

## THE ROLE OF GOVERNMENT POLICIES IN ENHANCING THE PERFORMANCE OF THE SAUDI FINANCIAL MARKET WITHIN THE FRAMEWORK OF VISION 2030

Djihed BOUMANKAR<sup>1</sup>, Aboubaker KHOUALED<sup>1</sup>, Khayreddine BOUZERB<sup>2</sup>,  
Abderrahmen GUEROUI<sup>3</sup>

<sup>1</sup>Badji Mokhtar University, Annaba, Algeria.

<sup>2</sup>Mohamed Seddik Benyahia University, Jijel, Algeria.

<sup>3</sup>Higher School of Management Sciences, Annaba, Algeria.

[djihad.boumenkar@univ-annaba.dz](mailto:djihed.boumenkar@univ-annaba.dz)

[aboubaker.khoualed@univ-annaba.dz](mailto:aboubaker.khoualed@univ-annaba.dz)

[k.bouzerb@univ-jijel.dz](mailto:k.bouzerb@univ-jijel.dz)

[abderrahmen.gueroui@essg-annaba.dz](mailto:abderrahmen.gueroui@essg-annaba.dz)

**Abstract:** *Financial markets are the backbone of the economy for many countries worldwide due to their importance in achieving balance within the overall financial system. They do this through various roles and tasks, such as hedging operations and managing different investments in financial instruments like stocks and bonds. This makes the management policies of financial markets significantly impact the financial environment specifically, and the global economy in general. The primary objective of this study is to clarify the role played by various government policies and procedures in improving the performance of financial markets and enhancing their contribution to the local economies of emerging countries, with a focus on the case of the Kingdom of Saudi Arabia. Equally important is the study's aim to draw attention to ways to improve the performance of financial markets and provide an initial study on this topic, which is relatively new for Arab countries, where previous local studies remain scarce. On another level, diagnosing the governmental policies adopted in managing financial markets and revealing their various advantages and the challenges they face is highly beneficial for developing future strategies to advance these markets and enhance their competitiveness. To achieve this objective, an exploratory study was conducted based on various secondary sources, data, and reports issued by the Saudi Tadawul market. The study concluded that the different government measures adopted by the Kingdom of Saudi Arabia as part of its vision during the period 2010-2030 had a positive impact on the Saudi financial market, which has notably improved despite the economic conditions and geopolitical crises the world is currently witnessing.*

**Keywords:** Performance; Financial Market; Financial System; Government Policies; Kingdom of Saudi Arabia.

**JEL Classification:** G10; G18.

### 1. Introduction

While financial markets are important for developed countries, they are even more critical for developing and emerging countries due to several considerations:

- First, the structural changes in financial markets within emerging economies enable them to adopt promising financial openness policies. This enhances those markets through the financial and technological resources that financial openness transfers from developed countries to emerging ones (Lee & Chou, 2018).
- Second, the restructuring and reform of institutional and regulatory frameworks that financial markets in emerging economies have recently witnessed. This includes the increasing pace of efforts to meet listing requirements, improve disclosure rules, adopt greater transparency and accountability, ensure fairness in trade practices, and protect shareholders' rights (Chari & Henry, 2002).
- Third, the financial markets of emerging countries are better equipped to face financial crises. This is highlighted in various World Bank studies, where the bond markets of emerging economies outperformed during the 2008 global financial crisis, reducing economic disruptions, supporting companies and individuals, and enhancing their financial solvency (Atack & Neal, 2009).

When discussing the financial markets of emerging countries, the Saudi stock market asserts itself as one of the most prominent financial markets in emerging economies, as noted by (Saudi Exchange, 2014):

- It is considered the largest financial market in the Gulf Cooperation Council region and the Middle East and North Africa.
- It ranks among the largest financial markets out of the 67 members of the World Federation of Exchanges.
- It is the third-largest financial market among its peers in emerging markets.
- It includes 422 listed securities distributed across various Saudi trading platforms.
- Its market capitalization reached USD 2.87 trillion, equivalent to SAR 10.80 trillion, making it the largest in the Arab region.

