech industry in the KSA secured SAR 2.7Bn of investments across 28 equity funding rounds in 2023, marking a 77.9% increase from the SAR 1.5Bn capital raised in 2022. In 2023, 26 fintech companies successfully raised capital and two managed to raise funds through multiple funding rounds. Among them, five secured over SAR 100Mn each in individual funding rounds. These trends reflect increasing investor confidence and highlight the KSA fintech industry's potential for substantial growth and innovation.

In 2023, KSA's fintech industry also secured SAR 5.4Bn in venture debt funding across four deals. This uptake of debt funding signals a maturing phase for some business models within the fintech industry. Certain fintechs have achieved a level of revenue stability and scale to attract meaningful debt investments from investors.

KSA Fintech Funding Trends

Figure 4.1:
2023 Snapshot: KSA Fintech Funding Landscape
Venture Equity Funding



Venture Debt Funding



Fintech Saudi analysis based on press releases and public announcements

¹ Pulse of Fintech H2 2023 | KPMG.

² Fintech Saudi Analysis using KSA fintech funding data from publicly available sources.

KSA FINTECH FUNDING JOURNEY: A CHRONOLOGICAL OVERVIEW

FUNDING ROUNDS JAN 2023 - DEC 2023

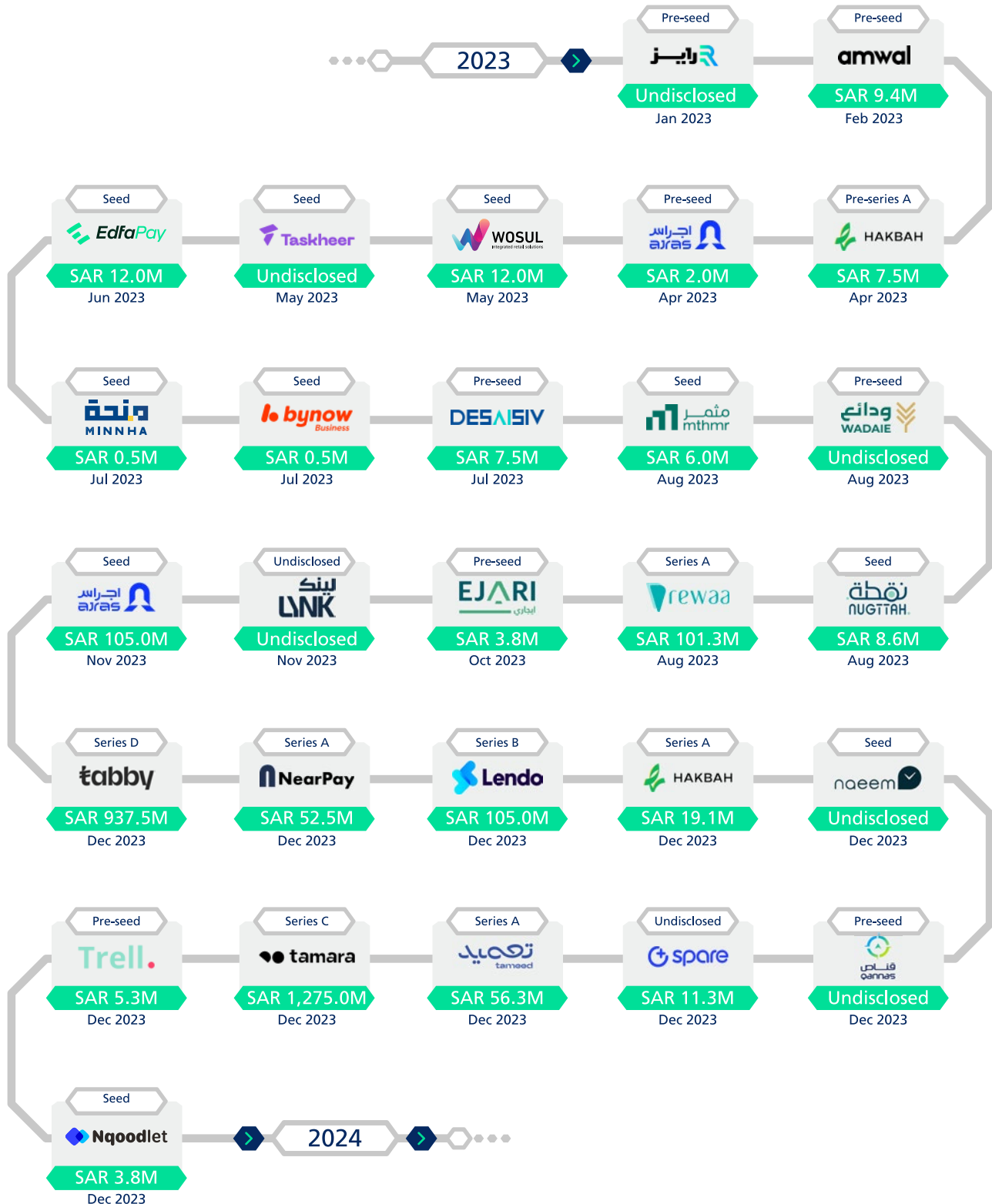


Figure 4.2 | Chronological Overview of Fintech Funding Rounds In KSA From January To December 2023.

All funding data has been collected from publicly available sources.

