

The Role of the FinTech Ecosystem in Developing the Financial Sector in the Kingdom of Saudi Arabia

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ABSTRACT

This study aims to analyze the development of the FinTech ecosystem in Saudi Arabia by examining the growth of companies operating in this field and the diversification of their activities, reviewing indicators of customer use of selected digital financial services, and identifying the main challenges facing the sector. To achieve these objectives, the study adopts a descriptive-analytical approach based on published official reports and data relating to FinTech and the financial sector in Saudi Arabia. The findings reveal growth in the Saudi FinTech ecosystem, reflected in the increasing number of companies operating in the sector and the diversification of their business activities. Usage indicators also reveal the growing adoption of digital financial services, including Buy Now, Pay Later (BNPL), open banking, and digital savings solutions, alongside increasing reliance on non-cash payment methods. However, the analysis identifies several persistent challenges related to regulatory compliance, access to financing, the recruitment of specialized talent, the development of technological infrastructure, and the strengthening of cybersecurity and data protection. The study concludes that assessing the development of FinTech in Saudi Arabia requires consideration of the ecosystem's growth, the diversification of its services, the extent of customer adoption, and companies' capacity to address challenges that may affect the sector's long-term sustainability.

Keywords: Digital Transformation; FinTech; Saudi Arabia; Digital Financial Services.

INTRODUCTION

Over recent decades, technological advances and the increasing adoption of digital solutions across economic activities have driven significant changes in the financial sector. These developments have created new opportunities for delivering financial services and conducting financial transactions, while also giving rise to new business models that leverage technology in payments, financing, investment, and financial data management. Against this backdrop, financial technology (FinTech) has emerged as a field at the intersection of technological innovation and financial services, attracting growing attention from financial institutions, regulators, and economic policymakers.

Interest in FinTech has been driven by efforts to improve financial services, harness the potential of digital technologies, and respond to evolving customer needs and expectations. Developments in the digital environment, particularly during the COVID-19 pandemic, further accelerated interest in financial services delivered through

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digital channels. As a result, the development of FinTech ecosystems has become an increasingly important issue in discussions about the future of the financial sector.

In this context, Saudi Arabia has pursued financial sector development and digital transformation under Saudi Vision 2030 through a range of initiatives and policies designed to foster innovation and support the development of financial services. FinTech has become an important part of this agenda, with institutional and regulatory efforts directed towards supporting FinTech companies, developing regulatory frameworks, encouraging investment, and creating an enabling environment for technology-driven financial innovation.

Research Problem:

Against this background, the study seeks to address the following central research question: To what extent has the development of the FinTech ecosystem contributed to the transformation and development of the financial sector in Saudi Arabia?

The main research question gives rise to the following sub-questions:

1. How has the FinTech ecosystem in Saudi Arabia evolved in terms of the number of companies and the diversity of their business activities?
2. How has the development of FinTech influenced customer adoption of digital financial services and patterns of use?
3. What are the main challenges facing FinTech companies in Saudi Arabia amid the expansion of the digital financial ecosystem?

Significance of the Study

The significance of this study stems from the realities of the current digital environment and the profound changes taking place in the financial sector as modern financial technologies become increasingly integrated into financial activities. These technologies have challenged traditional approaches to conducting financial transactions and have created new opportunities for delivering financial services more rapidly and at lower cost, thereby facilitating access to such services for different segments of society.

Objectives of the Study:

This study seeks to achieve several objectives, the most important of which are to:

- Define the financial sector and identify its main components.
- Explain digital transformation and financial technology (FinTech), highlighting their significance.
- Examine Saudi Arabia's experience in developing its financial sector and the role of FinTech Saudi in supporting this development.

Research Methodology

To address the research questions, this study adopts a descriptive-analytical approach, which is appropriate to the nature of the subject. This approach is used to describe and analyze the study's main concepts and dimensions, namely the financial sector, digital transformation, and financial technology. The study also examines Saudi Arabia's experience in developing its digital financial infrastructure through the adoption of FinTech and efforts to broaden its application. The analysis draws on periodic reports and official publications issued by FinTech Saudi.

1-Theoretical Background to the Study Variables

1-1- The Concept of the Financial Sector

The financial sector is regarded as one of the fundamental pillars underpinning economic activity. It has received considerable attention from researchers and economists, which has resulted in a wide range of definitions and approaches to its conceptualization and functions. In this context, the financial sector can be defined as the intermediary through which funds are transferred from economic units with financial surpluses to those experiencing financial deficits, thereby contributing to the efficient allocation of financial resources within the economy. The sector encompasses a diverse range of institutions, including banks, non-bank financial institutions, insurance companies, and capital markets (International Monetary Fund, 2019, p. 11), in addition to microfinance institutions, whose role has become increasingly prominent in recent years.

The financial sector also contributes to providing the liquidity required for various economic activities by mobilizing savings and channeling them towards investment and production. Furthermore, it plays an important role in creating opportunities for portfolio diversification at the level of individuals, institutions, economic sectors, and countries (International Monetary Fund., 2006, pp. 10-12).

From a broader perspective, the financial sector is regarded as the vital backbone of the national economy, as it comprises financial markets and the institutions operating within them, together with various economic agents that provide a wide range of financial services contributing to the support of economic activity and the promotion of growth and development (Ryba, 1974, p. 381).

The financial sector can also be defined as the aggregate of formal and informal institutions that provide financial services to individuals and firms. It encompasses banks, stock exchanges, securities markets, insurance companies, credit unions, financial institutions, as well as various entities engaged in lending activities (DFID Financial Sector Team, 2004, p. 06).

Based on the foregoing, the financial sector can be viewed as an integrated system of institutions, markets, and mechanisms that perform the function of financial intermediation by mobilizing savings and channeling them towards investment. In doing so, it contributes to maintaining economic stability and supporting sustainable development.

1.2 Components of the Financial Sector

The financial sector consists of a set of interconnected institutions, entities, and markets that operate in an integrated manner to mobilize financial resources and channel them towards various economic activities, thereby ensuring the efficient allocation of resources and supporting economic growth (International Monetary Fund. Statistics Dept, 2019, p. 11). The main components of the financial sector can be outlined as follows:

1.2.1 The Banking Sector

The banking sector is defined as the aggregate of banks and banking institutions operating within a given economy and engaged in various banking operations and services, particularly those related to extending credit and providing financing to different economic sectors. It constitutes a fundamental pillar of the financial system, given its vital role in mobilizing savings and channeling them towards investment and productive activities (Rose & Hudgins, 2013, pp. 4-8).

The banking sector comprises different types of banking institutions, which may include central banks, commercial banks, specialized banks, and Islamic banks, depending on the institutional and regulatory structure of each economy (International Monetary Fund, 2004, pp. 26-28).

The functions of these institutions vary according to the nature of their activities; however, they complement one another in ensuring the stability of the monetary and financial system and promoting economic balance.

1.2.2 Non-Bank Financial Institutions

Non-bank financial institutions have assumed increasing importance within the financial sector due to their role in mobilizing savings and investing them across various economic sectors, thereby contributing to economic growth and promoting development (Rose & Hudgins, 2013, pp. 6-7).

These institutions encompass a range of financial entities that provide diverse financing and investment services, including insurance companies, investment funds, mutual funds, and various financing institutions (Rose & Hudgins, 2013, pp. 8-12).

These institutions contribute to expanding the scope of financial services and diversifying financing and investment instruments, thereby enhancing the efficiency of financial markets and increasing the effectiveness of financial intermediation.

1.2.3 Financial Markets

Financial markets are defined as systems through which buyers and sellers of securities and various financial assets are brought together. They provide investors with opportunities to buy and sell stocks, bonds, and other financial instruments, either directly or through intermediaries and specialized firms operating in this field (Mishkin & Eakins, 2012, pp. 18-19).

Financial markets play a pivotal role in stimulating investment activity and providing financing to economic institutions. They also contribute to ensuring liquidity and facilitating the determination

of fair prices for financial assets.

Financial markets are broadly divided into two main categories: (Mishkin & Eakins, 2012, p. 20)

- Capital markets;
- Money markets.

