# FINTECH IN KSA

## INSIGHT REPORT

Pearl Initiative - The Islamic Corporation for the Development of the Private Sector

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# ICD – PI Partnership

## The Islamic Corporation for the Development of the Private Sector

The Islamic Corporation for the Development of the Private Sector (ICD) is a multilateral development financial institution that supports the economic development of its member countries. Based in Jeddah, ICD is a part of the Islamic Development Bank (IsDB) Group and was established in November 1999. With an authorized capital of $4 billion, ICD›s shareholders include the IsDB, 56 Islamic countries, and five public financial institutions.

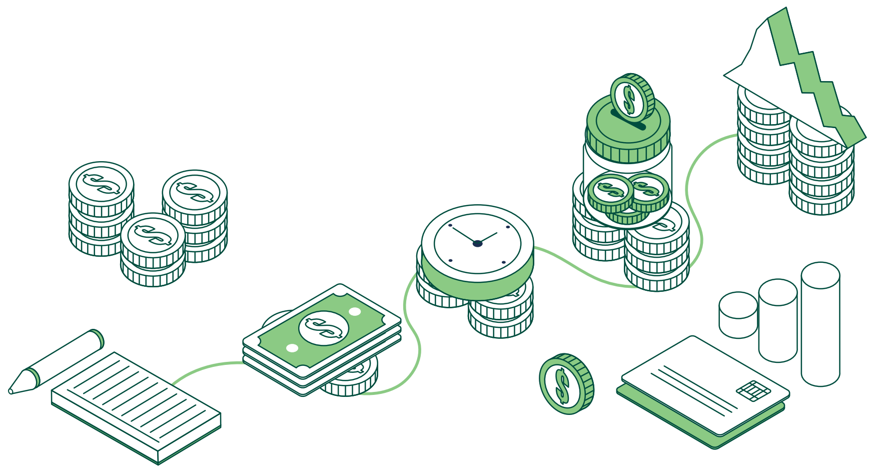
ICD's mandate is to provide financing for private sector projects in member countries, promote competition and entrepreneurship, and encourage cross border investments. In addition to financing, ICD also offers advisory services to governments and private sector groups on policies that encourage the establishment, expansion, and modernization of private enterprises.

ICD focuses on financing projects that contribute to economic development, including job creation, the development of Islamic finance, and export growth. Additionally, ICD works to foster sustainable economic growth by mobilizing capital in the international financial markets and providing advisory services on best management practices and the enhancement of the market economy. ICD operates to complement the activities of the IsDB in member countries and that of national financial institutions.

## The Pearl Initiative

The Pearl Initiative (PI) is the Gulf region's leading business-led, non-profit organisation working to promote the business case for a corporate culture of accountability and transparency. Established in 2010 by regional business leaders in cooperation with the United Nations Office for Partnerships, the Pearl Initiative is the only private, non-profit Gulf business network to receive special consultative status from the United Nations Economic and Social Council.

PI spearheads 6 programmes to deliver data-driven insights and amplify the importance of corporate governance principles as a business imperative for corporations, family firms, micro, small and medium-sized enterprises (MSMEs), and philanthropic organisations in the Gulf region.



> Both PI and ICD have a strong focus on ethical and responsible business practices. This study into FinTechs gives a closer look into how these companies are upholding these values and how they can further support ethical business practices in the industry.

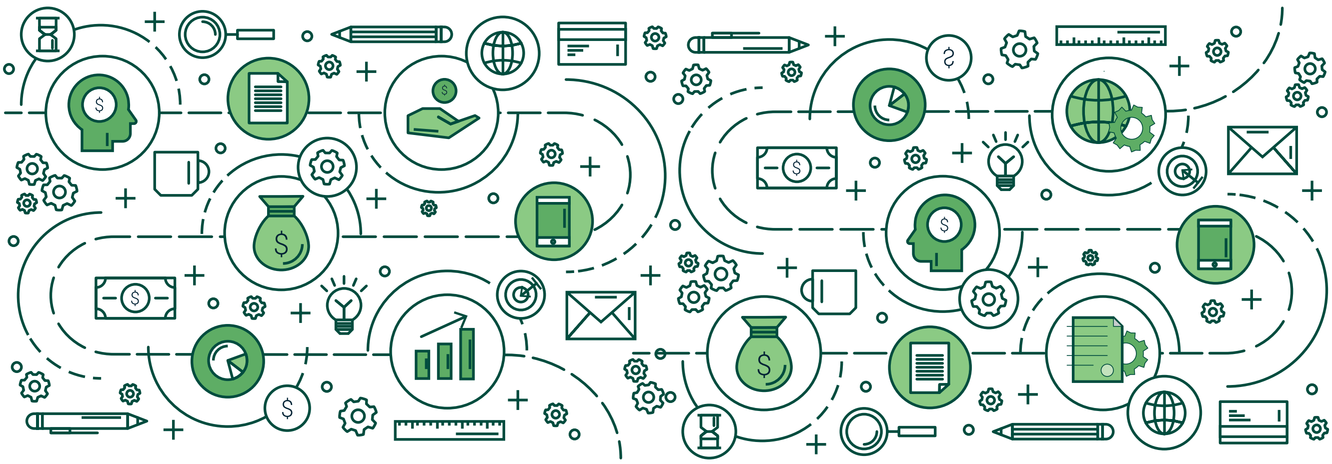
## Pearl Initiative and the Islamic Corporation for the Development of the Private Sector Partnership