KSA FINTECH FUNDING JOURNEY:

SECTORAL SPOTLIGHT FUNDING ROUNDS JAN 2023 - DEC 2023

Deal Type ● Early Stage ● Growth Stage ● Late Stage ● Undisclosed				
	Fintech	Sector	Deal Value (SAR Mn)	Lead Investors
Q1	Rize	Finance	Undisclosed ●	PropTech Venture and Sedar Venture
	Amwal	Payment	9.4 ●	Co-led by Shorooq Partners, Outliers Venture Capital with angel investors
Q2	Hakbah	Savings Tools	7.5 ●	Led by Global Ventures and Aditum Investment Management
	Ajras	Finance	2.5 ●	Angel investors
	Wosul	Business Tools	12 ●	Led by Khalab Venture with angel investors
	Taskeer	Finance	Undisclosed ●	Sanabil 500 MENA Seed Accelerator
	EdfaPay	Payment	12 ●	Led by Sanabil 500 MENA, Aldowayan Holding, Basmah Commercial Investment, Atmiid for Investments, and local and international investors
	Minnha	Alternative Investments	0.5 ●	Flat6Labs Riyadh accelerator program
	Bynow	Finance	0.5 ●	Flat6Labs Riyadh accelerator program
Q3	Desaisiv	Insurance	7.5 ●	500 Global, Terra VC, Oqal, family offices, and angel investors
	Mthmr	Business Tools	6 ●	Waed Ventures, Dahran Trading Group, and Le Augure
	Wadaie	Savings Tools	Undisclosed ●	Led by RZM Investment, Bunat Ventures with angel investors
	Nugtthah	Business Tools	8.6 ●	Led by Mawasem
	Rewaa	Payment	101.3 ●	Led by Wa'ed, and tali ventures, Graphene Ventures, Vision Ventures, Khwarizmi Venture, RZM Investment, Derayah Financial, Sadu Capital, Abdulrahman Sulaiman Alrajhi & Sons Co., and angel investors
Q4	Ejari	Finance	3.8 ●	Led by Hambro Perks and Sanabil Investments & 500
	LYNK	Infrastructure Providers	Undisclosed ●	Al Fozan Holding and Ramla Holding Group
	Ajras	Finance	105 ●	Led by Madarekint (Equity shares and Debt)
	Tabby	Finance	937.5 ●	Led by Wellington Management along with Soros Capital Management, Saudi Venture Capital and ex-Investors like Bluepool Capital, STV, Arbor Ventures, PayPal Ventures, Mubadala, and Hassana Investment Co.
	Nearpay	Payment	52.5 ●	Led by Sanabil Investment, AB Venture, and Shorooq Partners
	Lendo	Finance	105 ●	Led by Sanabil Investment, Hala Venture, tali ventures, Vision Venture, and Arzan Venture Capital
	Hakbah	Savings Tools	19.1 ●	Led by VentureSouq along with M-Capital and Bunat Ventures, and existing investors Global Ventures and Aditum Investment Management Ltd
	Naeem	Business Tools	Undisclosed ●	Led by Lunment and a group of angel investors
	Qannas	Investment Management & Advisory Services	Undisclosed ●	Led by Core Vision in collaboration with angel investors
	Spare	Open Banking	11.3 ●	Led by Vision Ventures with participation from Wa'ed Ventures, Seedra Ventures, 500 Global, and angel investors
	Tameed	Finance	56.3 ●	Led by Alromaih Group
	Tamara	Finance	1,275 ●	Co-led by SNB Capital, and Sanabil Investments, Shorooq Partners, Pinnacle Capital, Impulse and others, joining existing investors such as Coatue, Endeavor Catalyst, and Checkout.com
	Trell	Business Tools	5.3 ●	Undisclosed
	Nqdoolet	Business Tools	3.8 ●	Led by angel investor Yaser Alghamdi with the participation of the Saudi Venture Capital Company and OMQ Investments.

Figure 4.3 | Snapshot of Fintech Funding Rounds Across Various Sectors In 2023.

All funding data has been collected from publicly available sources. | The early stage includes Pre-seed, Seed, & Pre-series-A rounds, the growth stage includes Series A & Series B rounds, & the late stage comprises Series C & above rounds.

KSA Fintech Funding Trends

DECODING KSA'S FINTECHS FUNDING TRENDS

EQUITY FUNDING ANALYSIS BY STAGE OF FUNDING ROUND

In 2023, investments in KSA fintech shifted to late-stage.

Figure 4.4 depicts the evolving investment landscape across the Saudi fintech industry across various funding stages between 2022 and 2023. In 2023, early-stage funding remained consistent in terms of the number of deals, whereas the funding amount increased by 75% to SAR 183.7Mn. The rise in total investment deployed indicates that although investors participated in the same number of funding rounds (19 rounds) in 2022 and 2023, they allocated larger sums of capital to early-stage fintechs in 2023. In contrast, the growth stage experienced an increase of 1 deal in 2023, yet a sharp decrease of 48% in funding amount, suggesting a potential market recalibration towards smaller ticket-size investments in growth-stage fintechs. In 2023, late-stage funding rounds in the fintech industry increased from 1 to 2, with total funding rising to SAR 2.2Bn.