Each of these markets specializes in different financial instruments and maturities, thereby enabling them to meet both short-term and long-term financing needs.

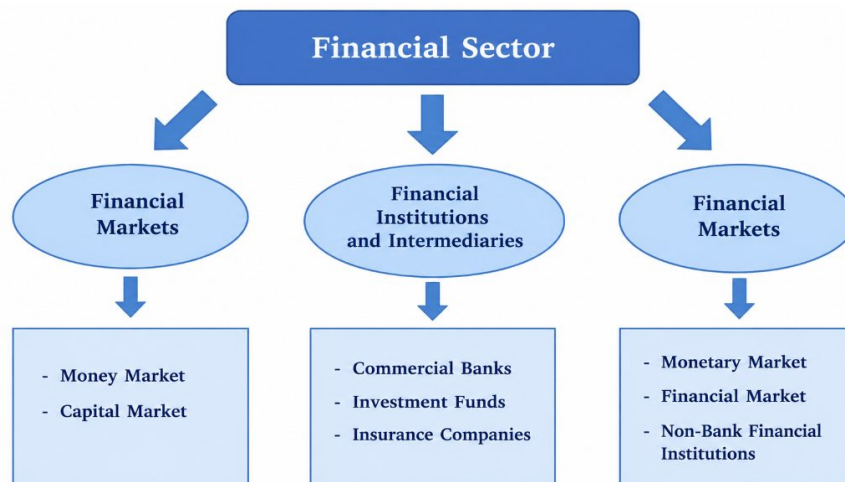


Figure 01: Components of the Financial Sector

Source: Authors' elaboration based on the literature.

1.3 General Concepts of Digital Transformation and Financial Technology

Digital transformation has brought about fundamental changes across various economic and service sectors through the integration of digital technologies into organizational processes and activities, with the aim of improving performance, enhancing operational efficiency, and strengthening the quality of services provided to individuals and institutions. The financial and banking sector is among the sectors most significantly affected by this transformation, particularly in light of the rapid expansion of financial technology (FinTech), which has become one of the most prominent manifestations of contemporary digital transformation. This development involves leveraging advanced technologies to enhance financial services and reshape the banking industry through more innovative and efficient business models.

1.3.1 Digital Transformation

1.3.1.1 The Concept of Digital Transformation

Digital transformation refers to the use of digital technologies and tools to perform various tasks and activities across different fields, resulting in the conversion of data and information from traditional paper-based formats into digital formats that can be stored, processed, and electronically transmitted (OECD, 2019, p. 44).

Digital transformation is not limited to the mere adoption of technology; rather, it represents a comprehensive shift in work practices, management approaches, and service delivery. This shift relies on intelligent systems and modern digital applications to ensure greater speed, efficiency, and flexibility in performance (Bank for International Settlements, 2020, pp. 70-71).

In the banking sector, the digital transformation of banking operations can be defined as a set of banking processes and procedures that begins when a customer initiates a transfer order to make a payment to a beneficiary and continues through the electronic transmission of the transaction until it is executed and accepted by the beneficiary's bank and the corresponding amount is disbursed (Bank for International Settlements, 2020, pp. 71-72). The various stages of the transaction are carried out using modern electronic means, such as smartphones and digital applications.

From this perspective, digital transformation has become a fundamental pillar in the development of banking operations, as it enables faster transaction processing, reduces effort and costs, and enhances the overall customer experience.

1.3.1.2 Drivers and Motivations for Digital Transformation

Several factors and drivers have contributed to accelerating the adoption of digital transformation within the banking and financial sector. The most significant of these can be summarized as follows: (Osei, L. K & Oware, 2023, pp. 03-04)

- The emergence of FinTech companies, which have introduced new business models and innovative approaches to the provision of financial services;
- Changes in customer needs and growing expectations for faster, more flexible digital services;
- Intensifying competition among financial and banking institutions;
- The emergence of what is known as digital disruption, driven by rapid technological developments;
- The need to improve operational efficiency and reduce the costs associated with service delivery;
- The widespread adoption of the Internet, smartphones, and digital applications.

These factors have prompted banking institutions to reconsider their traditional business models and move towards adopting modern digital strategies that ensure business continuity and strengthen their competitive position.

1.3.1.3 Advantages and Benefits of Digital Transformation

Digital transformation brings about fundamental changes in the performance of financial and banking institutions, providing numerous benefits that enhance their ability to adapt to the contemporary competitive environment. The most significant of these benefits include: (Osei, L. K & Oware, 2023, pp. 12-14)

- Improving operational efficiency through process automation and the streamlining of procedures;
- Developing banking services and products and providing more innovative financial solutions;
- Enhancing the speed and accuracy of financial transactions;
- Improving the customer experience and increasing customer satisfaction by providing faster, more convenient, and flexible digital services;
- Expanding access to financial services through various digital channels;
- Strengthening the competitive position of financial institutions in the face of both traditional competitors and FinTech companies;
- Contributing to the reduction of operating costs and improving resource utilization;
- Supporting decision-making through data-driven approaches and advanced digital technologies;
- Creating new business models and generating opportunities and added value for banking institutions.

Accordingly, digital transformation represents a strategic pillar for the development of the banking sector, as it contributes to enhancing performance efficiency, fostering innovation, and improving service quality, thereby enabling financial institutions to achieve sustainable competitive advantage and respond effectively to evolving customer needs.

1.3.2 Financial Technology

The rapid development of digital transformation technologies, such as the Internet, smartphones, and modern digital applications, has expanded the use of financial technology and increased reliance on electronic financial services in various day-to-day transactions. This transformation has brought about fundamental changes in the nature of financial services and the mechanisms through which they are delivered, making the financial sector faster, more efficient, and more innovative within the context of the digital economy.

Financial technology and digital transformation are closely interrelated concepts, as they jointly contribute to reshaping the financial services industry by integrating modern technological solutions into banking and financial activities, thereby improving performance and expanding access to financial services.

1.3.2.1 Definition of Financial Technology

Financial technology, commonly referred to as FinTech, denotes a field that combines financial knowledge and expertise with modern technological capabilities with the aim of developing financial services and improving the internal performance of financial and banking institutions. The concept has gained widespread prominence in recent years as a result of significant advances in digital technologies and the growing adoption of intelligent

solutions by financial institutions in the delivery of their services.

Schindler defines FinTech as a form of financial innovation that may give rise to new business models, applications, processes, products, and services that have a substantial impact on financial markets, banking institutions, and the ways in which financial services are delivered (Schindler, 2017, p. 02).

From this perspective, FinTech represents a qualitative transformation in the financial industry. Financial services are no longer provided exclusively by traditional institutions; rather, they increasingly rely on digital platforms and smart technologies.

1.3.2.2 *FinTech Sectors*

FinTech encompasses a diverse range of sub-sectors, all of which seek to improve the efficiency and development of financial services. The most prominent of these include: (Dorfleitner, Hornuf, & Schmitt, 2017)

- **Payments and Money Transfers:** This sector encompasses digital systems designed to replace traditional payment methods and facilitate the rapid and secure transfer of funds through electronic channels (Nicoletti, 2017, pp. 34-36).
- **Lending and Financing:** This sector focuses on connecting fund providers with individuals or institutions in need of financing through direct lending and crowdfunding platforms (Alistair & Paul, 2016, pp. 2-5).
- **Personal and Corporate Finance:** This area integrates payment and financing services by providing banking and financial services through digital platforms and applications (Peter, Jascha-Alexander, & Michael, 2017, p. 543).
- **Investment Banking and Capital Market Services:** These are digital financial and investment services traditionally provided by investment banks, which increasingly rely on technological solutions and digital platforms (Nicoletti, 2017, pp. 38-40).
- **Insurance Technology (InsurTech):** InsurTech aims to develop insurance products, improve the efficiency of risk assessment, and deliver insurance services with greater speed and accuracy (Emanuel, Christian, & Falk, 2018, pp. 289-300).
- **Wealth Management:** This sector includes digital solutions based on artificial intelligence and machine learning to provide customers with asset and wealth management services.
- **Regulatory Technology (RegTech):** RegTech refers to technologies that assist financial institutions in complying more efficiently with legislation, regulations, and regulatory requirements.
- **Blockchain Technology:** Blockchain is regarded as one of the most prominent recent innovations in the field of FinTech. It constitutes a decentralized digital ledger in which digital transactions are recorded, particularly those associated with cryptocurrencies. The technology relies on advanced cryptographic techniques to ensure data security and transaction transparency. It is also characterized by the ability to continuously add new records without the need for a central authority. Projections indicate that the value of transactions based on this technology is expected to increase substantially in the coming years, reflecting its growing importance in the global digital economy.