The Pearl Initiative and the Islamic Corporation for the Development of the Private Sector have developed a partnership to study the fintech Startup ecosystem in the UAE and KSA. Both organizations are focused on promoting sustainable economic development in the region, and FinTechs have the potential to play a significant role in this. By studying FinTechs in the UAE and KSA, the organizations can understand how these companies are contributing to economic growth and how they can be further supported, as well as gain valuable insights into the trends and challenges facing the industry. Both PI and ICD have a strong focus on ethical and responsible business practices. This study into FinTechs gives a closer look into how these companies are upholding these values and how they can further support ethical business practices in the industry. Collaborating on a joint research project allows both organizations to leverage their expertise and resources to produce a more comprehensive and robust study on FinTechs in the UAE and KSA. This can provide valuable insights for policymakers, businesses, and other stakeholders in the region.

# Acknowledgements

The Pearl Initiative would like to thank the Islamic Corporation for the Development of the Private Sector for their support, with a special thanks to both Dr Mohammed Alyami and Eng. Hamza Alsaktawi. Special acknowledgements and thanks to all the interviewees who volunteered their time in supporting the project including: Walid Dib, Co-founder & CEO, Hala Insurance, Deepak Sekar, Co-founder & CEO, Funder.ai Technologies Limited, Muhammad Ashfaq Ur-Rehman, Founder & CEO, FINMAAL, Dishang Patel, Founding Partner & COO, Leading Point, Baghdad Gherras, Chief Data and Product Officer, Al Hail Holding, Fauzi Fellal, Co-founder & COO, Floos, and Kayode Odeleye, Co-founder & CEO, Caena, and with special thanks to Sajjad Kamal, Shyam Visavadia, and Lujain Nassif for their support.

# Backgrounds




Fintech, short for financial technology, refers to the use of technology to improve and automate financial services. This includes a wide range of technologies and innovations, from digital payment systems and online lending platforms to financial management tools and blockchain-based solutions. Fintech has emerged as a major force in the financial industry in recent years, with the global market expected to reach $699.5 billion by 2030 according to a report by Adroit Market Research.

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Fintech has had a major impact on traditional financial institutions, with banks and financial institutions adopting these innovative solutions to improve their operations and better compete in the marketplace. This includes the use of artificial intelligence and machine learning to automate tasks and make better-informed decisions, as well as the use of blockchain technology to increase transparency and reduce the risk of fraud. There is a strong focus on improving the customer experience by providing faster, more convenient, and more personalized financial services. Fintech has also made it easier for people to access financial services, especially in underserved communities or areas where traditional financial institutions are scarce.

Fintech has the potential to transform the financial industry and the way people interact with financial services. However, it has also raised governance concerns about issues such as data privacy and the potential for disruption to traditional financial institutions.

## Global overview

The fintech industry is experiencing significant growth and disruption globally. The increasing adoption of digital banking and payment systems, as well as the rise of alternative lending platforms, are changing the way financial services are provided and consumed. With the continued advancements in technology, it is likely that the fintech industry will continue to evolve and shape the future of finance. This rapid growth is being driven by advancements in technology, as well as an increasing demand for more convenient and efficient financial services.

One major trend in the industry is the rise of digital banking and payment systems. A report by Juniper Research estimates that the number of digital banking users is expected to reach 2.5 billion by 2024, up from 1.9 billion in 2020. This shift towards digital banking is being driven by the increasing availability of mobile banking apps, as well as the growing popularity of digital payment methods like Apple Pay and PayPal.

Another trend is the rise of alternative lending platforms, such as peer-to-peer (P2P) lending, open banking, and crowdfunding. According to a report by the World Bank, the global P2P lending market is expected to reach $566 billion by 2024, up from $26 billion in 2014. These platforms offer alternative lending options for individuals and small businesses and have the potential to disrupt traditional lending models.

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## MENA Overview

According to a report by the International Monetary Fund (IMF), fintech adoption in the MENA region has increased significantly in recent years, with the number of fintech firms in the region doubling between 2015 and 2018 (IMF, 2019). By 2022, it is anticipated that 465 Fintech companies (Actual: 449. Source: CrunchBase. Unverified) will be vying for their share in the market by raising more than USD 2 billion. This growth is driven by a variety of factors, including a young, tech-savvy population, the proliferation of mobile technology, and the increasing demand for financial services in the region.