Figure 4.4:
KSA Fintech Funding Trends by Funding Stage

Stage of Funding Round	Number of Deals			Funding Amount		
	2022	2023	YoY Growth	2022 SAR Mn	2023 SAR Mn	YoY Growth
 Early Stage (Pre seed, Seed, & Prerises A)	19	19	0% 	105	183.7	+75% 
 Growth Stage (SeriesA & B)	4	5	25.0% 	642.3	334.1	-48.0% 
 Late Stage (SeriesC and above)	1	2	100.0% 	637.5	2,212.5	+247.1% 

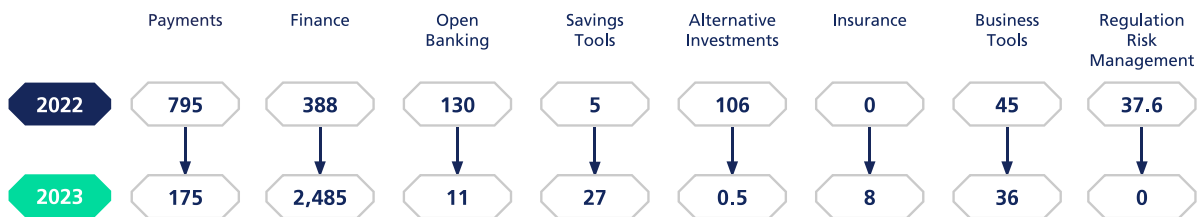
EQUITY FUNDING ANALYSIS BY SECTOR OF OPERATION

Finance segment leads the way, raising **SAR 2.5Bn** in 2023.

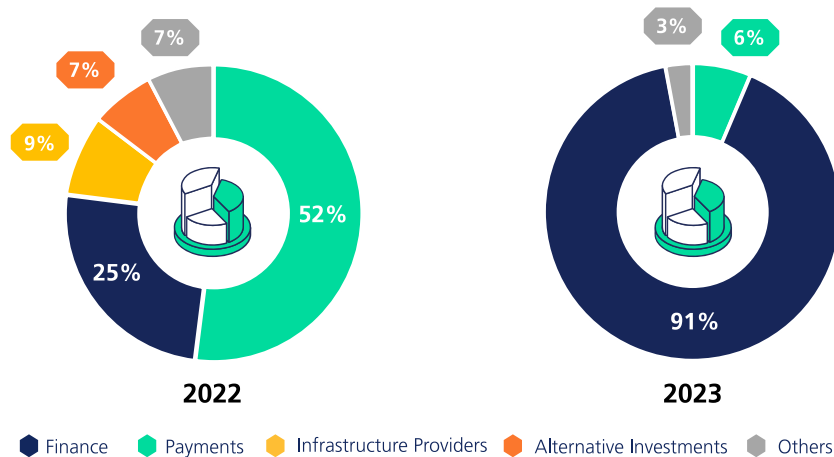
In 2023, fintechs within the Finance sector became key beneficiaries of the KSA venture funding market, securing SAR 2.5Bn through 10 funding rounds. This represented substantial growth in the sector, with the funding amount growing more than 6x and the number of funding rounds growing more than 2x compared to 2022. This development indicates a growing interest in facilitating access to capital and finance in the KSA. Leveraging technology, these fintechs are introducing innovative solutions that aim to broaden access to financing, particularly for underserved customer segments.

Figure 4.5:
KSA Fintech Funding Trends by Sector (2022 vs 2023)

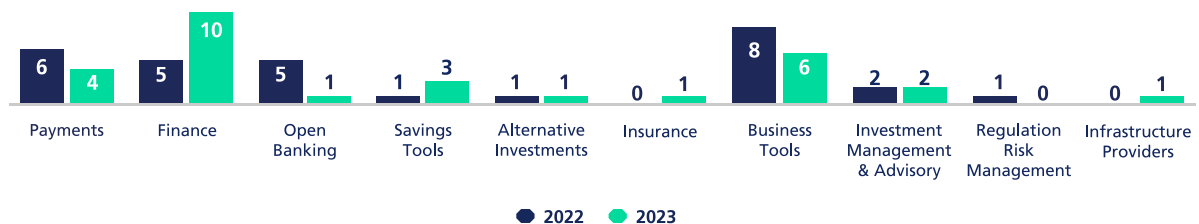
Equity Funding raised as per sector, total value in SAR Mn



Equity Funding raised as per sector, % of total value in the year



Equity Funding deals per sector, total count



Investment Spotlight: Buy Now Pay Later (BNPL) firms raise 85% of total fintech funding in 2023

BNPL platforms gained traction in 2023 by raising funding from globally renowned investors. In 2023, BNPL fintechs raised SAR 2.3Bn, representing 85% of the total equity funding raised by fintechs in the KSA. In addition to favorable valuations, this helped showcase KSA fintech on the global stage.

Macroeconomic context: In 2022, KSA had a credit-to-GDP ratio of 66%³, in contrast to the average of 194% found in high-income countries. The lower ratio suggests that there is room for growth in consumer credit services, and BNPL can serve as a flexible and accessible financing alternative for the Saudi market, potentially aligning with consumer needs and preferences in the country.

Market accessibility: Credit card penetration in KSA remains low at about 26.3%⁴. This makes BNPL a more accessible starting point for several new-to-credit individuals and also appeals to the population that may be credit-averse due to the traditional interest-based models.

Demand-side dynamics: KSA has a high smartphone penetration rate of 97%⁵. The e-commerce market in the country is on an upward trajectory, with projections estimating a rise to 24.7Mn users by 2029⁶. The anticipated increase in user penetration, from 43.6% in 2024 to an expected 63% by the end of the decade, signifies an attractive market with a large, engaged consumer base⁷. This growth trajectory presents a case for investors to consider the KSA market for BNPL services, as the expanding online shopping user base signifies a greater demand for flexible payment options.

Regulatory framework: In 2023, KSA became one of the first countries in the Middle East and North Africa (MENA) region to introduce BNPL regulations. These regulations establish a structured approach to the sector's growth, setting standards and guidelines for entities operating within it.

³ BIS Statistics Explorer: Table J

⁴ Saudi Arabia: credit card penetration 2014-2029 | Statista.