All these positive global and regional indicators achieved by the Saudi stock market were undoubtedly the result of a series of measures and policies implemented by the financial and monetary authorities in the Kingdom of Saudi Arabia. In this context, this article will shed light on the various governmental policies adopted by the Kingdom to enhance the performance of the Saudi financial market.

## **2. Literature review**

Research on financial markets is relatively recent compared to studies in the fields of banking, economics, and business administration, which can be attributed to the modern emergence of financial markets. In discussions of financial markets, the primary focus of previous studies has been on the performance and efficiency of financial markets. The financial literature is replete with numerous studies that have attempted to uncover the various mechanisms and tools influencing the performance of financial markets and contributing to their development.

Our current study, however, focuses on government policies as one of the most significant factors influencing the performance of the financial market. Given the considerable difficulty in comprehensively covering all governmental policies, most previous studies have concentrated on one specific policy, aiming to assess its impact on the financial market's performance, particularly: monetary policy, fiscal and tax policy, financial liberalization, advanced technology, and others. The current study has attempted to summarize the various governmental policies affecting financial market performance, albeit in a brief manner, thus narrowing the scope of previous studies within this field.

A recent study by (Savari, Rostomi, Shams, & Jamali, 2023) aimed to measure the impact of government regulations and procedures on the performance of financial markets. To achieve this objective, the researchers applied the Generalized Method of Moments (GMM) to the Iranian financial market and selected other emerging countries during the period from 2000 to 2021. The results indicated a positive impact of the quality of government regulations and procedures on stock returns. Additionally, the effects of inflation, exchange rates, and industrial production growth were positive and significant. The impact of crude oil prices was negative and substantial, while trade openness had a positive effect on stock market returns, though this effect was not statistically significant at the 5% significance level.

In another study conducted (Ashrafi & Mashhadi, 2014), the aim was to clarify the government's role in financial development. The study focused on indicators of good governance, such as regulatory quality, government effectiveness, anti-corruption efforts, and accountability. For this purpose, the study was applied to several OPEC countries during the period from 2002 to 2011 using panel data methodology. The results supported the view that the government should intervene in the development of the financial sector. The study also found that good governance, GDP per capita, hydrocarbon exports, and the workforce had a positive impact, while inflation had a negative effect on financial development in OPEC countries.

Meanwhile, the study by (Asongu, 2011) aimed to clarify the impact of governmental policies and institutions on the performance of stock markets in African countries. The paper explored various dynamics of government quality, particularly anti-corruption, government effectiveness, political stability, voice and accountability, regulatory quality, the rule of law, income levels, debt control, press freedom, and legal regulation of financial markets. The study found a significant positive correlation between stock market performance and the quality of governmental institutions. The results also showed that countries with better-developed governmental institutions tend to have stock markets with higher market capitalizations, better turnover ratios, and a larger number of listed companies.