One major driver of fintech growth in the MENA region is the increasing availability of digital payment options. According to a report by PwC, digital payment adoption in the region is expected to increase significantly over the next few years, with the number of digital payment users in the region expected to reach 320 million by 2022 (PwC, 2019). This growth is being fuelled by the increasing availability of mobile banking and digital payment options, as well as the growing popularity of online and mobile commerce. This has led to the creation of multiple regulatory sandboxes across the MENA region as detailed below:

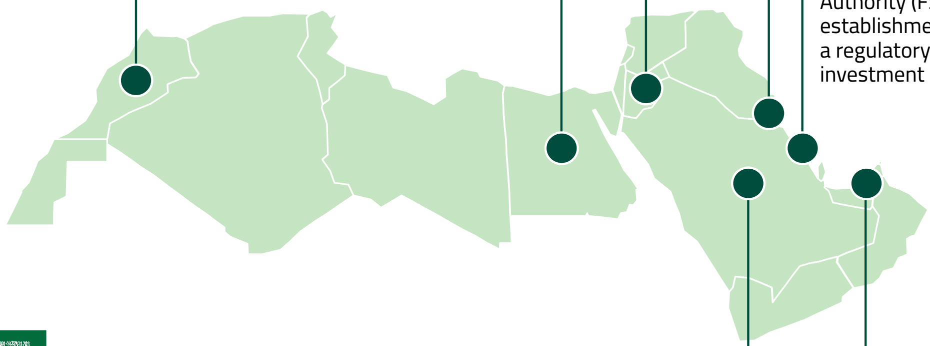
Central Bank of Morocco introduced the Law 103-12 that defines the scope for the creation of the "Payment Institution" status

Central bank of Egypt developed the "mobile payments regulation" to develop sustainable financial services and shift towards a cash-less economy

Central Bank of Jordan introduced a new law for electronic transactions and payment

Central Bank of Bahrain introduced crowdfunding regulations

ADGM's Financial Services Regulatory Authority (FSRA) published a guide on the establishment of digital banks followed by a regulatory framework for digital investment managers, or roboadvisers



SAMA released "rules governing microfinance companies" in Dec 19, payment regulations released in Jan 20, digital only bank guidelines released in Feb 20, and other regulations as well as experimental permits awareded

Central Bank of Bahrain introduced crowdfunding regulations and launched a RegLab

**ReglLabs**

8 MENA countries have created sandboxes or RegLabs

Saudi Arabian Monetary Authority · Central Bank of Bahrain · CENTRAL BANK OF EGYPT · CENTRAL BANK OF JORDAN · CENTRAL BANK OF KUWAIT · sultanate of oman information Technology Authority · DFSA Dubai Financial Services Authority · ABU DHABI GLOBAL MARKET

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

Source: Pheonician Invest

## KSA Overview

Saudi Arabia is the largest market in the six-nation Gulf Cooperation Council (GCC), representing almost 50% of the region's GDP, with a population where 65% are below 30 years old and the largest youth population in the region. Saudi Arabia is attempting to create a fintech ecosystem from the ground up with the active support of the government. Fintech innovation is part of Saudi Vision 2030 to transform the Saudi economy away from its reliance on oil to a more technology-driven modern economy. The government reinforced its plans by creating one of the world's largest sovereign wealth funds, with an estimated asset size of $2 trillion. The fund will be deployed to transform the economy and create employment given the number of young people the region has.

> Fintech innovation is part of **Saudi Vision 2030** to transform the Saudi economy away from its reliance on oil to a more technology-driven modern economy

// 100 fintech Startups

have been founded in the kingdom to date, 60 of which have been licensed by SAMA, the Saudi central bank

## Why KSA

The Kingdom of Saudi Arabia is experiencing tremendous growth and transformational change. In a country of over 35 million people, with a GDP per capita of over 23k USD and internet penetration rate of 93%, it is only logical to see a significant amount of investment poured into emerging technologies. In 2022 alone there were 144 deals accounting for over 987M USD in funding, up from 575M USD in 2021 according to Magnitt.

At the forefront of this change, is financial technologies. Which saw over 25 deals and over 400m USD in funding in 2022 according to fintech global. 100 fintech Startups have been founded in the kingdom to date, 60 of which have been licensed by SAMA, the Saudi central bank.

The kingdom and its fintech driving entity fintech Saudi have lofty ambitions and targets to hit by 2030. They are looking to have 525 fintech players by 2030, with 18k employees serving in the industry. There are currently just under 4000, up from 1000 in 2020 according to an Endeavor / Impact46 report and with a GDP contribution of over 13b SAR. Between September 2021 and August 2022, Saudi Arabia welcomed 65 new fintech companies, bringing the total number of active players to 147, up 79% year-on-year, according to Fintech Saudi's 2022 annual report.

# Methodology

The research methodology for this study involved a combination of primary and secondary sources. The primary sources included panel discussions and one-on-one interviews with fintech experts. These experts were selected based on their experience and expertise in the field of fintech and their ability to provide insights into the current state and future directions of the industry.

The panel discussions were held virtually and focused on various issues of governance in fintech and were designed to bring together a diverse group of experts to discuss a variety of topics related to the industry. Participants included industry leaders, academics, and professionals from a range of sectors, including banking, technology, and consulting.

The one-on-one interviews were conducted with experts who were unable to participate in the panel discussions, or who had specific expertise that was not covered in the panels. These interviews were conducted via phone or video call and were structured around a set of predetermined questions designed to elicit information about the current state and future direction of the fintech industry. In addition to the primary sources, the research also included secondary sources from both academic and professional sources. These sources included academic articles, industry reports, and news articles from reputable sources. These sources were used to supplement the information gathered from the primary sources and provide a broader context for the research.