⁵ Saudi Arabia smartphone penetration (share of population) 2020-2029 | Statista.

⁶ Saudi Arabia eCommerce growth | Statista.

⁷ Saudi Arabia eCommerce growth | Statista.

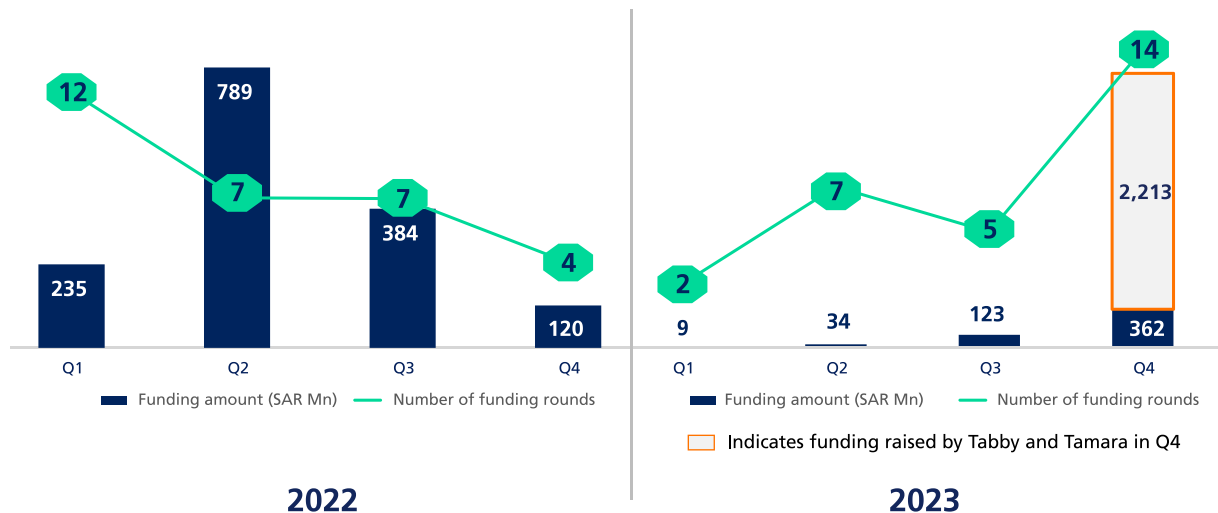
KSA Fintech Funding Trends

FUNDING ANALYSIS: QUARTERLY BREAKDOWN

Fintechs Raise Record SAR 2.6Bn in Q4 2023, 86% Driven by BNPL.

In the final quarter of 2023, KSA's fintech industry experienced a surge in funding activity, with fintechs raising the highest number of funding rounds (14 rounds) and accumulating SAR 2.6Bn, the highest amount for the year. Nearly 86% of this amount was secured through the funding rounds of Tabby and Tamara, underscoring growing investor interest in the BNPL sub-sector in KSA. Compared to 2022, funding in 2023 was skewed towards the last quarter of the year. In comparison to 2022, where Q1 had the highest number of deals at 12 and Q2 saw the highest funding amount at SAR 789Mn, both Q1 and Q2 of 2023 experienced less funding deals and a decrease in total funding raised.

Figure 4.6:
KSA Fintech Fundraising by Quarter



KSA Fintech Funding Trends

VENTURE DEBT EMERGING AS A CATALYST FOR KSA'S FINTECH RISE

Fintech Venture Debt in 2023 Fuels BNPL Growth.

From 2022 to 2023, venture debt funding in the fintech industry grew, largely due to significant capital raised by BNPL companies Tamara and Tabby. Venture debt funding raised SAR 5.4Bn.

Figure 4.7:
Venture Debt Dynamics in KSA Fintech



Debt Funding

2023

Amount of Funding (in SAR Mn)

SAR 5.4 Bn

Funding Rounds

4

Active Investors

Goldman
Sachs

Coventure

PARTNERS
for GROWTH

SHOROOQ
PARTNERS

ATALAYA

J.P.Morgan

KSA FINTECH CONSOLIDATION TRENDS

3 Acquisitions in 2023 Reshape the Payments Sector.

The payment sector in KSA fintech has seen a trend of consolidation due to the presence of a high number of established fintech companies. While market consolidation slowed down in 2023 compared to 2022, the signs of activity remain stable as the market grows, with existing firms expanding and new entrants coming in. In 2023, merger and acquisition (M&A) activity was witnessed in the payment sector, with 3 acquisitions spanning the year.

- SME-focused Payments fintech **Hala (KSA)** acquired UAE-based payment service provider **Paymentnt (UAE)**, to strengthen its product suite and regional presence in the GCC.
- Digital payment solution provider for businesses **Cashin (KSA)** acquired payments tech provider **Cardless (KSA)** to offer digital cards through its all-in-one platform.
- Payment gateway provider **Hyperpay (KSA)** acquired the corporate expense management platform **Sanad Cash (KSA)** to diversify its offering for merchants.

The acquisitions made by Hala and Hyperpay aim to enhance their services for merchants not just in KSA but also in the wider MENA region. This reflects the growth of maturing fintechs in the payment sector as they expand their services across domestic and international markets.

Figure 4.8:
Consolidation Dynamics in KSA Fintech



Mergers & Acquisitions

	2022	2023																				
Number of Acquisitions	5	3																				
Fintech involved in Acquisitions	<table><tr><th>Acquirer</th><th>Acquiree</th></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr></table>	Acquirer	Acquiree											<table><tr><th>Acquirer</th><th>Acquiree</th></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr></table>	Acquirer	Acquiree						
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KSA Fintech Funding Trends

KSA FINTECH INVESTOR PARTICIPATION ANALYSIS

Domestic Investors Drive Fintech with 51% Deal Participation in 2023.