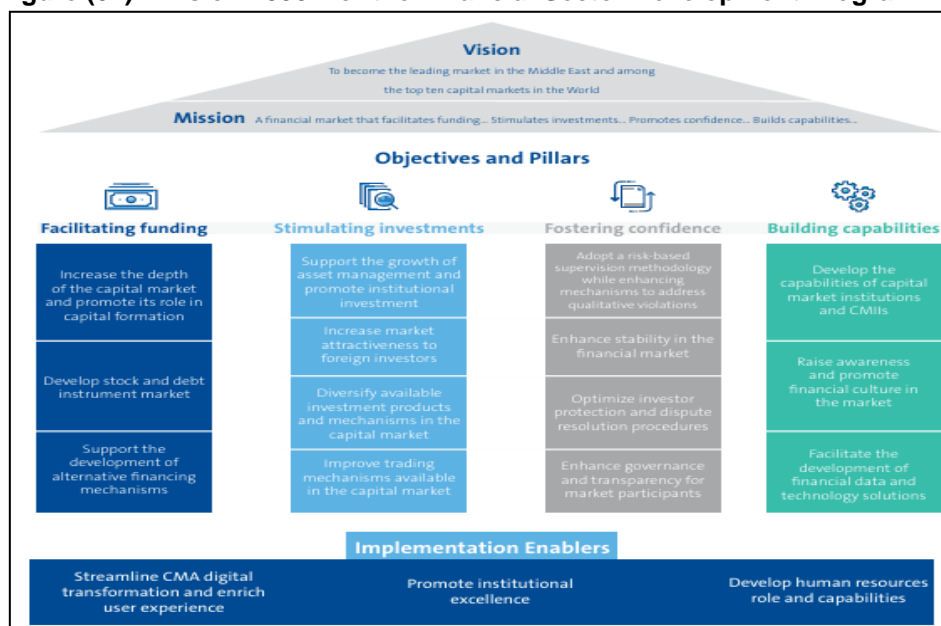
In a similar study by (Kolapo, 2023), the goal was to analyze the impact of institutional quality and openness on the development of the Nigerian stock market. To achieve this, the researcher applied the ARDL method to data from the World Bank and the Lane-Milesi Index during the period from 1996 to 2021. The results revealed that institutional quality and openness had a significantly positive impact on the development of the Nigerian stock market. The study also emphasized the importance of interaction between institutional quality and openness, along with several recommendations, including updating the legal framework and strengthening the role of monetary authorities.

In contrast to the findings of most previous studies, the study by (Li, Zheng, & Liu, 2020) concluded that government intervention, which made China's financial system a hybrid one, was primarily responsible for the Chinese stock market crisis in 2015–2016. Through theoretical analysis based on the Legal Theory of Finance (LCF), the study emphasized that the government's actions led to market destabilization and regulatory turmoil, resulting from bureaucratic inefficiencies that contributed to the crisis.

### 3. The Kingdom's Vision 2030 for Financial Sector Development and the Role of Government Policies

The Kingdom of Saudi Arabia has developed a strategic plan for the country beyond oil, which includes various programs across all sectors, collectively referred to as the "Vision 2030." These programs serve as the driving force behind the realization of the vision. Saudi Arabia is actively working to translate and transform these programs into a tangible reality, with each program representing a specific roadmap aligned through approved implementation plans. However, these programs are not fixed; they have been restructured to meet evolving needs and reflect the ambitions and capacities of the Kingdom. The following figure illustrates the Vision 2030 for developing the financial sector in detail:

**Figure (01): "Vision 2030" for the Financial Sector Development Program**



**Source:** (Capital Market Authority, 2024).

The programs designed to achieve the "Vision 2030" of the Kingdom of Saudi Arabia are diverse, including the "Financial Sector Development Program," which aims to create a prosperous financial sector that enhances financing, investment, and saving. It also seeks to provide citizens and residents with a variety of

advanced financial products and services, without compromising the strategic objectives of maintaining the stability and resilience of the financial sector in the Kingdom (Saudi, 2023). The "Financial Sector Development Program" has played a significant role in supporting national economic development by fostering the growth of the financial sector. The program aims to achieve five key objectives: financial diversity, financial inclusion, financial stability, digital transformation, and financial sector depth, through a series of initiatives based on three main pillars:

- Enabling financial institutions to support private sector growth.
- Developing an advanced financial market.
- Enhancing and empowering financial planning.

The Saudi financial market began developing and implementing its strategic plans in 2009. In 2016, the "Financial Leadership Program for 2020" was launched, through which the financial market aimed to adopt a series of initiatives from the Financial Sector Development Program. This program represents one of the executive programs of the Kingdom's Vision 2030, serving strategic objectives and initiatives related to the development of an advanced financial market. This was achieved through studying and reviewing the existing strategies and initiatives of the Capital Market Authority, selecting approved strategic indicators and initiatives, which have had an impact on the overall growth and development of the financial sector, as well as advancing the financial market to rank among the leading global markets. In continuation of the "Financial Leadership Program for 2020," the Authority developed its strategic plan for the years 2021-2023, aligning it with the Financial Sector Development Program to ensure that this plan keeps pace with both local and global developments in the financial market, and to support the objectives of Vision 2030 (Capital Market Authority, 2024).

