

REPORT

Rise of AI in Saudi Arabia's Financial Sector: Opportunities and Challenges



EXECUTIVE SUMMARY

01

AI's Economic Impact

AI is projected to contribute \$135.2 billion to Saudi Arabia's economy by 2030, with the financial sector leading AI investments in the Middle East and Africa, amounting to \$28.3 million.

02

AI Adoption

84% respondents to Cisco AI Readiness Index see profound AI impact on business. 61% say they have one year to implement AI strategy before facing significant negative impact on business.

03

Government and Regulatory Support

The Saudi Central Bank (SAMA) has launched a regulatory sandbox to foster AI innovation in fintech while ensuring compliance, creating a stable environment for investment.

04

Key AI Applications in Banking

AI-driven chatbots, fraud detection systems and personalized wealth management platforms are vastly improving customer experiences and operational efficiency in banks.

05

Investment Challenges

Infrastructure gaps, AI talent shortages and evolving regulations pose significant hurdles. However, strategic investments in AI-powered financial services and alternative asset classes can help to overcome these barriers.



AI: THE INEVITABLE PATH TO SAUDI ARABIA'S FINANCIAL FUTURE

The discourse around artificial intelligence (AI) is constant - overwhelming in fact. This presents governments and businesses with a pivotal choice: either cautiously observe from the sidelines or completely embrace AI as a force that will shape the future. The obvious path forward is to integrate AI thoughtfully by understanding its potential and addressing its challenges. For Saudi Arabia, this is more than just technological advancement; it is a strategic imperative. This integration also aligns seamlessly with the Kingdom's Vision 2030 and its ambition to lead in the global digital economy.

The common narrative suggests that artificial intelligence in Saudi Arabia's financial sector is still in its nascent stages, trailing behind global financial hubs. This perception, however, doesn't align with the progress being made. Saudi Arabia's commitment to artificial intelligence is evident through its National Strategy for Data and AI (NSDAI), which aims to establish the Kingdom as a global leader in the league of data-driven economies by 2030.

Ahead of the LEAP 2025 conference in Riyadh, Cisco has released insights from its latest AI Readiness Index. The report reveals that of the companies surveyed in Saudi Arabia, a significant 97% say the urgency to deploy AI powered technologies has increased in their company within the past six months. 95% of the respondents have either established a well-defined AI strategy or are in the process of developing one. However there is room for increased financial commitment with only 36% prioritizing AI deployment in their budget allocations.

Table 1
Cisco AI Readiness Survey: Saudi Arabia

Metric	Percentage
Organizations feeling increased urgency to adopt AI in past 6 months	97%
Companies with a well-defined AI strategy or developing one	3%
Companies prioritizing AI deployment in budget allocations	2.8%

According to the same survey, 50% of organizations have dedicated 10-30% of their IT budgets to AI projects. Investments have been concentrated in three strategic areas: IT infrastructure (51%), cybersecurity (40%) and data management (38%). Their top three objectives are to enhance system efficiency, streamline processes and improve the customer and partner experience.

With the inevitable adoption of AI and the surge in investments in this field, let's explore how these developments are specifically impacting the Saudi financial sector.

FINANCIAL SECTOR: HIGH-VALUE INVESTMENT OPPORTUNITY

According to PwC's report on AI's potential in the Middle East, the Kingdom has accelerated its digital transformation under Vision 2030, with AI serving as a key enabler of this shift. AI-powered technologies are streamlining business operations and enhancing decision-making through data-driven insights. In the financial sector, AI is driving automation in banking services, strengthening fraud detection mechanisms and enabling personalized investment strategies. In fact, AI is set to contribute a staggering \$135.2 billion to the economy by 2030, accounting for 12.4% of the national GDP.

For high-net-worth investors, this technological shift presents both unprecedented opportunities and strategic challenges that demand attention.