To ensure the validity of the research, a number of steps were taken to ensure the quality of the data collected. All primary sources were carefully selected to ensure that they represented a diverse range of perspectives and experiences in the fintech industry. The panel discussions and one-on-one interviews were also conducted in a structured manner, with questions designed to elicit specific information and follow-up questions asked as needed to clarify responses.

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In addition, the secondary sources were carefully selected to ensure that they were relevant to the research and provided reliable information. All sources were carefully reviewed and evaluated to ensure that they met the criteria for inclusion in the research.

Overall, the combination of primary and secondary sources allowed for a thorough and comprehensive examination of the current state and future direction of the fintech industry. The primary sources provided in-depth insights from experts with first-hand experience in the industry, while the secondary sources provided a broader context and helped to confirm and validate the information gathered from the primary sources. This research methodology allowed for a robust and reliable analysis of the fintech industry and the trends shaping its future.

# Fintech in KSA


According to a report by Magnitt, fintech investment in Saudi Arabia increased by **55%** in 2020, raising a total of **$152 million** across 11 deals, which is an enormous increase from the **$6.2 million** raised in 2016 when the fintech industry was just starting to gain traction in the region

The fintech industry in Saudi Arabia is rapidly growing and evolving, driven by the country's Vision 2030 plan. The plan aims to reduce the country's dependence on oil and diversify its economy through innovation, and technology is a key component. As a result, the Saudi government has taken significant steps to create an enabling environment for entrepreneurship and innovation in the fintech industry.

The fintech industry in Saudi Arabia has been experiencing a significant rise in funding in recent years, indicating the potential of the industry to revolutionize the financial landscape of the country. According to a report by Magnitt, fintech investment in Saudi Arabia increased by 55% in 2020, raising a total of $152 million across 11 deals, which is an enormous increase from the $6.2 million raised in 2016 when the fintech industry was just starting to gain traction in the region.

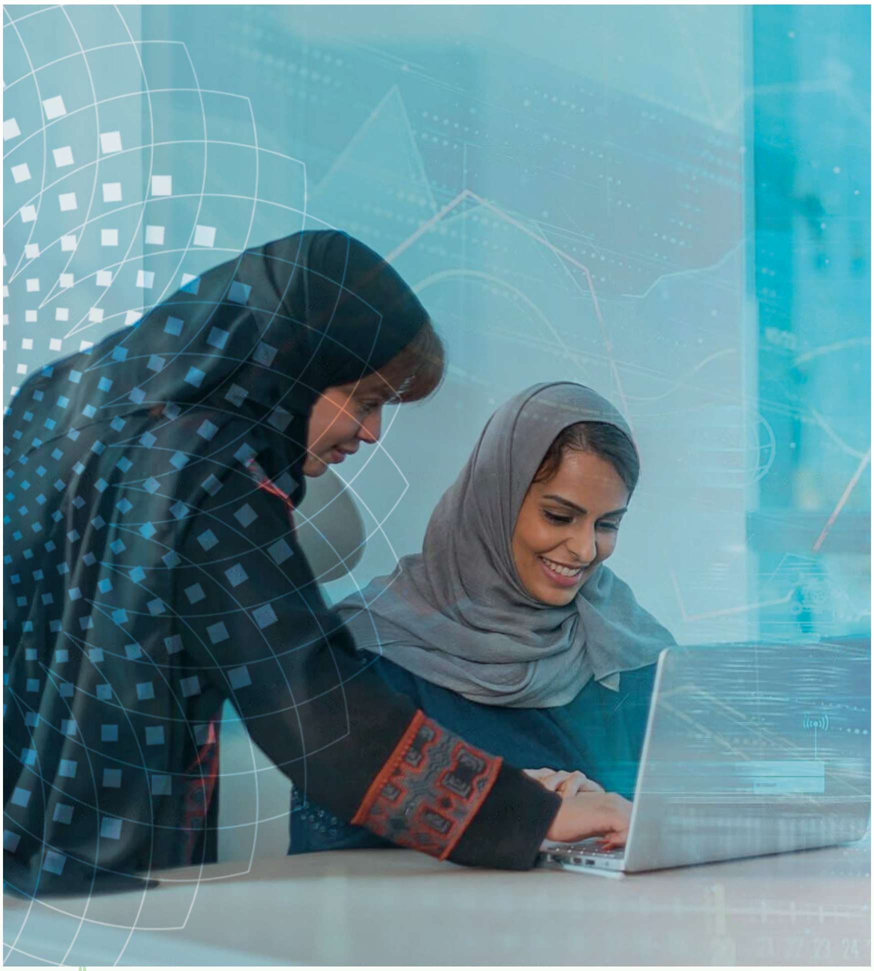
The rise in funding is partly due to the emergence of venture capital firms and angel investors in the Kingdom in recent years, such as STV, which was launched in 2017 and has become one of the most active venture capital firms in the region. STV has invested in several fintech Startups, including Raqamyah, Tamara, and Lean Technologies, which have the potential to revolutionize the industry by bringing new, innovative solutions to the market. This trend is an indication that investors are confident in the potential of the fintech industry in Saudi Arabia.