The Kingdom of Saudi Arabia has placed great emphasis on enhancing the performance of its financial market and activating its role to meet all the financing needs of the economy. To achieve this, the Kingdom has undertaken several key governmental actions, including (Financial Sector Development Program, 2023).

- The Kingdom of Saudi Arabia launched the open banking policy, which will enhance trust among customers and market participants, including banks, fintech companies, other financial entities, and stakeholders.
- The inclusion of the Saudi financial market in the FTSE Russell Emerging Markets Government Bond Index, which will positively impact the expansion of the investor base and improve liquidity levels in the market.
- The announcement by the Securities Depository Center Company "Edaa" of activating the linkage with Clearstream, the post-trade services provider for the Deutsche Börse Group, allowing international investors to benefit from the services of the International Central Securities Depository (ICSD) and invest in Sukuk, bonds, and exchange-traded funds listed in the Saudi financial market.
- The Saudi Central Bank provided indirect support to micro, small, and medium-sized enterprises to ensure their financing through various programs and initiatives, including the Kafalah Program, the Indirect Lending Initiative, and financing through venture capital.
- The Public Investment Fund's investment in financial institutions, listed companies, and various financial instruments in the Saudi financial market,

in addition to offering several companies in its portfolio for public subscription, contributing to capital recycling and expanding the growth of the Saudi financial market.

- The financial market's efforts to diversify available financial products and facilitate the requirements for obtaining investment management licenses, as well as developing regulations related to investment funds in line with global practices.
- Enhancing the financial market's appeal to foreign investors by developing regulations to encourage foreign companies to list their shares and increase foreign ownership.
- Government authorities have addressed the mechanism for calculating zakat on financial securities to incentivize issuance and trading, given its significant impact on the profits obtained. Additionally, the regulatory framework for the direct listing of Sukuk and debt instruments has been established.
- The Capital Market Authority (CMA) has created a legislative and regulatory environment for financial technology products in the financial market, while continuously developing to attract innovative business models and emerging technologies that open new avenues for facilitating financing and stimulating investment in the financial market.
- Simplifying the procedures for listing and offering Saudi and foreign companies on the Saudi financial market, whether in the main market or the parallel market (Nomu), particularly for companies from new and promising sectors.
- Signing multiple agreements with European exchanges to develop the Saudi financial market, including a memorandum of understanding with the Swiss Stock Exchange. The discussions focused on digitizing sustainable financial services, mutual market access, and sovereign debt management.
- The CMA has worked on raising and enhancing awareness of the financial market system and its implementing regulations, as well as promoting financial and investment literacy, which contributes to increased confidence, knowledge, and skills necessary for managing investment tools.
- Establishing a digital process for "Know Your Customer" (KYC) and opening an investment account to increase the number of investors in the financial market and make it more accessible, as well as providing quick and direct access to the financial market for qualified foreign investors.
- Establishing a Central Counterparty Clearing House (CCP) based on the peer counterparty model to increase post-trading revenues for the Saudi financial market and facilitate dividend distribution.
- Adopting the executive regulations of the new corporate law for listed joint-stock companies, with the aim of clarifying the provisions required to implement the law, thereby contributing to the achievement of its objectives.

- Issuing executive regulations aimed at organizing securities operations, as well as developing procedures to mitigate the risks associated with securities transactions and providing investor protection, thereby enhancing their confidence in the financial market.