The fintech industry in KSA attracts interest from a wide range of regional and global investors. As per a survey conducted by SAMA, investors hold a strong conviction in the KSA fintech ecosystem's potential for market growth. This indicates a widespread belief in the market's capacity for expansion and the presence of opportunities that can be leveraged for significant growth. In 2023, 79% of investors were VC firms, 19% were VC arms of corporate entities, and the remainder use accelerator programs and government VC funds.

In 2023, domestic investors saw increased participation in the fintech ecosystem, making up more than half the deal participation. This was followed by investors from the MENA region, primarily consisting of firms from the UAE and Kuwait. Global investors from countries such as the US, UK, France, and Czech Republic were also active in the Saudi fintech industry.

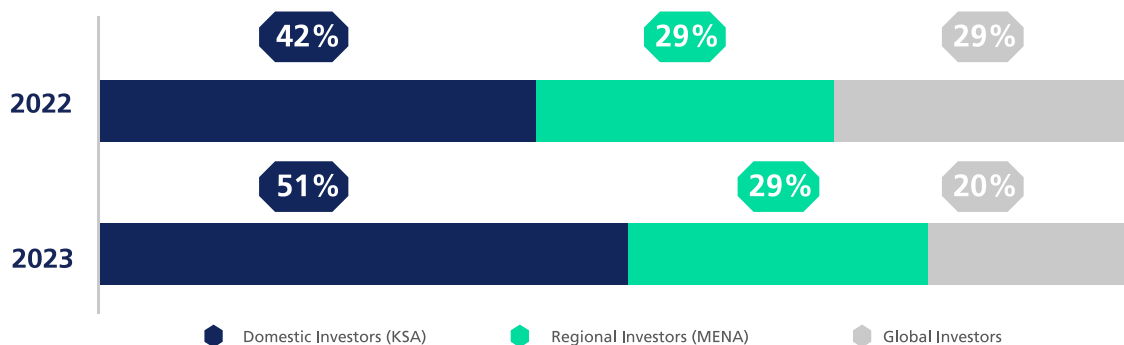
In 2023, the KSA fintech ecosystem experienced a decline in global investor participation, mirroring a broader global trend where fintech VC funding deal counts fell by 41%⁸. At the same time, participation from domestic investors increased from 42% in 2022 to 51% in 2023, signaling an increased appetite for fintech funding among domestic investors.

Figure 4.9:

Investor Landscape:

A Comparative Analysis of Number of Deals by HQ Location Investors

% of number of fintech funding deals that investors participated in



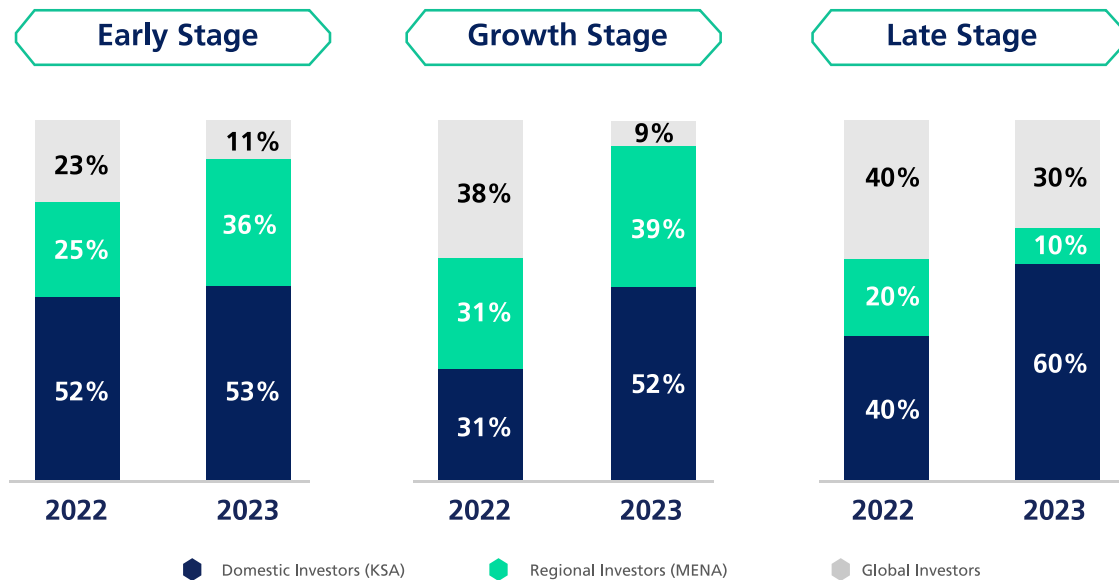
⁸ Pulse of Fintech H2 2023 | KPMG.

KSA Fintech Funding Trends

When comparing across funding stages, participation from domestic investors grew across all stages, especially growth-stage and growth-stage funding deals, showing a greater appetite for larger deals. Regional investor participation grew for early and late-stage funding deals; however, declined for late-stage deals. Global investor participation witnessed a decline in 2023 across all deal stages. Participation in late-stage deals saw a slight decline from 40% in 2022 to 30% in 2023; however, the support from global investors for late-stage fintechs still remains strong.