The increase in funding can also be attributed to the country's Vision 2030 plan, which aims to reduce the country's dependence on oil and diversify its economy through innovation. As a result, the Saudi government has taken significant steps to create an enabling environment for entrepreneurship and innovation in the fintech industry. The plan has encouraged the growth of the fintech industry, making it one of the most promising sectors in the country.

The Covid-19 pandemic accelerated the shift towards digital transformation, which has further fuelled the growth of the fintech industry in Saudi Arabia. In fact, according to a report by Al-Monitor, "fintech investment in Saudi Arabia surged amid the pandemic," emphasizing the critical role that fintech is playing in the country's economy. The pandemic has highlighted the need for digitalization, and fintech companies have been at the forefront of providing digital solutions in various sectors such as payments, digital lending, InsurTech, robo-advisory, and blockchain-based solutions.

One of the most significant developments in the Saudi fintech industry has been the creation of a regulatory sandbox by the Saudi Arabian Monetary Authority (SAMA). This sandbox allows fintech start-ups to test their products and services in a controlled environment without having to comply with all the regulatory requirements that apply to established financial institutions. This has been a game-changer for the industry as it provides entrepreneurs with a platform to test their innovative ideas and brings much-needed diversity to the financial sector.

The sandbox aims to strike a balance between supporting innovation and protecting consumers. By allowing start-ups to test their products and services in a controlled environment, entrepreneurs can refine their ideas and products, which in turn increases the likelihood of their success. Moreover, the sandbox also allows SAMA to monitor and assess the risks associated with fintech innovations, which helps to inform future regulatory decisions.



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One of the first fintech companies to participate in SAMA's sandbox was Raqamyah, a digital lending platform that provides SMEs with access to financing. Raqamyah could test its product in the sandbox before launching to the public, which allowed it to refine its offering and ensure compliance with regulatory requirements. This is a great example of how the sandbox can help fintech start-ups refine their ideas and products, which in turn increases the likelihood of their success.

The regulatory sandbox has played a crucial role in the growth of the fintech industry in Saudi Arabia. Startups that participate in the sandbox can test their products and services without incurring significant costs, which reduces the barriers to entry. This, in turn, promotes competition and innovation in the financial sector, which ultimately benefits consumers.

The regulatory sandbox is a valuable tool for promoting innovation in the fintech industry in Saudi Arabia. By providing a controlled testing environment, fintech start-ups can refine their ideas and products, while consumers can benefit from increased competition and innovation in the financial sector. The sandbox has played a crucial role in the growth of the fintech industry in Saudi Arabia, and it is expected that more Startups will emerge in new sectors, and existing start-ups will expand their offerings as the industry continues to mature.

The fintech industry in Saudi Arabia is diverse, with start-ups operating in various sectors. One of the most prominent sectors is payments, with companies such as Geidea, STC Pay, and Tamara offering digital payment solutions. Another growing sector is digital lending, with start-ups such as Raqamyah and Tamara providing financing solutions to SMEs and individuals.

Other fintech sectors seeing growth in Saudi Arabia include InsurTech, robo-advisory, and blockchain-based solutions. The diverse range of fintech start-ups in Saudi Arabia is an indication of the potential of the industry. Start-ups are leveraging technology to address pain points in various sectors, and this is creating opportunities for growth.

The rapid growth of the fintech industry in Saudi Arabia can be attributed to several factors, each playing an important role in fostering its development. Firstly, the government's Vision 2030 plan has created an enabling environment for innovation and entrepreneurship, which has encouraged the growth of the fintech industry. Notably, the plan has included provisions for the development of digital infrastructure, such as the National Center for Artificial Intelligence, which will provide a platform for the creation of cutting-edge fintech solutions.
Secondly, the high smartphone penetration rate in the Kingdom has created a large market for digital financial services. This has been driven by the young and tech-savvy population, which is highly receptive to new digital solutions. As a result, fintech companies have been able to tap into this market by offering innovative products that cater to their needs.

Thirdly, the traditional banking sector in Saudi Arabia has been slow to adopt digital technologies, creating an opportunity for fintech start-ups to fill the gap. While traditional banks have been slow to embrace innovation, fintech start-ups have been quick to develop and implement new solutions that meet the needs of consumers. For example, they have developed mobile payment solutions that allow customers to make payments using their smartphones.

According to a report by Arab News, the fintech industry in Saudi Arabia is expected to continue growing at a rapid pace, as the country's young and tech-savvy population increasingly demands digital financial services. The report also cited the country's robust regulatory environment, which is critical for the growth of the fintech industry. In addition, the report highlighted the role of fintech Startups in driving innovation and creating new business models in the financial services industry.

Mohamed Altajer, a fintech investor and board member, noted that technology advancements in the last five to ten years have enabled new entrants to the market, utilizing technology to address pain points such as remittances, payments, and opening bank accounts. He also noted that the rise of fintech start-ups has created a competitive landscape that has forced traditional banks to re-evaluate their business models and adopt new technologies.

Additionally, the rise of venture capital firms and angel investors in the Kingdom has provided start-ups with access to funding. This has allowed start-ups to scale up their operations and expand their reach, paving the way for even faster growth in the future.