1.3.2.3 *Drivers of FinTech Adoption*

The increasing adoption and widespread diffusion of financial technology among countries and financial institutions can be attributed to the various advantages and innovative solutions it offers, which have contributed to the development and enhanced efficiency of financial services. The shift towards adopting FinTech is driven by a number of key factors, most notably: (Douglas W, Janos, & Ross P, 2015, pp. 17-20)

- Reducing the operating costs associated with the provision of financial services;
- Accelerating the processing of transactions and services compared with traditional methods;
- Expanding access to financial services and reaching broader segments of the population;
- Providing innovative solutions for the development of financial instruments and services;
- The significant expansion of e-commerce and growing customer interest in modern digital services;
- The decline in customer loyalty to traditional banks as customers increasingly seek more flexible and faster services;
- Enhancing operational efficiency and improving the quality of services provided to customers;

- Keeping pace with global technological developments and the requirements of the digital economy.

Accordingly, FinTech has become a strategic option pursued by countries and financial institutions to promote financial inclusion, strengthen competitiveness, and provide more advanced financial services that are aligned with rapidly evolving digital transformations.

2. An Examination of the Role of FinTech Saudi in Advancing the Financial Sector in the Kingdom of Saudi Arabia

The FinTech sector in the Kingdom of Saudi Arabia has witnessed remarkable development in recent years, driven by the widespread adoption of modern digital technologies and the emergence of numerous innovative startups that have leveraged technological advances to provide more efficient and innovative financial services. In this context, the Kingdom launched the FinTech Saudi initiative in 2017, reflecting its commitment to building an advanced digital economy in line with the strategic objectives of Saudi Vision 2030, which seeks to diversify the national economy and strengthen the financial sector as one of the key drivers of economic development.

2.1. An Overview of FinTech Saudi

FinTech Saudi is a national initiative launched by the Saudi Central Bank (SAMA) in collaboration with the Capital Market Authority (CMA) under the umbrella of the Financial Sector Development Program (FSDP), with the aim of supporting and developing the FinTech sector in the Kingdom of Saudi Arabia.

The initiative's overarching vision is to transform the Kingdom into a leading regional hub for FinTech innovation by establishing an integrated digital financial ecosystem characterized by efficiency, sustainability, and responsibility.

FinTech Saudi seeks to achieve this objective by developing the infrastructure required for the growth of the FinTech sector and fostering a regulatory and legislative environment conducive to innovation. It also focuses on developing national talent and building the specialized skills required by FinTech companies. In addition, the initiative supports entrepreneurs and startups at various stages of their development, thereby contributing to the promotion of financial innovation and stimulating investment in this vital sector (Fintech Saudi, 2023, p. 58).

2.2 Key Components of the FinTech Ecosystem in Saudi Arabia

The FinTech ecosystem in the Kingdom of Saudi Arabia is built upon a set of interconnected stakeholders and components that work collaboratively to support the growth of the sector and achieve its development objectives. The main components of this ecosystem can be outlined as follows: (FinTech Saudi Arabia, 2020, p. 07)

- **Government and Regulatory Authorities:** These include the bodies responsible for overseeing and regulating the financial sector, particularly the Saudi Central Bank and the Capital Market Authority, which work to establish regulatory and legislative frameworks that support financial innovation.
- **Universities and Research Institutions:** These play an important role in developing human capital and conducting research and studies related to FinTech and digital innovation.
- **Investors:** Investors represent a key source of funding for startups and provide financial support for innovative FinTech projects.
- **Financial Institutions and Industry Participants:** This category includes banks, insurance companies, and various financial institutions that adopt modern digital solutions and contribute to the development of financial services.
- **Business Accelerators and Incubators:** These entities provide technical, managerial, and advisory support to startups and entrepreneurs during their establishment and growth stages.
- **Startups:** Startups constitute a key driver of innovation in the FinTech sector by developing and delivering modern digital financial solutions.
- **Users and Customers:** Growing demand for digital services represents one of the major factors driving the expansion of the FinTech sector.
- **Technology Companies:** These companies provide the technological solutions and digital infrastructure required to develop modern financial services.

Through the integration of these components, the Kingdom of Saudi Arabia has succeeded in establishing an enabling environment for the growth of the FinTech sector, thereby enhancing the efficiency of the financial sector and strengthening its competitiveness at both the regional and international levels.

2.3 FinTech and the Financial Services Sector in Saudi Arabia

FinTech has become one of the key drivers of the development of the financial services sector in the Kingdom of Saudi Arabia. It has brought about a qualitative transformation in the nature of banking and financial services through the adoption of innovative digital solutions. This transformation is reflected in the diversification of FinTech applications and the increasing adoption of advanced technologies by financial institutions to improve operational efficiency, enhance customer experience, and strengthen competitiveness within the Saudi financial market.

2.3.1 Areas of FinTech Application in the Financial Services Sector in Saudi Arabia

The FinTech sector in the Kingdom has experienced significant expansion across several key areas, which have constituted the main pillars of the development of the FinTech industry within the financial services sector. The most prominent areas include: (FinTech Saudi Arabia, 2020, p. 1)

- Lending and financing;
- Banking and banking infrastructure;
- Fundraising and private investment;
- Payments, money transfers, and currency exchange;
- Capital markets;
- Personal finance and treasury management;
- Insurance;
- Business solutions and information services;
- Regulation and risk management.

These areas reflect the broad scope of FinTech applications in the Kingdom. FinTech is no longer limited to traditional banking services but has extended to encompass various financial, investment, and insurance activities, thereby enhancing the efficiency of the financial sector and aligning it with the evolving requirements of the digital economy.

2.3.2 Open Banking: A Key FinTech Innovation in Saudi Arabia

2.3.2.1 The Concept of Open Banking

Open banking is regarded as one of the most prominent recent innovations in the field of FinTech. It enables customers to securely share their authorized financial data, such as banking information, with trusted third-party service providers, including banks and FinTech companies (Saudi Central Bank (SAMA), 2021, p. 2).

This approach allows third parties to leverage customers' financial data to develop innovative and personalized financial products and services that are tailored to their needs, while maintaining high standards of security and privacy (Saudi Central Bank (SAMA), 2021, p. 3).

Open banking contributes to strengthening integration between financial institutions and technology companies, thereby creating a more flexible and innovative financial environment. It also gives customers greater control over their data and enables them to derive greater value from it (Saudi Central Bank (SAMA), 2021, pp. 2-3).

2.3.2.2 Advantages and Benefits of Open Banking

Open banking offers numerous advantages and benefits that have made it one of the most important emerging trends in the financial sector. The main benefits include: (Saudi Central Bank (SAMA), 2021, pp. 2-4)

- **Promoting financial innovation:** By creating opportunities to develop new financial products and services, increase the value offered by financial institutions, and generate additional sources of revenue.
- **Enhancing financial inclusion:** By expanding access to credit and financial services for broader segments of the population, while also improving customers' financial well-being and promoting financial awareness.
- **Strengthening competitiveness in the financial market:** By enabling financial institutions to design more personalized services at competitive prices, thereby increasing customer satisfaction and improving the quality of services provided.
- **Improving banking system efficiency:** By allowing customers to share their banking data instantly and securely with third-party service providers, while facilitating partnerships and integration

between financial institutions and FinTech companies.