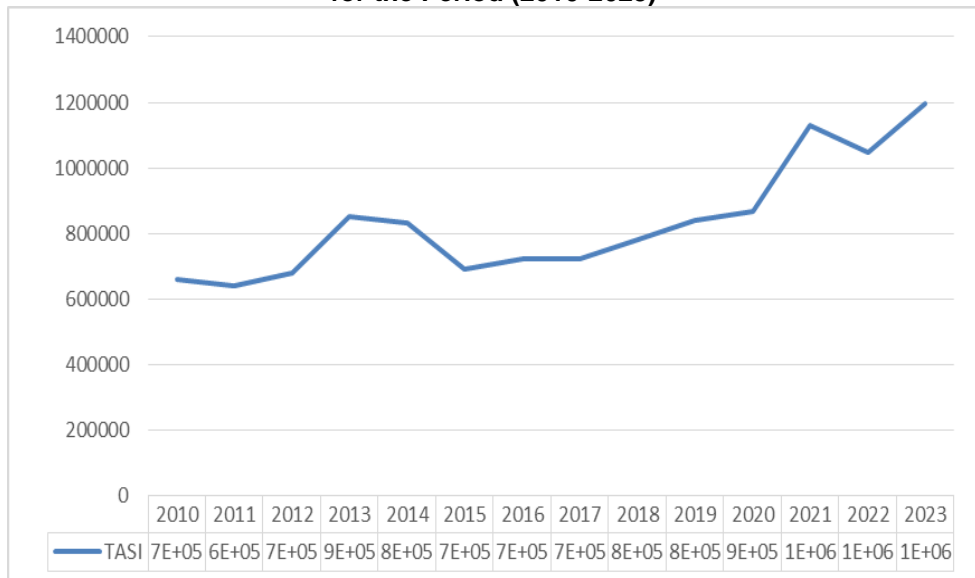
Thus, the aforementioned government actions reflect the Kingdom of Saudi Arabia's desire to develop and activate its financial market by increasing its attractiveness locally, regionally, and internationally; enhancing the confidence of both local and foreign investors; and diversifying financial products. These efforts are part of the Kingdom's Vision 2030.

#### 4. Analysis of the Saudi Financial Market's Performance (2010-2023) in Light of Vision 2030

##### 4.1. Evolution of the Saudi Financial Market's General Index "TASI" for the Period (2010-2023)

The Saudi Financial Market's General Index "TASI" measures the overall performance of the financial market. It provides investors with insights into the direction of buying and selling forces, as well as the general level of price increases and decreases among the listed institutions in the Saudi financial market. The following figure illustrates the series of developments in the Saudi Financial Market's General Index "TASI" over the period from 2010 to 2023:

**Figure (02): Evolution of the Saudi Financial Market's General Index "TASI" for the Period (2010-2023)**



**Source:** Prepared by the researchers based on the annual statistical reports of the Saudi financial market for the period (2010-2023), available on the official website of the Saudi financial market: [www.saudiexchange.sa](http://www.saudiexchange.sa).

It is observed from the previous figure that the Saudi stock market's General Index "TASI" closed at 662,075 points by the end of 2010. The index then dropped in 2011 by approximately 20,302 points compared to the previous year's close, a decline of 3.07%, reaching 641,773 points by the end of the year. This decrease can be attributed to the global financial crises that affected all financial markets, including the Saudi financial market. Among these crises were the Dubai World crisis in 2009, the European sovereign debt crisis in 2009, the flash crash in financial markets in 2010, and the Arab Spring events in early 2011. However, by 2012, signs of recovery from these financial crises emerged, with the index rising to 680,122 points, marking a growth rate of 5.98% compared to 2011. This recovery was primarily driven by unprecedented increases in oil prices, which boosted Saudi Arabia's oil revenues, improving the performance of economic sectors and reflecting positively on the market index. Furthermore, the government's strong intervention, including issuing a series of royal decrees and statements from the Minister of Finance to support the market, played a key role in preventing another market collapse, all in line with the efforts to achieve the Kingdom's Vision 2030.

The index continued its upward trend in 2013, closing at 853,560 points. However, this rise was short-lived, as the market index declined again in 2014 and 2015, closing at 833,330 points and 691,176 points, respectively. This decline was primarily due to the slowdown in global economic recovery, falling oil prices, and rising interest rates, all of which impacted the performance of the Saudi financial market.