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VISION رؤيـــة 2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

## Challenges and Opportunities for Fintech Start-ups in KSA

The fintech industry in Saudi Arabia is rapidly growing and evolving, driven by the country's Vision 2030 plan. The government's plan aims to reduce the country's dependence on oil and diversify its economy through innovation, and technology is a key component. As a result, the Saudi government has taken significant steps to create an enabling environment for entrepreneurship and innovation in the fintech industry. However, despite the growth potential of the fintech industry in Saudi Arabia, there are still several challenges that fintech start-ups face in the country.

One of the most significant challenges facing fintech start-ups in Saudi Arabia is the regulatory environment. While the government has taken significant steps to create an enabling environment for entrepreneurship and innovation in the fintech industry, the regulatory requirements can be challenging for start-ups to navigate. For instance, many start-ups have struggled to comply with the regulatory requirements that apply to established financial institutions, such as AML, KYC, and data privacy regulations. Failure to comply with regulatory requirements can result in significant financial penalties, which can be devastating for start-ups that are still in the early stages of development. A strong regulatory statutory ultimately indicates strong governance practices as the regulator seeks to provide a safe environment for consumers. The regulator has shown through multiple initiatives its willingness to strike a balance and support entrepreneurship as highlighted by Noel Connolly, CEO of NOW Money "You have to remember that the regulators and the central banks are trying to have a blend of encouraging entrepreneurs and companies to set up but at the same time, putting in global standards for regulations or compliance."

To address this challenge, the Saudi Arabian Monetary Authority (SAMA) has created a regulatory sandbox. The sandbox allows fintech start-ups to test their products and services in a controlled environment without having to comply with all the regulatory requirements that apply to established financial institutions. This has allowed start-ups to refine their offerings and ensure compliance with regulatory requirements before launching to the public. Start-ups that participate in the sandbox can test their products and services without incurring significant costs, which reduces the barriers to entry. This has driven fintech innovation and investment as highlighted by Christina Andreassen, Director of Programs at Astrolabs ""SAMA, the Saudi central bank being quite bullish in terms of the regulations that they're that they're experimenting with that they're introducing the open banking framework, which they just announced, one of the first in the region is opening a huge amount of opportunities and doors for FinTechs within Saudi so that that alone is a huge opportunity for entrepreneurs."

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Moreover, SAMA has also introduced an open banking framework, which is one of the first in the region, opening a huge amount of opportunities and doors for FinTechs within Saudi Arabia. The flip side is that the regulatory requirements can pose some challenges for fintech entrepreneurs, specifically around the minimum capital requirements that they have, which can be quite high, depending on what they're trying to do. They have a lot of regulatory requirements when it comes to AML, KYC, tax, data privacy, so there is a quite a strong need to adhere to a pretty layered number of regulatory.

Access to funding is another significant challenge facing fintech start-ups in Saudi Arabia. While the country has experienced a significant rise in funding in recent years, raising a total of $152 million across 11 deals in 2020, the funding landscape is still challenging for start-ups. One of the reasons for this is that many investors are still hesitant to invest in start-ups, as they perceive them as

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being high-risk investments, whereas established financial institutions are seen as being more stable and secure. For instance, many investors are still hesitant to invest in start-ups that are still in the early stages of development, as they perceive them as being high-risk investments. Mohamed Altajer, Founder and Managing Partner at Taghyeer Consulting highlighted the challenges of raising capital for early stage founders "If you don't have a top of the funnel, where basically you need pre seed for the start-ups at the top of the funnel, you will not have anything coming down trickling down, you will have a very, as I said, I use the word trickling, it will be very small number of, you cannot build an economy based on a very small funnel that doesn't give you enough base of start-ups.

To address this challenge, the government has taken significant steps to create an enabling environment for entrepreneurship and innovation in the fintech industry. For instance, the government has established several venture capitals firms and angel investors in the Kingdom in recent years. This trend is an indication that investors are confident in the potential of the fintech industry in Saudi Arabia. Mohamed Altajer sees this as a positive step in addressing the need to diversify and strengthen the economy "to create a generation of entrepreneurs and because the public sector cannot take the influx of young people graduating ... in a drive to promote entrepreneurship ... you see the government taking a stand in a position to fund these Startups, through VCs and other Hvehicles".

Collaboration with established financial institutions is another significant challenge facing fintech Startups in Saudi Arabia. While collaboration with established financial institutions can provide Startups with access to customers, funding, and expertise, it can also be challenging to collaborate with large corporates and get their ideas. Large corporations often have their own established culture, values, and ways of doing things, which can be challenging for Startups to navigate. It can be really challenging to collaborate with large corporates and get their ideas. It is important for founders to research before approaching a large corporate, understand their values, priorities, and the current projects that an organization is working on. This will help them tailor their pitch to their specific needs and increase the chances of your success. Fintech Startups should focus on creating value for established financial institutions, as this is the key to success in any partnership. Lujain AlBurghuthi, People Experience, Culture, Sustainability Lead KSA highlights this "(be) flexible, agile, because large corporates may have different priorities and ways of working done Startup. So be prepared to be flexible and adapt your approach based on the needs ... the key to success is in any partnership is to focus on delivering value"

Despite the challenges that fintech Startups in Saudi Arabia face, the industry presents significant opportunities for growth and development. One of the most significant opportunities is the government's Vision 2030 plan, which aims to reduce the country's dependence on oil and diversify its economy through innovation. This plan has created an enabling environment for entrepreneurship and innovation in the fintech industry, and the government has taken significant steps to support the growth of the industry. Moreover, the pandemic has accelerated the shift towards digital transformation, which has further fuelled the growth of the fintech industry in Saudi Arabia.