Accordingly, open banking represents an advanced stage of digital transformation in the Saudi financial sector, offering significant opportunities for innovation, service improvement, and enhanced efficiency and competitiveness across the financial ecosystem.

2-4 Indicators of FinTech Company Growth and Investment Volume in the Sector

The FinTech sector has experienced rapid and dynamic growth at both the global and regional levels in recent years, driven by continuous technological advancement, the increasing adoption of digital solutions in the delivery of financial services, and growing investor interest in financing startups operating in this field. This development has been reflected in fluctuations in the volume of investment directed towards the FinTech sector, characterized by periods of growth, decline, and subsequent recovery, both globally and within the Kingdom of Saudi Arabia.

2-4-1 Investment in the Global FinTech Sector

The global FinTech sector has experienced notable fluctuations in recent years, following an exceptional peak in 2021, when total investment reached approximately USD 238.9 billion. Investment subsequently declined over the following years before showing signs of recovery in 2025, when total investment increased to approximately USD 116 billion, compared with USD 95.5 billion in 2024. Although the level of investment in 2025 remained approximately 51.4% below the 2021 peak, the increase recorded compared with the previous year reflects a relative recovery in investment activity within the sector (KPMG International, 2026, p. 10).



Figure 02: Total Global Funding Activity (VC, PE and M&A) in FinTech 2022–2025

Source: KPMG International, Pulse of Fintech H2'25: Global Analysis of Funding in Fintech, based on data provided by PitchBook; data as of 31 December 2025.

The changes observed in global investment activity in the FinTech sector can be attributed to several key factors, the most prominent of which include: (KPMG International, 2026, pp. 5-7)

- **Tightening monetary conditions and rising financing costs:** Higher interest rates and tighter global financial conditions have reduced investors' appetite for startups with high growth rates but unclear paths to profitability, prompting greater focus on companies with sustainable business models and established revenue streams.
- **Greater investor selectivity and market maturation:** Despite the increase in the value of investments in 2025, the number of deals declined to 4,719, compared with 5,533 deals in 2024, indicating a shift towards larger transactions and more mature and scalable companies rather than a greater number of smaller investments.

- **The rise of digital assets and artificial intelligence:** Investment in digital assets and currencies increased significantly, reaching USD 19.1 billion across 1,199 deals in 2025, compared with USD 11.2 billion across 1,584 deals in 2024. Investment in AI-focused FinTech companies also increased from USD 12.1 billion in 2024 to USD 16.8 billion in 2025, while the number of deals rose from 1,183 to 1,334.
- **Recovery in merger and acquisition (M&A) activity:** M&A activity in the FinTech sector improved in 2025, with the global value of M&A transactions reaching approximately USD 40.8 billion across 840 deals, compared with USD 32.9 billion across 829 deals in 2024. This reflects a relative improvement in exit markets and renewed investor interest in mergers and acquisitions as a key mechanism for recycling capital and generating returns.

These developments indicate that the FinTech sector is no longer merely an emerging industry driven by rapid expansion and capital raising, but is moving towards a more mature and selective phase. Following the peak in global FinTech investment in 2021, investors have become increasingly focused on companies capable of achieving sustainable growth and profitability, complying with regulatory requirements, and leveraging advanced technologies, particularly artificial intelligence and digital assets. Accordingly, the relative decline in the number of deals does not necessarily indicate a weakening of the importance of FinTech; rather, it reflects a shift in the nature of investment towards the quality of investment opportunities and their potential for sustainability and scalability.

2-4-2 Investment in the FinTech Sector in Saudi Arabia

Venture capital investment in the FinTech sector in Saudi Arabia experienced notable developments over the 2022–2025 period. Investment increased from SAR 1.5 billion in 2022 to SAR 2.7 billion in 2023 (Fintech Saudi, 2023, p. 9), representing an increase of approximately 77.9%. However, investment declined to SAR 905 million in 2024 before regaining momentum in 2025, reaching approximately SAR 2.33 billion, an increase of around 157.5% compared with the previous year (Fintech Saudi, 2024).

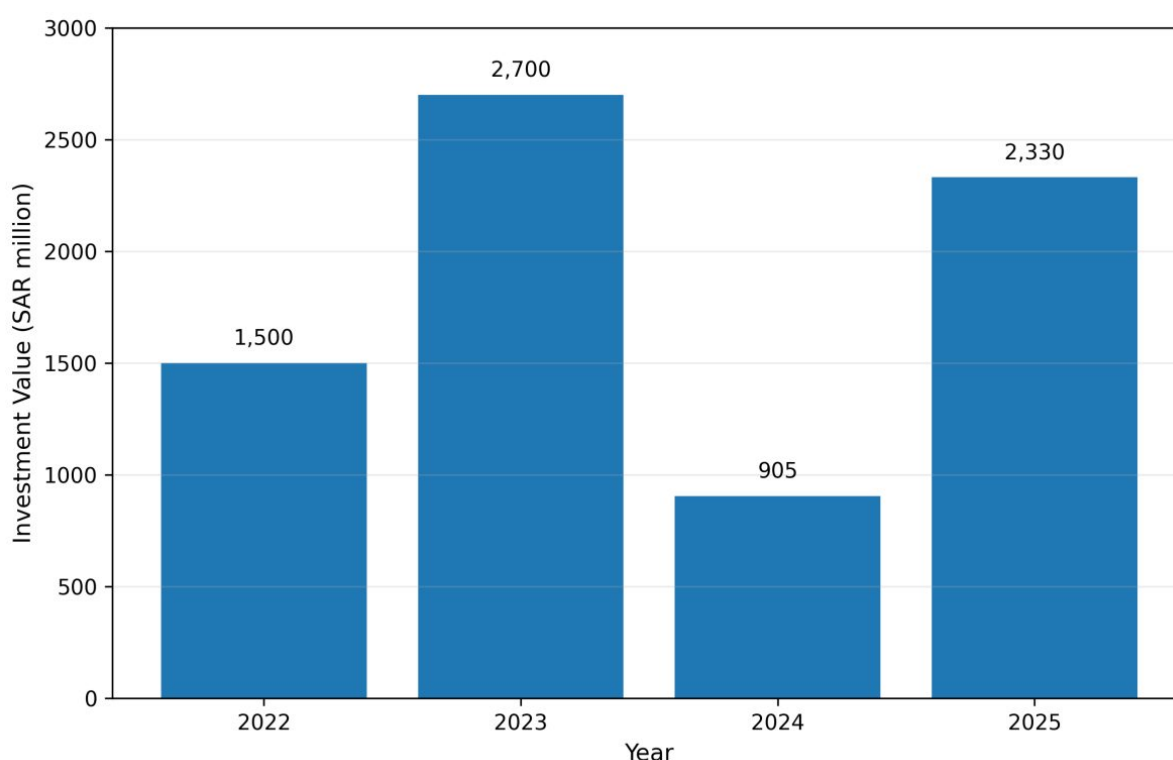


Figure 03: FinTech Venture Capital Investment in Saudi Arabia, 2022–2025

Source: Compiled by the authors based on FinTech Saudi data.

This trajectory reflects the continued attractiveness of the FinTech sector in Saudi Arabia and its ability to attract capital despite the fluctuations in investment activity during the period. This development is consistent with the objectives of the National FinTech Strategy, which seeks to stimulate investment and support the transformation of entrepreneurial initiatives into practical solutions. In this regard, the strategy aims to increase

the cumulative value of investments in FinTech companies to approximately SAR 12.2 billion by 2030 (Fintech Saudi, 2024, p. 26).

Accordingly, the investment growth recorded during the period reflects the continued efforts to build a more innovative and competitive digital financial sector.