The Saudi financial market recorded mixed performance in its indices during the following two years, 2016 and 2017, overcoming the lingering effects of earlier downturns. By the end of 2016, the index closed at 721,043 points compared to 691,176 points at the end of 2015, representing a growth rate of 4.32%. In 2017, the general index closed at 722,632 points, marking a slight growth of 0.2%. This upward trend continued in 2018, with the general index closing at 782,673 points, a rise of 8.31% compared to 2017. This growth was attributed to the inclusion of the Saudi financial market in several global market indices, aligning with the Kingdom's Vision 2030 goals.

In 2019, the index further increased by 7.19% compared to 2018, closing at 838,923 points. This growth was driven by the historic listing of Aramco on the main financial market, as well as the Capital Market Authority's decision to allow foreign institutions to be listed in the Saudi financial market, aiming to strengthen the market. By the end of 2020, the general index closed at 868,953 points, a 3.58% increase compared to 2019. Despite the economic challenges resulting from the COVID-19 pandemic, which affected financial markets worldwide, including the Saudi market, the measures implemented by the Capital Market Authority helped the market weather the crisis. The Authority reinforced actions to mitigate the risks associated with securities trading during the pandemic.

By 2021, the general index closed at 1,128,171 points, marking a growth rate of 29.83% compared to 2020. This surge was due to the recovery of the Saudi financial market from the pandemic's effects and the return of commercial and economic activities to their previous levels. However, this growth was short-lived, as the index declined in 2022 to 1,047,846 points. This decrease was due to the global financial market fluctuations, particularly in Saudi Arabia, resulting from political conditions, inflation, and rising food and fuel prices, which had significant impacts on the global economic system. In 2023, the index rebounded to reach its



highest closing point during the study period, at 1,196,739 points, representing a growth rate of 14.20% compared to 2022. This growth was attributed to the Saudi financial market's investment in infrastructure, achieving strong performance as a result.

#### 4.2. Performance Indicator Evaluation for the "Financial Leadership Program 2020" in the Saudi Financial Market

To assess the success of the "Financial Leadership Program 2020" within the framework of the Kingdom's Vision 2030, a set of key performance indicators was utilized. The following table outlines these indicators:

**Table (01): Performance Indicators for the "Financial Leadership Program 2020"**

Performance Indicator	Target Value	Achieved Value	Achievement Rate
Market capitalization (stocks and debt instruments) as a percentage of GDP	0.88	0.94	1
Managed assets as a percentage of GDP	0.22	0.2057	0.94
Market capitalization concentration for the top 10 institutions	0.55	0.565	0.97
Institutional investor trading volume as a percentage of total trading volume	0.2	0.1	0.5
Foreign investor ownership as a percentage of total market capitalization	0.15	0.09	0.6
Micro and small enterprises listed as a percentage of total listed companies	0.4	0.19	0.48
Volatility rate of the Saudi financial market index	<=25%	15.31	1
Minimum free-float market capitalization as a percentage of total market capitalization	≥45%	0.558	1
Percentage of investment accounts opened through electronic Know Your Customer (e-KYC) procedures	0.1	0.95	1

**Source:** (Capital Market Authority, 2020).

The table above represents the performance measurement indicators for the "2020 Financial Leadership Program" adopted by the Kingdom of Saudi Arabia. It includes a range of indicators that reflect the performance of the financial market and the extent to which the set goals have been achieved. It is observed that the program successfully attained the target percentage, achieving 94% of the market capitalization index as a percentage of GDP, indicating strong financial market

performance relative to the domestic economy, which aligns with the objectives of Saudi Vision 2030.

Regarding the assets under management index as a percentage of GDP, the program did not meet the targeted 22%, achieving 20.57%, slightly below the target, with an achievement rate of 94%. This suggests significant progress in asset management within the financial market, despite not fully reaching the set goal. Similarly, the market concentration index for the top 10 companies' market capitalization also fell short of the target of 56.5%, with an achievement rate of 97%. This highlights the dominance of the top 10 companies in market capitalization, which is typical of emerging financial markets despite government interventions.