Figure 4.10:

Investor Participation Across Funding Stage (2022 vs 2023)



% of Total Investors Across Stages Categorized On The Basis of HQ Location

KSA Fintech Funding Trends

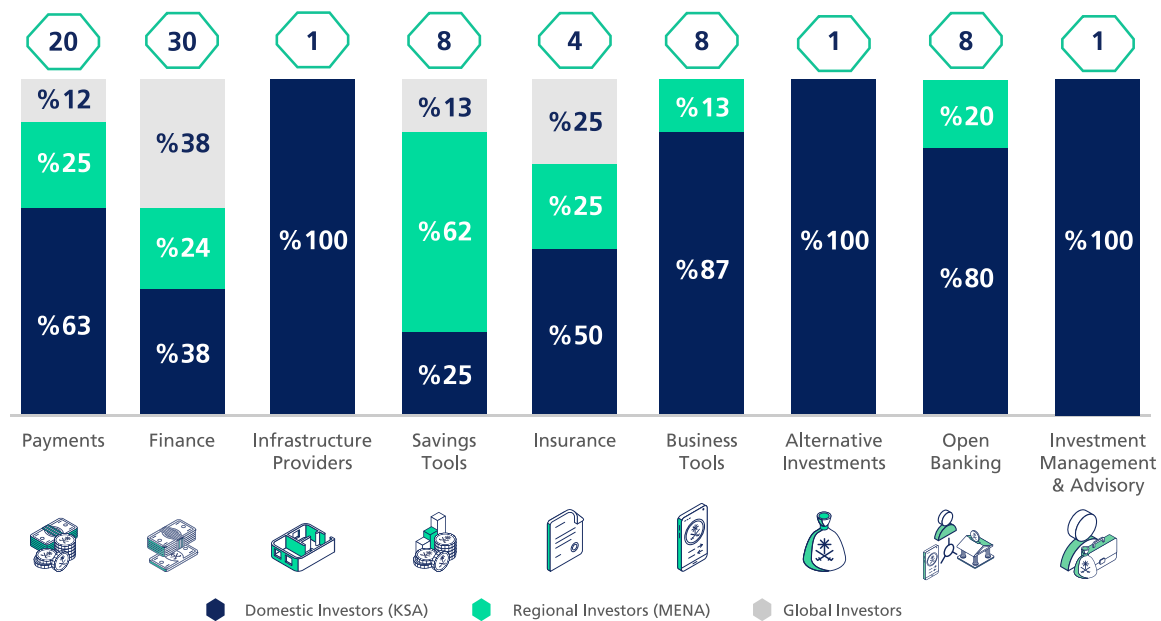
Finance and Payments Lead Fintech Investment, Aligning with Vision 2030 Goals.

In terms of fintech sectors, Finance and Payments were the two that witnessed the highest investor participation in terms of the number of deals. Regional and domestic investors also showed support for fintech innovation in the Savings Tools sector and Business Tools sector.

Figure 4.11:

Investor Participation In Funding Rounds Across Fintech Sectors

By number of deals participated in 2023

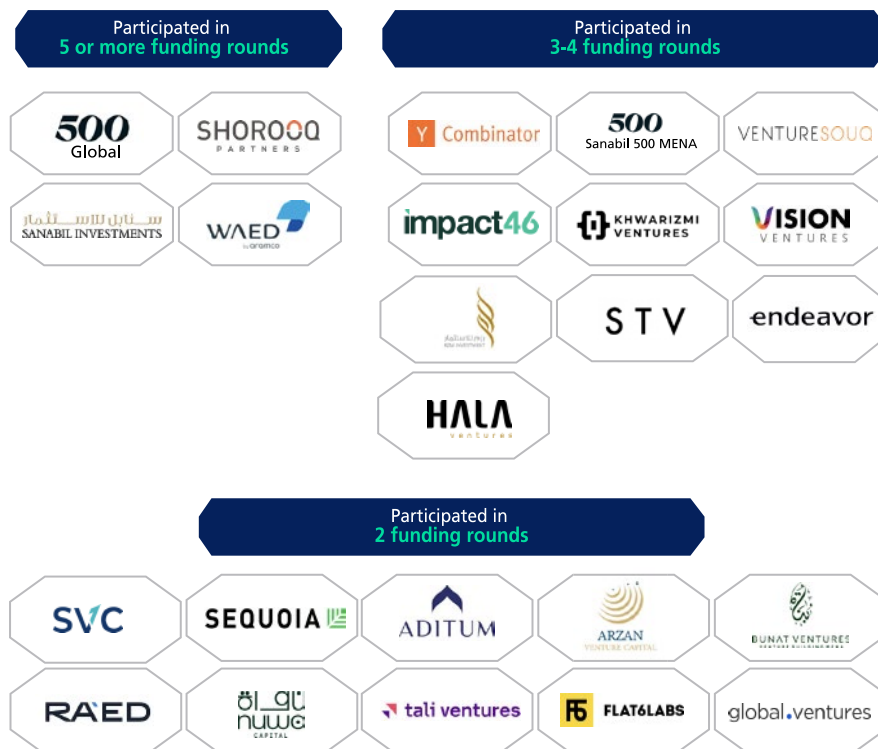


KSA Fintech Funding Trends

Active Investors Drive Repeat Funding in KSA Fintech.