2-4-3- Statistics on Active FinTech Companies in Saudi Arabia

2-4-3-1- Number of Active FinTech Companies in Saudi Arabia

The number of active FinTech companies in Saudi Arabia witnessed notable expansion during the period 2021–2025, reflecting the growing attractiveness of the Saudi market and the development of an enabling environment for financial innovation. The number of companies increased from 82 in 2021 to 147 in 2022, representing a growth rate of approximately 79% within a single year. This upward trend continued, with the number reaching 216 companies in 2023 and 261 companies in 2024 (Financial Sector Development Program (FSDP), 2025, p. 14), further confirming the continued expansion of the FinTech ecosystem and the growing number of companies operating within the sector. Recent data indicate that the number of FinTech companies exceeded 300 in 2025 (Roland Berger, 2026, p. 09), highlighting the sector’s sustained growth and increasing capacity to attract entrepreneurs and investment, supported by the regulatory environment and national initiatives aimed at advancing FinTech in Saudi Arabia.

The following figure illustrates the evolution in the number of active FinTech companies in Saudi Arabia during the study period.

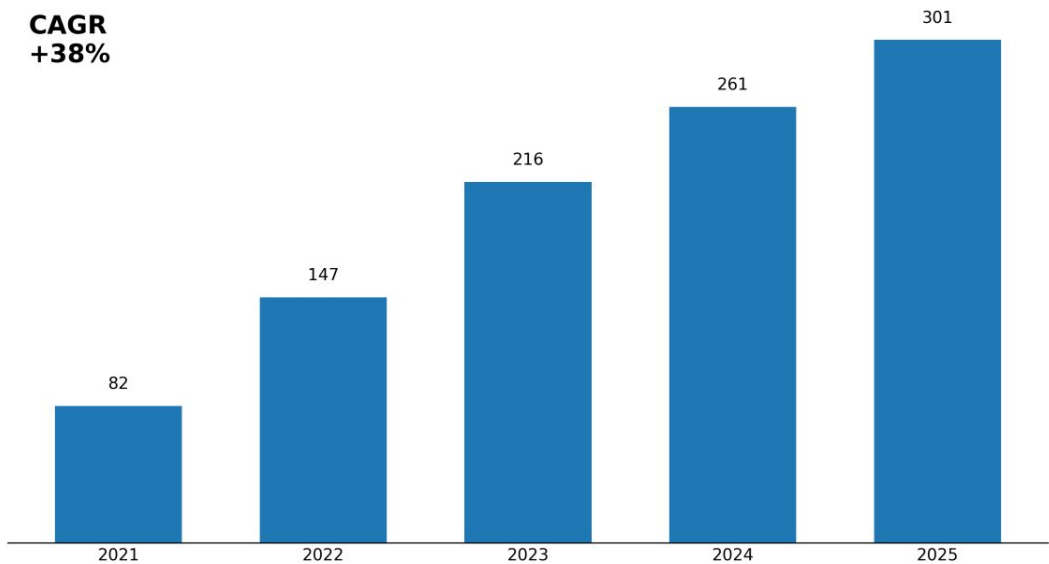


Figure 04: Number of Operational FinTechs in Saudi Arabia, 2021–2025

Source: Roland Berger, Saudi FinTech at Scale: From Rapid Entry to Sustainable Value Creation, Roland Berger, Germany, 2026, p. 9.

2-4-3-2- Distribution of Headquarters of Active FinTech Companies in Saudi Arabia

Riyadh serves as the primary hub for FinTech activity in Saudi Arabia, accounting for approximately 79% of the total headquarters. This reflects its position as a major economic and financial center, in addition to the digital infrastructure and supportive regulatory environment it provides for financial innovation. In contrast, headquarters located outside Saudi Arabia account for approximately 13% of the total, while 87% of companies have their headquarters within the country (FinTech Saudi Arabia, 2022, p. 24).

Source: FinTech Saudi, FinTech Saudi Annual Report, 2022, p. 24

This distribution highlights the ability of the Saudi market to attract the majority of companies operating in the FinTech sector and provide a favorable domestic environment for their activities. Meanwhile, companies headquartered outside Saudi Arabia are primarily concentrated in the Gulf region, particularly the **United Arab Emirates**, underscoring the importance of regional linkages in the expansion of

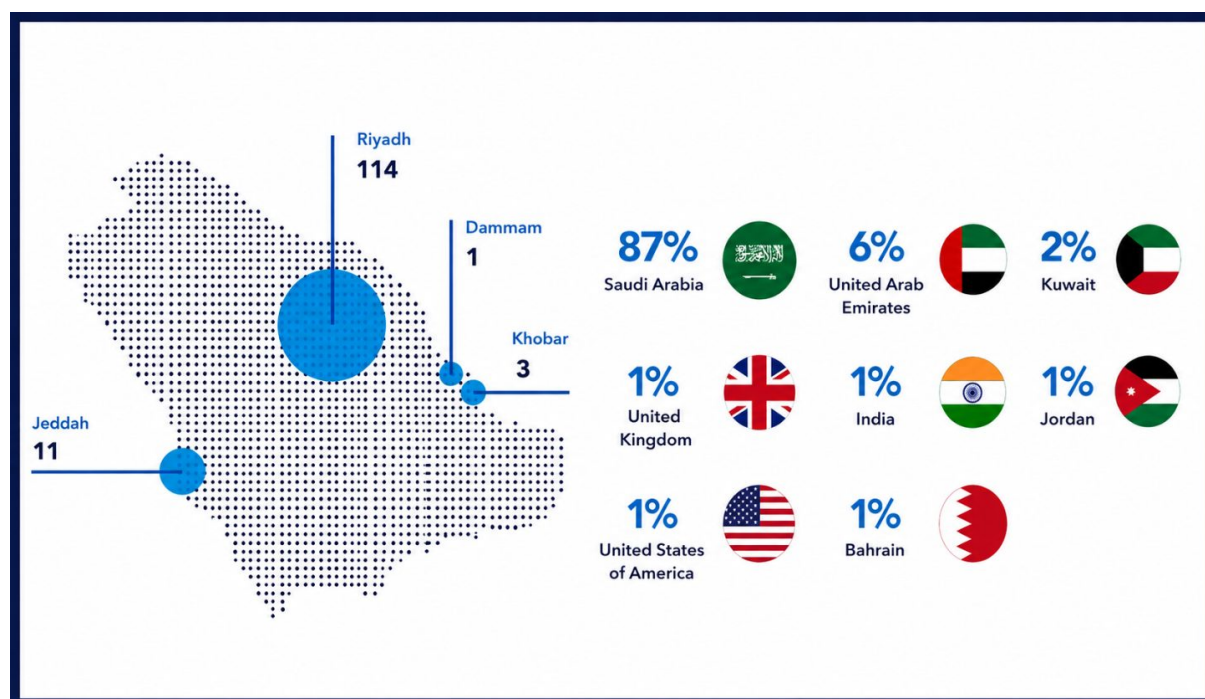


Figure 05: Headquarters of Active FinTech Companies in Saudi Arabia

FinTech services within the Saudi market.

2-4-3-3- Evolving Landscape of Saudi Arabia's FinTech Sector

The Saudi FinTech ecosystem continued its growth trajectory in 2024, with the number of FinTech companies increasing by 21% compared with 2023, reaching 261 companies. These companies were distributed across nine main FinTech sectors (Fintech Saudi, 2024, p. 08).

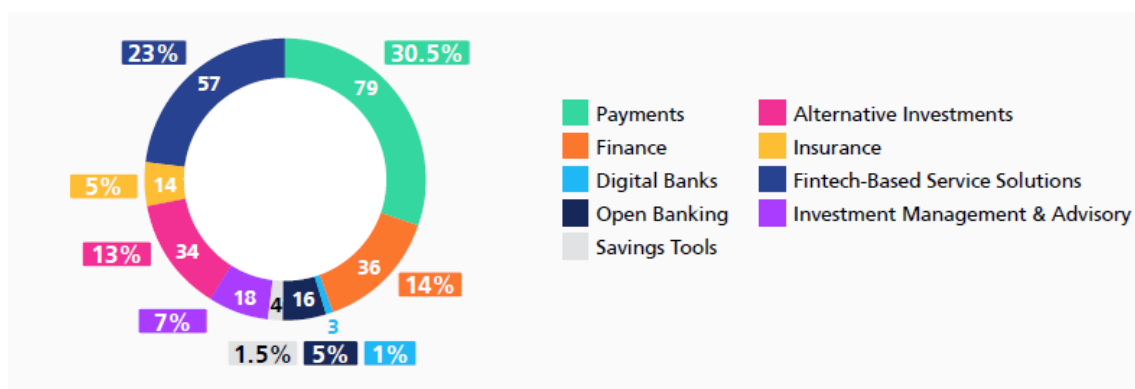


Figure 06: Breakdown of 261 FinTech Companies by Activity (2024)

Source: FinTech Saudi, *FinTech Saudi Annual Report 2024, Saudi Arabia, 2024*, p. 9.