Another opportunity for fintech Startups in Saudi Arabia is the large and growing population of tech-savvy millennials. The country has a population of over 34 million people, and more than 70% of the population is under the age of 30. This young and tech-savvy population represents a huge market for digital financial services, and fintech Startups have been quick to tap into this market by offering innovative products that cater to their needs.

The country's large and growing SME market presents significant opportunities for fintech Startups in Saudi Arabia. The SME market is a crucial driver of economic growth and job creation in the country, and fintech Startups have been quick to develop and implement new solutions that meet the needs of SMEs.

The fintech industry in Saudi Arabia is rapidly growing and evolving, driven by the government's Vision 2030 plan, high smartphone penetration rate, and the emergence of venture capital firms and regulatory sandboxes. While the industry has significant growth potential, fintech Startups in Saudi Arabia face several challenges, including regulatory challenges, access to funding, talent and skills gap, and collaboration with established financial institutions. To address these challenges, Startups need to focus on building a strong team, partnering with established financial institutions, and creating value for their partners. Ultimately, the success of the fintech industry in Saudi Arabia will depend on the ability of Startups to navigate these challenges and capitalize on the opportunities presented by the rapidly growing industry.

While the industry has significant growth potential, fintech Startups in Saudi Arabia face several challenges, including regulatory challenges, access to funding, talent and skills gap, and collaboration with established financial institutions

# Key Learnings and Insights

The Pearl Initiative held two virtual panel discussions as part of the data gathering process for this report. These panels were titled 'Building Fintechs for the Region from the Region' and 'Leveraging Culture to Support Growth'. The full details of these panels can be found in a later section of this report. These panels were highly engaging discussions led by regional leaders in their respective fields. Through these discussions a series of key learnings and insights have been compiled below:

- Governments around the world are recognizing the importance of entrepreneurship in driving economic growth and are taking steps to support Startups through various means, including venture capital and other funding vehicles. By creating a supportive ecosystem for entrepreneurs, governments can help to foster a new generation of innovators and problem-solvers.

- While government support is important, private sector involvement is also crucial in helping Startups to get off the ground and build a broad base of support. This can involve providing mentorship, resources, and funding to promising companies, as well as collaborating with other stakeholders to create a more favorable environment for Startups.

- One of the keys to success in entrepreneurship is a **willingness to take risks** and learn from failures. By embracing the uncertainty and challenges that come with launching a new venture, entrepreneurs can continue to develop their skills and knowledge, and ultimately become more successful in the long run.

- Risk is an inherent part of banking, and defaults are to be expected from time to time. However, by taking a measured and strategic approach to risk management, banks and other financial institutions can minimize their exposure to potential losses and maintain a strong financial position over the long term.

// Creating a supportive ecosystem for entrepreneurs, governments can help to foster a new generation of innovators and problem-solvers

- Companies need to **listen to their customers and adapt** products and services to meet their needs and pain points.
- Corporate social responsibility and environmental, social, and governance (ESG) are important for making significant change in financial inclusion.
- Funding needs to be available for ideas that are unique and solve a specific problem for a specific demographic
- Building solutions for the underbanked requires a deep understanding of their unique needs and challenges. This involves conducting extensive research and analysis to identify pain points and gaps in the market that can be addressed through innovative products and services.
- Companies that are successful in reaching the underbanked are those that prioritize customer feedback and adapt their solutions accordingly. Through ongoing communication and engagement with their target audience, companies can gain a deeper understanding of their needs and preferences and refine their offerings to better meet those needs.
- In addition to providing value to customers, companies that prioritize corporate social responsibility and environmental, social, and governance (ESG) considerations are becoming increasingly important in the financial inclusion space. This is because social impact and sustainability are key concerns for many consumers, and companies that align with these values are more likely to attract and retain customers over the long term.
- To drive innovation and expand access to financial services for the underbanked, funding needs to be available for a range of unique ideas that address specific gaps or challenges in the market. This can involve supporting early-stage Startups or investing in more established companies that are seeking to expand their reach and impact.
- Building solutions for the underbanked requires building products, solutions, and an operation that fit their specific needs.
- Building solutions for the underbanked requires a deep understanding of their unique needs and challenges. This involves conducting extensive research and analysis to identify pain points and gaps in the market that can be addressed through innovative products and services.
- Execution is critical to successful culture in Startups and corporations alike.
- Startups need to understand the cultural dynamics of large corporations before trying to collaborate with them.
- Saudi Arabia is a challenging but viable market for Startups, with reduced capital requirements available for innovative and venture-backed companies.
- Soft landing is a flexible and cost-effective way for Startups to set up an office in Saudi Arabia.
- Startups need to focus on delivering value in any partnership with a corporate.
- Strong visionary leadership is needed to push cultural change throughout the organization.
- Startups need to be patient and persistent when working with large corporations, with a focus on building long-lasting relationships.
- Governance and regulation are critical in certain sectors, such as fintech, but should not be prioritized overgrowth in the early stages of a Startup.
- Culture transformation is a long-term investment that requires consistency and a long-term view.
- Startups should do their research and understand the values, priorities, and current projects of organizations they want to work with to tailor their pitch and increase their chances of success.
- Startups should aim to build long-lasting relationships with key decision makers in organizations.
- Startups need to be flexible and adaptable to the different priorities and ways of working of large corporations.
- Large corporations often have their own established culture and ways of doing things, including hierarchical structures and a focus on risk management.
- Sustainability is increasingly important to today's workforce and should be integrated into the culture of any Startup.
- Startups should have a strong value system that respects revenue and profitability, which can come from working with corporates.
- Governance and regulation are critical in certain sectors, such as fintech, health tech, and biotech.