Furthermore, the institutional investor trading volume as a percentage of total trading volume was 10%, while the program aimed for 20%. This shows that the Saudi financial market has not yet reached its set goal, reflecting the dominance of individual trading and the market's limited attraction of institutional investors. Additionally, the index for foreign investors' ownership as a percentage of total stock market capitalization reached 9%, representing 60% of the achievement rate. Despite progress, foreign ownership remains low compared to the set target, despite the Saudi financial market authority's efforts to enhance market attractiveness for foreign investors.

As for the index of micro and small companies listed as a percentage of total listed companies, the percentage reached 19%, while the target was 40%, resulting in an achievement rate of 48%. This indicates a low achievement rate due to the challenges that small and micro companies still face in listing on the financial market. On the other hand, the volatility index for the Saudi financial market was achieved with high efficiency, with an actual volatility rate of 15.31%, significantly lower than the target, reflecting relative stability in trading activity within the market. Moreover, the index for the minimum value of free-floating shares as a percentage of total market capitalization was achieved with high efficiency, with a 100% achievement rate, indicating good liquidity in freely traded stocks. Additionally, the achievement rate for the indicator of investment accounts opened through electronic Know Your Customer (KYC) procedures was 100%, fully meeting the set target, which enhances trust and security in the financial market.

In conclusion, the 2020 Financial Leadership Program achieved many positive results regarding the specified indicators and their rates, despite some indicators not being fully met. This presents a greater challenge for the Financial Market Authority to improve its indicators in alignment with Vision 2030.

#### **4.3. Evaluation of the performance indicators for the Financial Market Authority's strategic plan 2021-2023**

To assess the success of the Financial Market Authority's 2021-2023 strategic plan within the framework of Saudi Vision 2030, a set of key performance measurement indicators was relied upon. The following table illustrates this:

**Table (02): Performance measurement indicators for the Financial Market  
Authority's strategic plan 2021-2023**

Performance Indicator	Year 2021			Year 2022		Year 2023			
	T. V	A. V	A. R	T. V	A. V	A. R	T. V	A. V	A. R
Market Capitalization (stocks and debt instruments) as a percentage of GDP	75 %	109.20 %	146 %	77 %	91%	118 %	78.10 %	80 %	102 %
Assets under management as a percentage of GDP	23.80 %	28.90 %	121 %	25.20 %	23.80%	94%	27.40 %	21 %	77%
Number of listings in the financial market	20	20	100	24	49	204	24	43	179 %
Institutional investor trading volume as a percentage of total trading volume	38 %	24.50 %	64 %	40 %	38.80%	97%	41%	41.30 %	101 %
Foreign investor ownership as a percentage of total stock market capitalization	15 %	15.20 %	101 %	16 %	14.03%	88%	16.50 %	12.80 %	78%
Number of micro and small companies listed as a percentage of total listed companies	42 %	17.86 %	43 %	43 %	55%	128 %	44%	77 %	175 %

Size of the sukuk and debt instruments market as a percentage of GDP	17.20 %	28.70 %	167 %	18.70 %	32%	171 %	20.10 %	18.30 %	91%
--	---------	---------	-------	---------	-----	-------	---------	---------	-----

Target Value = T. V; Achieved Value = A. V; Achievement Rate = A. R.

**Source:** (Capital Market Authority, 2024).

The table above represents the performance indicators of the strategic plan for the Capital Market Authority for 2021-2023, which was adopted by the Kingdom of Saudi Arabia. It addresses a set of indicators reflecting the performance of the financial market and the extent to which it achieved the specified objectives. It is observed that the market value index (stocks and debt instruments) as a percentage of GDP exceeded the targeted value in all three years, reaching its peak in 2023 with an achievement rate of 146%. This indicates growth in the financial market and a positive response from investors, driven by the measures implemented by the government.