The distribution of active FinTech companies by sector in 2024 reveals a diversified ecosystem, with payments representing the largest segment, accounting for 30.5% of the total. This predominance reflects the central role of digital payment solutions in the ongoing transformation of financial services in Saudi Arabia. Investment management and investments ranked second, with 23%, followed by financing at 14% and technology-enabled financial solutions at 13%. The remaining sectors, including insurance (7%), digital banking and open banking, alternative investments, and savings solutions, accounted for comparatively smaller shares (Fintech Saudi, 2024, p. 08).

Overall, the sectoral distribution indicates that Saudi Arabia's FinTech ecosystem is moving beyond a concentration on traditional digital payment services toward a more diversified financial technology landscape encompassing financing, investment, insurance, banking, and technology-enabled financial solutions. This diversification coincides with the expansion of the ecosystem to 261 active FinTech companies in 2024,

representing a 21% increase compared with 216 companies in 2023 (Fintech Saudi, 2024, p. 08).

2-4-3-4- Evolution of FinTech Activities in Saudi Arabia

The Saudi FinTech ecosystem witnessed a gradual transformation in the structure of its areas of activity. The following figure illustrates the evolution of selected FinTech activities in Saudi Arabia during the period 2022–2024:

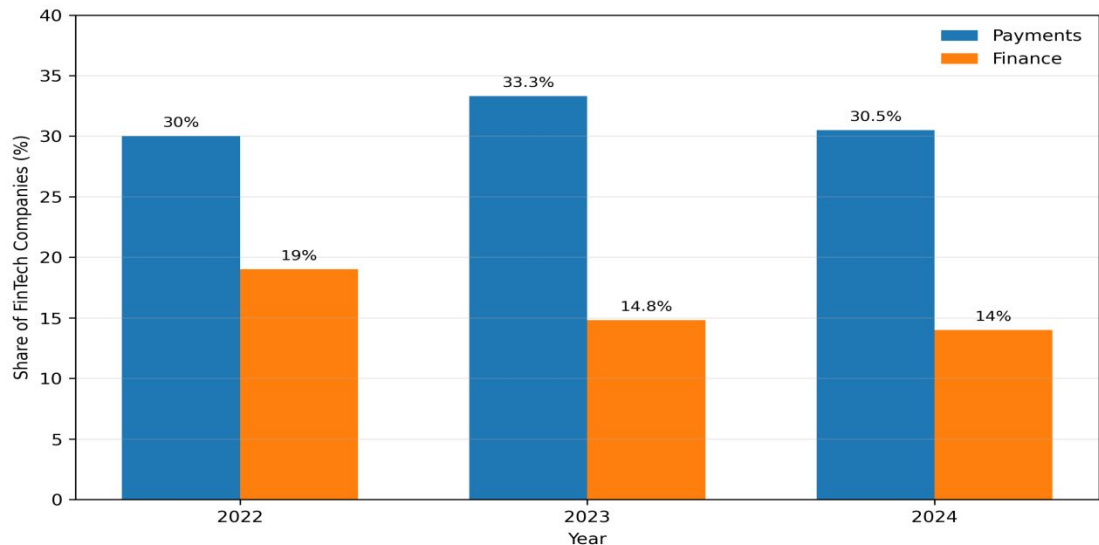


Figure 07: Evolution of Selected FinTech Activities in Saudi Arabia, 2022–2024

Source: Compiled by the authors based on data from FinTech Saudi Annual Reports (2022–2024).

In 2022, payments and currency exchange accounted for the largest share of companies registered in the FinTech Saudi database, at approximately 30%, followed by lending and finance, which represented 19%. This distribution highlights the importance of core digital financial services during the early stages of the ecosystem’s development (FinTech Saudi Arabia, 2022, p. 28).

In 2023, payments maintained their position as the leading FinTech activity, accounting for 33.3% of the total number of FinTech companies. This was followed by business tools at 15.7%, alternative investments at 15.3%, and finance at 14.8% (Fintech Saudi, 2023, p. 20).

This distribution indicates an expansion of FinTech activity beyond traditional payment and financing services toward investment-related activities and technology-based solutions for businesses.

In 2024, the number of active FinTech companies reached 261, with companies distributed across a broader range of activities. Payments accounted for 30.5%, followed by investment management and advisory at 23%, finance at 14%, and FinTech-based service solutions at 13% (Fintech Saudi, 2024, p. 09).

This distribution highlights the continued importance of payments alongside the growing presence of investment activities and technology-enabled financial solutions, pointing to the increasing diversification and structural development of Saudi Arabia’s FinTech ecosystem.

5-2. Statistics on Customer Use of FinTech in Saudi Arabia

Customer use of FinTech services in Saudi Arabia has witnessed notable development in recent years, alongside the expansion of digital financial services and the diversification of technology-enabled solutions available to consumers. Indicators of service usage provide an important basis for assessing the spread of FinTech among customers and identifying changes in their patterns of using digital financial services and payment methods in Saudi Arabia. In this context, this section examines a number of indicators related to customer use of FinTech, with a focus on cash payment patterns and the adoption of selected technology-enabled financial services.

5-2-1. Cash Usage in Consumer Payments

Consumer payment patterns in Saudi Arabia have witnessed a clear shift toward non-cash payment methods in recent years, reflecting the growing reliance on digital payment instruments and the development of the payments infrastructure.

The following figure illustrates the evolution of cash and non-cash consumer payments in Saudi Arabia

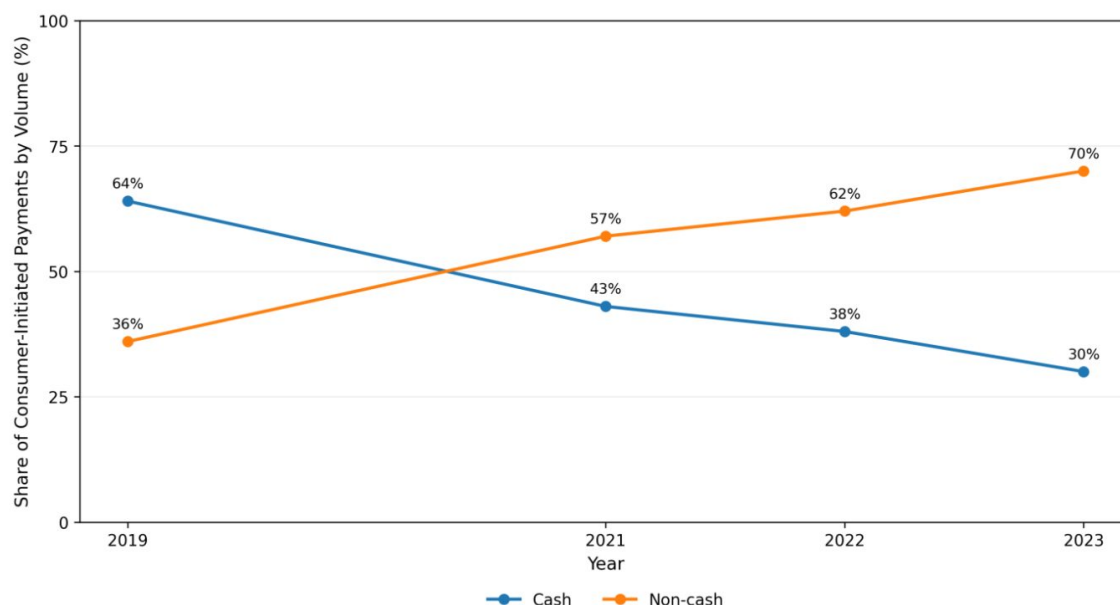


Figure 08: Evolution of Cash and Non-Cash Consumer Payments in Saudi Arabia, 2019–2023

Source: Saudi Central Bank (SAMA), *Report on Payments Usage Study*, Kingdom of Saudi Arabia, 2023, p. 5.