According to Sidra Capital, *"AI is reshaping the financial sector by refining investment strategies and increasing operational efficiency. At the same time it brings challenges such as biases in algorithms, cybersecurity vulnerabilities and also the need to keep up with evolving regulatory requirements. In this evolving environment, investors must carefully assess both the opportunities and the risks."*

It is critical to look at the financial services industry through this lens. The industry, which is a key driver of the Kingdom's economy, is leading AI investment in the Middle East, contributing 25% of the region's total AI spending. The integration of AI into banking and investment platforms is expected to drive operational efficiency and open up new revenue streams by enhancing customer experiences.

The Saudi Central Bank (SAMA) is playing a crucial role in facilitating AI adoption by establishing a regulatory sandbox. This initiative allows fintech companies to test AI-powered products and services in a controlled environment, ensuring compliance while also opening up the field for innovation. Such regulatory support provides a stable foundation for investors looking to back AI-driven financial ventures.

The adoption of AI is already visible in various financial applications:

- **AI-Powered Chatbots:** Major Saudi banks have implemented AI-driven chatbots to provide 24/7 customer service, enhancing user engagement and reducing operational costs.
- **Fraud Detection and Risk Management:** AI-powered systems analyze customer behavior and transactions in real time, significantly improving fraud detection and mitigating financial risks.
- **Personalized Wealth Management:** AI-driven advisory platforms are enabling hyper-personalized investment strategies, enhancing portfolio performance for high-net-worth individuals.

CHALLENGES AND CONSIDERATIONS FOR INVESTORS

However, despite the significant opportunities presented by an AI-driven financial sector, there are some challenges:

Infrastructure Gaps

According to the Cisco AI Readiness Report, infrastructure readiness is relatively low, with only 12% of organizations classified as Pacesetters and nearly two-thirds (65%) categorized as Followers or Laggards. The ability to leverage AI quickly is crucial, yet 67% of respondents reported that their infrastructure has only moderate or limited scalability, requiring upgrades to handle complex AI applications. Additionally, 82% of companies require further data center graphics processing units (GPUs) to support future AI workloads. Security concerns also pose a significant challenge, as 81% of organizations are not fully prepared to detect and prevent cyber threats targeting AI models.

Skills Development

57% of respondents believe their organizations are only moderately well-resourced. However, the most significant talent gap is in AI tool comprehension and proficiency, which 31% of respondents identified as the primary skills deficit in their workforce. On the bright side, organizations are actively working to tackle this issue, with 82% investing in training programs to enhance their employees' skills.

Regulatory Evolution and Ethical Deployment

As AI adoption grows, regulatory frameworks will continue to evolve. Investors must stay informed on compliance requirements to mitigate potential risks. Ensuring responsible AI usage, particularly in areas like data privacy and algorithmic bias, is critical for long-term sustainability.

Table 2
Cisco AI Readiness Survey: Saudi Arabia

Challenges	Percentage
Organizations classified as Pacesetters in infrastructure readiness	12%
Those categorized as Followers or Laggards in infrastructure readiness	65%
Organizations requiring additional data center GPUs for future AI workloads	82%
AI tool comprehension and proficiency as the primary skills gap	31%

THE FUTURE OF AI-POWERED FINANCE IN SAUDI ARABIA

Despite the growing pains, AI is poised to become a fundamental part of Saudi Arabia's financial sector, enhancing efficiency and profitability. With \$135.2 billion in projected economic impact by 2030, the Kingdom is rapidly transforming into a global AI-driven financial hub. Investments in automation and personalized solutions are reshaping the industry, backed by strong regulatory support and Vision 2030's digital agenda.

However, challenges remain. The gaps in infrastructure and a shortage of talent demand urgent action and to stay ahead of the curve, businesses must prioritize scalable AI adoption, talent development and ethical implementation.

For high-net-worth investors this is a moment of unprecedented opportunity. The intersection of AI and Shariah-compliant finance presents a unique chance to capitalize on the Kingdom's digital transformation. By strategically investing in AI-driven financial services, investors have the potential to not only lead this economic evolution but also play a pivotal role in shaping the future of the Kingdom's digital economy.



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