- Once Startups establish growth, they need to prioritize governance and regulation to maintain their success.
- Startups should be grounded, open-minded, and respectful of the talent and people they work within large corporations.
- Strong partnerships with key stakeholders, including suppliers, customers, and NGOs, are critical to sustainability initiatives.
- Transparency and tracking reporting are essential for sustainable initiatives.
- Saudi Arabia has strong regulations that are not favourable to some businesses, and Startups need to consider multiple layers before investing.
- Startups need to have a strong team that can work and focus on compliance and regulations when raising funding in certain sectors.

The fintech industry in Saudi Arabia is rapidly growing and evolving, driven by the government's Vision 2030 plan. The fintech industry is diverse, with Startups operating in various sectors such as payments, digital lending, insurtech, robo-advisory, and blockchain-based solutions. To address regulatory challenges, the Saudi Arabian Monetary Authority (SAMA) has created a regulatory sandbox, allowing fintech Startups to test their products and services in a controlled environment. Access to funding is a significant challenge facing fintech Startups, but the government has established several venture capital firms and angel investors in the Kingdom in recent years. Collaboration with established financial institutions is another significant challenge facing fintech Startups, but open banking frameworks and partnerships can provide Startups with access to customers, funding, and expertise. The government's Vision 2030 plan aims to reduce the country's dependence on oil and diversify its economy through innovation, and technology is a key component. The plan has created an enabling environment for entrepreneurship and innovation in the fintech industry, and the government has taken significant steps to support the growth of the industry. The fintech industry in Saudi Arabia presents significant opportunities for growth and development, driven by the government's Vision 2030 plan, high smartphone penetration rate, and the emergence of venture capital firms and regulatory sandboxes. Despite the challenges, the success of the fintech industry in Saudi Arabia will depend on the ability of Startups to navigate these challenges and capitalize on the opportunities presented by the rapidly growing industry.

# Appendix

## Executive Summary

The fintech industry in Saudi Arabia is rapidly growing and evolving, driven by the country's Vision 2030 plan. The government's plan aims to reduce the country's dependence on oil and diversify its economy through innovation, and technology is a key component. As a result, the Saudi government has taken significant steps to create an enabling environment for entrepreneurship and innovation in the fintech industry. The fintech industry is diverse, with Startups operating in various sectors such as payments, digital lending, InsurTech, robo-advisory, and blockchain-based solutions. The Saudi Arabian Monetary Authority (SAMA) has created a regulatory sandbox to address regulatory challenges, allowing fintech Startups to test their products and services in a controlled environment. Access to funding is a significant challenge facing fintech Startups, but the government has established several venture capital firms and angel investors in the Kingdom in recent years. Collaboration with established financial institutions is another significant challenge facing fintech Startups, but open banking frameworks and partnerships can provide Startups with access to customers, funding, and expertise. Despite the challenges, the fintech industry in Saudi Arabia presents significant opportunities for growth and development, driven by the government's Vision 2030 plan, high smartphone penetration rate, and the emergence of venture capital firms and regulatory sandboxes.

## Panel Discussions and Interviewee Bios

| No | Date | Topic | Details |
|---|---|---|---|
| 1. | 15 February, 2023 | Building Fintechs for the Region from the Region | The session focused on the importance of building products for the region in the region, and how this is realized on the ground from a regulatory, governance and product perspective. Fintech founders will leave this session with an understanding of how and why it is important to build for a local context, and why their work is important for the development of the sector in the Kingdom<br>Speakers:<br>• Noel Connolly, CEO – Now Money<br>• Mohamed AlTajer, Founder and Managing Partner – Taghyeer Consulting FZC |
| 2. | 16 March 2023 | Leveraging Culture to Support Growth – | The session focused on building a better understanding amongst founders of how to incorporate themselves into the Startup ecosystem's culture and leverage the opportunities within it to build strong partnerships with corporates. There will be an active discussion on the various nodes within the ecosystem that includes incubators, accelerators, co-working spaces, educational institutions, government, corporates, banks, and founder networks, and how founders can interact and leverage these various entities to support their growth.<br>Speakers:<br>• Christina Andreassen, Director of Programs – AstroLabs<br>• Lujain Alburghuthi , People Experience, Culture, Sustainability Lead KSA – Chalhoub Group<br>• Tarek Bolbol , General Manager – Raff Publishing (Subsidiary of SRMG) |

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