According to the 2023 Payments Usage Study issued by the Saudi Central Bank, cash accounted for 64% of consumer-initiated payment transactions by volume in 2019, compared with 36% for non-cash payments. By 2023, the share of cash payments had declined to 30%, while non-cash payments increased to 70%. This shift indicates a substantial reduction in consumers' reliance on cash and highlights the growing adoption of electronic payment methods in Saudi Arabia (Saudi Central Bank (SAMA), 2023, p. 05).

This trend indicates the continued shift in consumer payment behavior toward electronic payment methods, driven by the expansion of digital infrastructure and the increasing diversity of available payment instruments. The continued decline in the share of cash also reflects Saudi Arabia's progress toward a more digitally oriented payments economy, which constitutes a key component of the development of the FinTech ecosystem and digital financial services.

5-2-2. FinTech Adoption across Selected Activities

FinTech adoption in Saudi Arabia witnessed notable expansion in 2024. This expansion was no longer limited to digital payment services but extended to a diverse range of technology-enabled financial services, including Buy Now, Pay Later, open banking, and digital savings solutions. Usage indicators for these activities provide an important basis for assessing the adoption of digital financial solutions among customers and tracking the evolution of their usage patterns in the Saudi market.

2-5-2-1- First: Buy Now, Pay Later (BNPL)

The following figure illustrates the evolution of the total value of goods sold through Buy Now, Pay Later (BNPL) services in Saudi Arabia between 2023 and 2024.

Source: Saudi Central Bank (SAMA), *Report on Payments Usage Study*, Kingdom of Saudi Arabia, 2024, p. 69.

Buy Now, Pay Later (BNPL) services witnessed significant expansion in Saudi Arabia in 2024, reflecting the growing use of digital financing models in consumer transactions. The total value of goods sold using this service increased from SAR 26.6 billion in 2023 to SAR 36.6 billion in 2024, representing a 38% increase. Similarly, the number of purchase transactions increased from 43.3 million to 64.6 million transactions, an increase of 49% (Fintech Saudi, 2023, p. 69).

At the same time, the value of installment services increased from SAR 9.4 billion to SAR 24.8 billion, representing a 164% increase, while the number of installment payments rose from 42.6 million to 144.8 million payments, an increase of 240%. In terms of the service's market reach, the number of registered merchants

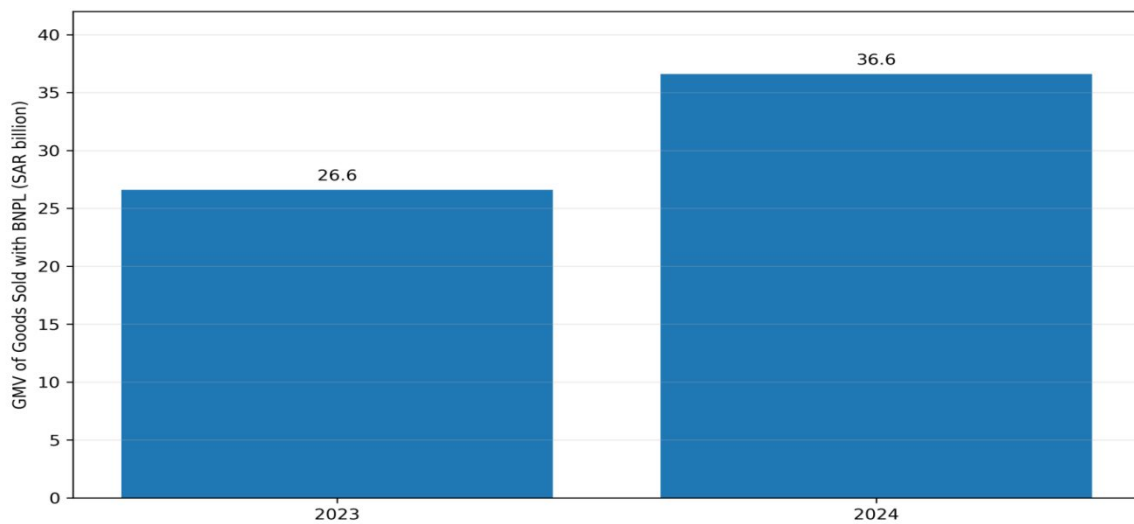


Figure 09: Evolution of the Total Value of Goods Sold through BNPL in Saudi Arabia (2023–2024)

increased from 58.7 thousand to 121 thousand merchants, representing a 106% increase, while the number of customers using the service increased from 13.2 million to 18 million customers, an increase of 36% (Fintech Saudi, 2023, p. 69).

These indicators reflect the expanding use of Buy Now, Pay Later services in the Saudi market among both consumers and merchants, confirming the growing presence of digital financing models within the FinTech ecosystem. The simultaneous growth in the number of users, transactions, merchants, and financial values also indicates that BNPL is evolving from merely an alternative payment instrument into a growing component of consumer-oriented digital financial services (Fintech Saudi, 2023, p. 72).

2-5-2-2- Open Banking

The following figure illustrates the growth in the number of connected bank accounts between 2023 and 2024.

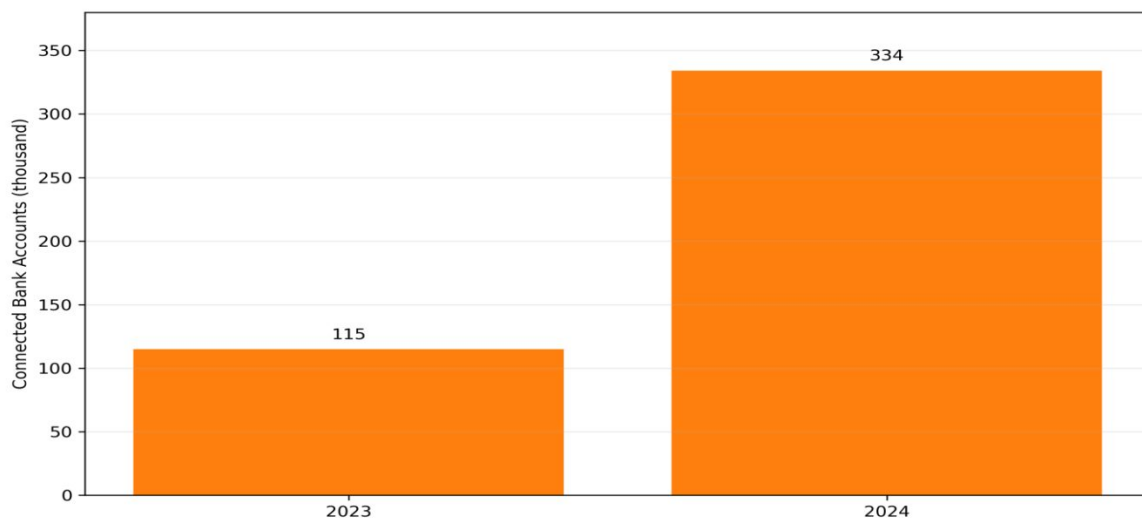


Figure 10: Growth in Connected Bank Accounts through Open Banking in Saudi Arabia (2023–2024)

Source: Saudi Central Bank (SAMA), *Report on Payments Usage Study*, Kingdom of Saudi Arabia, 2024, p. 17.

Open banking witnessed notable development in Saudi Arabia in 2024, as the number of connected bank accounts increased from 115 thousand accounts in 2023 to 334 thousand accounts in 2024, representing a 190% increase. The number of active customers also reached 89 thousand in 2024. (Fintech Saudi, 2023, p. 17) The report indicates that open banking enables customers to securely share their financial data with third-party service providers, thereby contributing to the development of more integrated financial services. Account aggregation and personal financial management are among the prominent use cases.