Investors who have participated in more than five funding rounds over the past two years, spanning 2022 and 2023, feature a diverse group of global, regional, and domestic investors categories. Shorooq Partners led this category with involvement in 9 funding rounds in 2022 and 2023, followed by Sanabil Investments which participated in 6 funding rounds. Waed Ventures and 500 Global funded 5 funding rounds each. Y Combinator, Vision Ventures, and Impact46 each took part in 4 funding rounds, while Venture Souq, Khwarizmi Ventures, STV, HALA Ventures, Endeavor, RZM investment and Sanabil 500 MENA were active in 3 funding rounds in 2022 and 2023. Additionally, ten investors participated in two funding rounds each across 2022 and 2023. The involvement from global, regional, and domestic investors highlights the KSA as an emerging hub of fintech activity with a robust investor ecosystem supporting range of fintech startups.

Figure 4.12:
Leading Investors in KSA Fintech
By number of deals participated in 2022 & 2023



ACKNOWLEDGEMENTS

We extend our gratitude to the **Saudi Central Bank, Capital Market Authority, Insurance Authority**, and the **fintech companies** in Saudi Arabia for their invaluable guidance and contributions to the creation of this report. We look forward to their continued support and guidance for future editions of the report.

GLOSSARY

1.	Account Aggregation	A service that consolidates information from multiple bank accounts into a single view, enabling better financial management for customers.
2.	Asset-Backed Debt Instrument	Means a debt instrument issued by a special purposes entity under whose terms: (a) the entitlement of holders of the debt instrument to a return is wholly dependent on the returns generated by the special purposes entity's assets; and (b) the sponsor is not obliged to the holders of the debt instrument (whether by guarantee or otherwise) to pay any amounts due on the debt instrument.
3.	Authorized & Certified Entities (SAMA)	Authorized entities include fintechs under Regulatory Sandbox & Technical Certification Framework.
4.	Debt-Based Instrument	Means a debt instrument issued by a special purposes entity under whose terms: (a) the entitlement of holders of the debt instrument to a return is not based on the returns generated by the special purposes entity's assets; (b) the sponsor is obliged to the holders of the debt instrument (whether by guarantee or otherwise) to pay all amounts due on the debt instrument; and (c) repayment of the nominal value of the debt instrument is to be made to the holders of the debt instrument at or before the maturity of such debt instrument.
5.	Financial Sector Development Program	A program under Vision 2030 aimed at creating a diversified and effective financial sector to support the development of the national economy and diversify sources of income.
6.	Fintech Authorized (CMA)	Companies authorized to carry out securities business by the Capital Market Authority.
7.	Fintech Permitted (CMA)	The company/companies that have obtained a permit to experiment with FinTech within the jurisdiction of the Capital Market Authority.
8.	FinTech Lab	The lab is a legislative experimental environment that allows Fintech products and services to test their innovative business models with specific criteria, time period, regulatory requirements, and under the supervision of the Capital Market Authority.
9.	Fintech Strategy	KSA's plan to foster a thriving fintech ecosystem, promoting innovation and increasing the sector's contribution to the economy.
10.	FinTech ExPermit (CMA)	A permit that enables companies to participate in the FinTech Lab to deploy and experiment their innovative Fintech products related to capital market within specified parameters and timeframes.
11.	Fintech Saudi Accelerator	A regulatory focused accelerator program designed to support fintechs prepare their regulatory applications and get their businesses ready to be regulated.
12.	Large Enterprises	Businesses with 250 or more full-time employees and annual revenues exceeding SAR 200 million together. If there are any exceptions, the higher rating between the two criteria is considered.