These indicators are particularly significant as they reflect the expansion of FinTech adoption beyond payment execution toward the sharing and utilization of financial data to develop and manage digital financial services, thereby strengthening the integration of the digital financial ecosystem in Saudi Arabia (Fintech Saudi, 2023, p. 99).

2-5-2-3-Digital Savings Solutions

The following figure illustrates the growth in the number of electronic savings associations between 2023 and 2024.

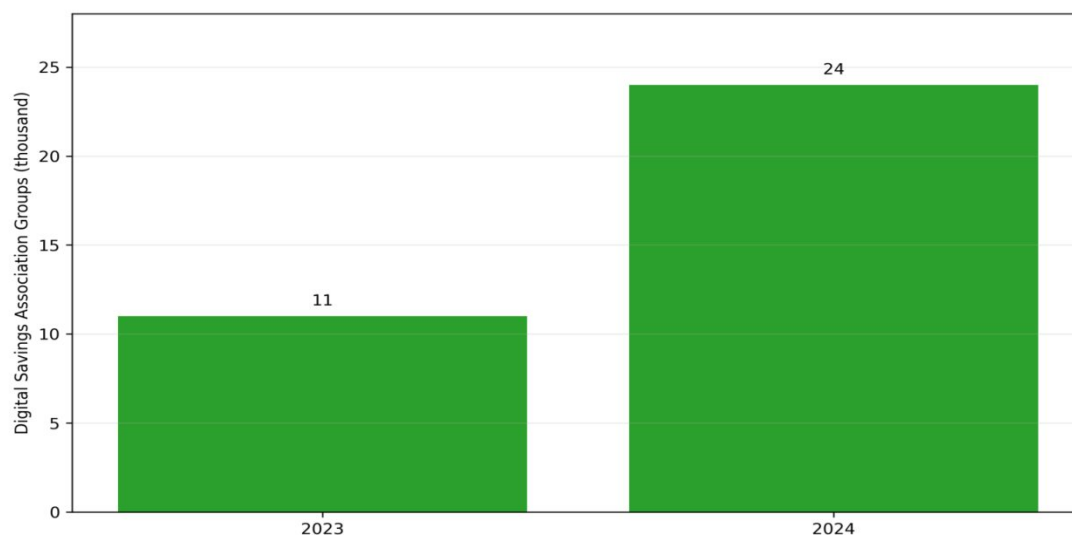


Figure 11: Growth in Electronic Savings Associations in Saudi Arabia (2023–2024)

Source: Saudi Central Bank (SAMA), Report on Payments Usage Study, Kingdom of Saudi Arabia, 2024, p. 17.

Electronic savings associations witnessed notable expansion in Saudi Arabia during 2024, with their number increasing from 11.9 thousand associations in 2023 to 24 thousand in 2024, representing a 105% increase. Meanwhile, the number of electronic savings association accounts increased only marginally from 17.3 thousand accounts to 17.4 thousand accounts over the same period, representing a 0.6% increase (Fintech Saudi, 2024, p. 18). These indicators reflect the expanding presence of digital solutions in the savings sector and the growing adoption of technology-enabled savings models.

Data for 2024 also revealed a notable shift in the characteristics of customers using electronic savings associations. The average age of registered customers declined from 31 years in 2023 to 25 years in 2024, reflecting growing adoption of these solutions among younger age groups. At the same time, the proportion of customers whose monthly salaries exceeded SAR 10,000 increased from 31% to 37%, indicating growing adoption among higher-income customers (Fintech Saudi, 2024, p. 109).

These developments indicate that FinTech adoption in Saudi Arabia is not limited to payment and financing services but also extends to digital savings solutions. The changes in user characteristics further reveal a broadening base of adopters, particularly among younger age groups and higher-income customers, highlighting the growing role of digital solutions in facilitating savings management and supporting personal financial goals.

6-2. Challenges Facing FinTech Companies in Saudi Arabia

Despite the rapid growth of the FinTech ecosystem in Saudi Arabia and the diversification of available digital financial services, FinTech companies continue to face a number of challenges that may constrain their ability to scale and sustain their operations. Among the most prominent challenges are compliance with regulatory and supervisory requirements, access to adequate financing and capital, attracting specialized talent and human resources, and providing the technological infrastructure necessary to develop and expand digital financial services. The importance of strengthening cybersecurity and financial data protection is also increasing as reliance on digital channels and platforms continues to grow (Saudi Central Bank (SAMA), 2024).

These challenges are particularly significant for small and micro enterprises, which may face limitations in human resources and technological infrastructure required for immediate access to banking data, particularly in the context of using open banking services. In this regard, reports indicate that open banking APIs provide an effective means of overcoming these challenges (Fintech Saudi, 2024, p. 100).

Conclusion

The study concludes that the development of FinTech in Saudi Arabia is no longer limited to the introduction of technological solutions into existing financial services. Rather, it reflects a broader transformation in the nature of the financial ecosystem and the ways in which customers interact with it. The evidence examined in this study demonstrates the expansion of the FinTech ecosystem and the diversification of its areas of activity, alongside the extension of digital solutions beyond payments into a wider range of areas, including financing, savings, open banking, and other technology-enabled financial services.

This trajectory reflects the transition of FinTech in Saudi Arabia from a stage of establishment and initial adoption to a more advanced stage characterized by deeper utilization, greater diversification of applications, and a broader user base. The notable shift in consumer behavior toward non-cash payment methods, together with the growing use of emerging digital financial services, further reflects the increasing integration of technology into everyday financial practices. However, the continuation of this trajectory remains contingent upon the ecosystem's ability to address the regulatory, financial, technological, human-capital, and cybersecurity challenges associated with digital expansion. Accordingly, strengthening Saudi Arabia's position in the FinTech sector depends not merely on increasing the number of companies and services, but also on its ability to achieve sustainable growth that balances innovation, efficiency, security, and consumer protection.

Results

1. The Saudi FinTech ecosystem has experienced significant growth and increasing diversification, as reflected in the expansion of the number of FinTech companies and the broadening of their areas of activity.
2. Payments continue to constitute one of the leading areas of FinTech activity in Saudi Arabia, while other areas, including financing, investment, open banking, savings, and technology-enabled business solutions, have contributed to the increasing diversification of the ecosystem.
3. The development of the FinTech sector has been accompanied by growing consumer reliance on digital financial solutions. In particular, consumer payment behavior has shifted noticeably toward non-cash payment methods, reflecting the increasing integration of digital payments into everyday financial activities.
4. FinTech adoption has expanded beyond digital payments to include emerging services such as Buy Now, Pay Later (BNPL), open banking, and digital savings solutions, indicating a broader diversification in the ways customers interact with technology-enabled financial services.
5. The expansion of these services demonstrates that FinTech is increasingly extending into different dimensions of consumers' financial activities, including payments, financing, financial-data management, and savings, thereby strengthening the role of technology in the delivery and use of financial services.
6. Despite the substantial progress achieved, FinTech companies continue to face challenges related to regulatory compliance, access to financing and capital, specialized human resources, technological infrastructure, cybersecurity, and data protection, which may affect their ability to scale and sustain their operations.

Recommendations

1. Continue developing a supportive and flexible regulatory environment that keeps pace with the rapid evolution of FinTech business models while maintaining financial stability, market integrity, and consumer protection.
2. Strengthen financing and investment mechanisms for FinTech startups, particularly innovative companies seeking to scale their operations and develop new technology-enabled financial solutions.
3. Enhance cybersecurity, data protection, and risk-management frameworks to strengthen consumer confidence and ensure the secure and sustainable expansion of digital financial services.
4. Develop specialized human capital and FinTech skills through education, training, and professional development programs that respond to the evolving technological and financial requirements of the sector.
5. Continue investing in digital and technological infrastructure, particularly infrastructure supporting open banking, secure data sharing, cloud technologies, and the scalability of digital financial solutions.

6. Promote broader and more inclusive adoption of FinTech services by strengthening financial and digital awareness and improving consumers' understanding of emerging services, particularly among groups that may face greater barriers to adopting digital financial solutions.

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