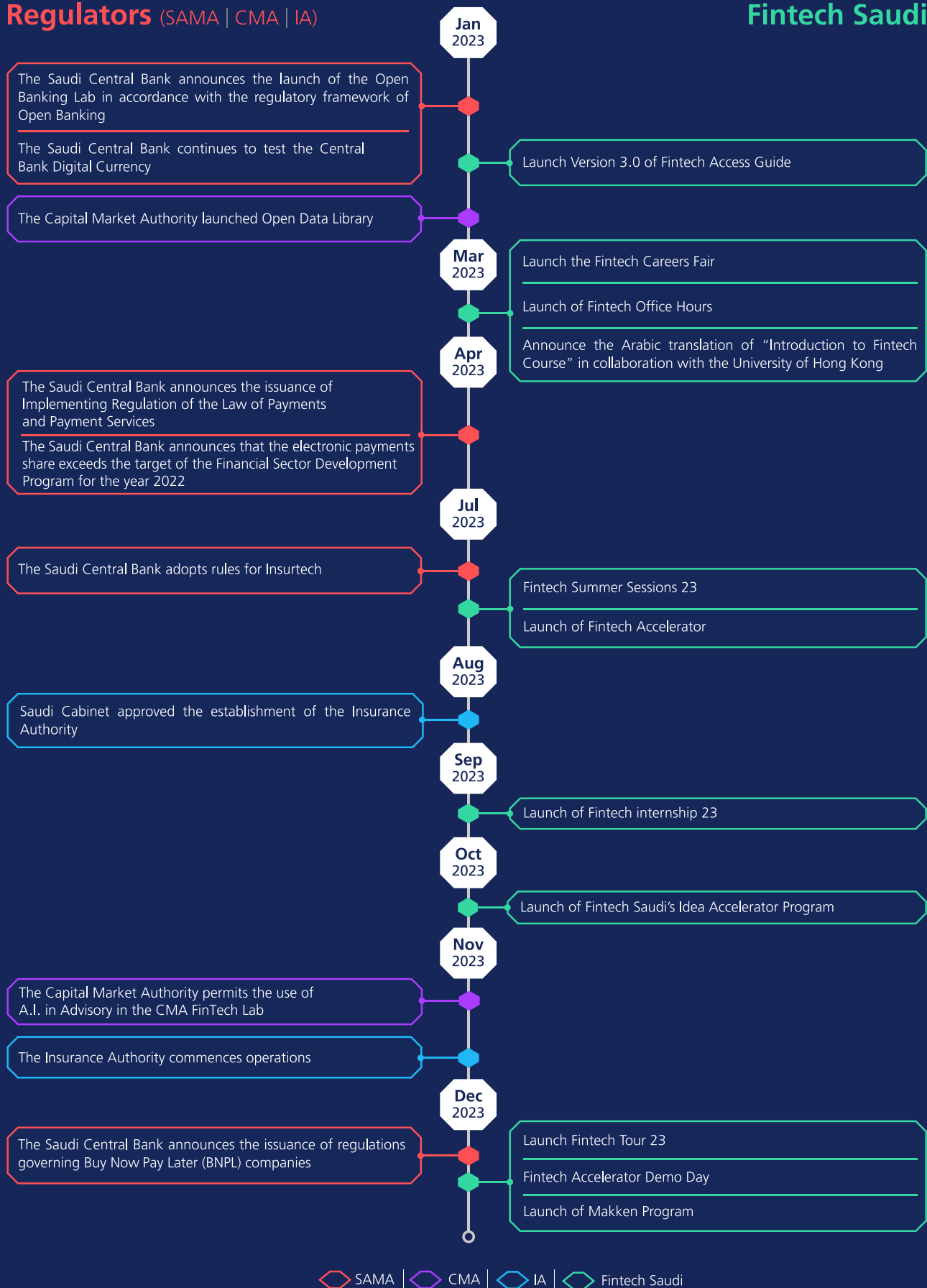
GLOSSARY

13.	Licensed Entities (SAMA)	Licensed entities include fintechs under SAMA Supervision that are conducting activities such as payments and financing.
14.	Licensed Insurtech Company (IA)	A legal person licensed by IA to practice any Insurtech Activities.
15.	Makken Program	A program launched by Fintech Saudi with the support of SAMA and CMA aimed to empower entrepreneurs and startups in the fintech industry by providing subsidized support for technology, cloud, and cybersecurity.
16.	Managing General Agents	Specialized insurance intermediaries with authority to underwrite policies, handle claims, and perform other functions on behalf of insurers.
17.	Medium Enterprise	Businesses with either 50 to 249 full-time employees and annual revenues ranging from SAR 40 to 200 million together. If there are any exceptions, the higher rating between the two criteria is considered.
18.	Open Banking Lab	An initiative by SAMA to promote Open Banking by providing a secure environment for testing Open Banking services and products.
19.	Open Data Library	An initiative by CMA to increase disclosure and transparency in addition to providing data to all market participants and researchers. It is freely available to all CMA website individual and institutional visitors to improve the efficiency of access and extraction of market data and information.
20.	POS Payment Acquirer Transactions	Transactions processed by a payment acquirer at point-of-sale terminals, enabling businesses to accept card payments from customers.
21.	Regulatory Sandbox	The Regulatory Sandbox is a live environment that enables financial institutions and fintech companies to test an innovative financial product and/or service in the market with real consumers within a defined period and controls.
22.	Regulatory Technology (RegTech)	Technologies designed to help businesses comply with regulatory requirements efficiently and cost-effectively.
23.	Retail Investors (Capital Markets)	Any investor who is not a qualified investor or an institutional investor.
24.	SADAD Transactions	Financial transactions processed through the SADAD Payment System, a national electronic bill presentment and payment service in KSA.
25.	Small Enterprises	Businesses with either 6 to 49 full-time employees and annual revenues ranging from SAR 3 to 40 million together. If there are any exceptions, the higher rating between the two criteria is considered.
26.	Soft POS	A technology that turns smartphones or tablets into point-of-sale terminals, enabling businesses to accept payments without traditional hardware.

GLOSSARY

27. Qualified Investors (Capital Markets)	Means any of their statement in the Glossary of defined terms used in the regulations and rules of the Capital Market Authority, page 32, article "Qualified Client".
28. Institutional Investors (Capital Markets)	Means any of their statement in the Glossary of defined terms used in the regulations and rules of the Capital Market Authority, page 21, article "Institutional Client".
29. Qualified (Eligible) Investors (Debt Crowdfunding)	A natural or legal person who meets one or more of the following criteria: (a) Has assets with a net value of at least SAR 3,000,000; (b) Currently working or has worked for at least three years in the financial sector in a position related to finance or investment; (c) Has a professional certificate in finance or investment approved by an internationally recognized establishment; (d) Has an annual income of at least SAR 600,000 in the past two years.
30. Third Party Providers	Authorized entities that access bank customers' data to offer innovative financial services, facilitated by Open Banking regulations.
31. Vision 2030	A strategic framework launched by the government of KSA aimed at diversifying the economy, reducing oil dependence, and enhancing public services by 2030.

Appendix:

KSA Fintech Timeline 2023**Regulators** (SAMA | CMA | IA)**Fintech Saudi**



ABOUT FINTECH SAUDI

Fintech Saudi is an initiative launched by the Saudi Central Bank (SAMA) in collaboration with the Capital Markets Authority (CMA) under the Financial Sector Development Program in April 2018 to support the development of the Fintech Industry in Saudi Arabia. Fintech Saudi's ambition is to transform Saudi Arabia into an innovative fintech hub with a thriving and responsible fintech ecosystem. Fintech Saudi seeks to achieve this by supporting the development of the infrastructure required for the growth of the fintech industry, building capabilities and talent required by fintech companies and supporting fintech entrepreneurs at every stage of their development.