As for the managed assets index as a percentage of GDP, the strategy managed to meet the target value in 2021, surpassing 100%, but it failed to maintain this in 2022 and 2023, with achievement rates of 94% and 77%, respectively, indicating a decline in asset management performance compared to what was planned. This decline is attributed to the conditions and crises witnessed by the Kingdom during that period. Meanwhile, the number of listings on the financial market saw an increase, surpassing the strategic target, which indicates that the government measures supporting listings in the financial market were successful.

Additionally, the institutional investor trading volume index as a percentage of the total trading volume showed continuous improvement, with the achievement rate reaching approximately 101% in 2023 compared to 64% in 2021 and 97% in 2022. This demonstrates the effectiveness of efforts to enhance the role of institutional investors in the market. Conversely, the foreign investors' ownership percentage of the total market value of stocks did not meet the target, except in 2021, with an achievement rate of 101%. In subsequent years, the achievement rates declined, indicating the market's inability to reach the targeted percentages. This suggests that challenges remain in attracting more foreign investments despite the measures in place.

Regarding the index of micro and small enterprises listed as a percentage of the total number of listings, there was notable growth in the achievement rate, from 43% to 175% over the three years, reflecting the government's increased support to enhance the participation of these enterprises in the financial market. As for the sukuk and debt instruments market size index as a percentage of GDP, the achieved rate significantly exceeded the target in 2021 and 2022, with values of 167% and 171%, respectively. However, the achievement rate declined to 91%, reflecting the global economic conditions and their impact on Saudi Arabia. Nevertheless, this decline is not substantial, indicating the strength of the Saudi financial market.

In conclusion, the Capital Market Authority managed to achieve most of the goals set in its strategic plan for the Saudi financial market for the 2021-2023 period,

despite the economic and political challenges as well as the fluctuations experienced by global and local markets.

## 5. Challenges to Achieving Saudi Arabia's Vision 2030 for the Financial Market

The Saudi financial market has made significant achievements in recent years as part of Saudi Arabia's Vision 2030. However, despite these accomplishments, the financial market continues to face several key challenges, including:

- **Global economic and political fluctuations:** Like other financial markets, the Saudi financial market is influenced by global economic and political conditions. This impact on the general index of the Saudi financial market leads to instability, as the market is subjected to multiple pressures due to investors' reluctance to trade because of non-systematic risks. This results in a decline in stock prices and liquidity levels. Moreover, as one of the largest oil exporters in the world, Saudi Arabia's financial market is highly sensitive to changes in oil prices caused by economic fluctuations and geopolitical conflicts. Despite the measures taken by the Kingdom under Vision 2030, there is still a long way to go, and maintaining market stability in the face of these challenges remains a continuous task.
- **Attracting investors to the financial market:** One of the biggest challenges facing the Saudi financial market is attracting both local and international investors. The Capital Market Authority seeks to address this through the reforms and measures linked to Vision 2030, yet the percentage of new investors remains lower than targeted. Therefore, more efforts are needed to improve the business environment, enhance transparency and governance, simplify procedures, and reduce bureaucracy. Additionally, attention must be given to large-scale projects that represent major investment opportunities, such as the "NEOM" project, which envisions the design of sustainable future cities. However, the biggest challenge for the Saudi financial market is attracting "institutional investors," as the market heavily relies on "individual investors." The low share of institutional investment in trading makes the market more exposed to volatility.
- **Diversifying financial products:** The Capital Market Authority has implemented numerous measures to introduce financial products in the Saudi financial market as part of its Vision 2030. However, despite these efforts, the market still suffers from a lack of diversity. This is primarily due to the fact that the Saudi financial market is considered an emerging market, which necessitates collaboration between various entities to develop new financial instruments. This remains a significant challenge for the Capital Market Authority in particular and the Kingdom in general.
- **Listing micro and small enterprises in the market:** The proportion of micro and small enterprises listed in the financial market compared to the total number of listed companies is very low, despite the extensive support provided by the government to facilitate their entry into the financial market

to enhance its diversity. This is due to the nature and limited capabilities of these enterprises, particularly in terms of disclosure and governance, which hinder their ability to comply and increase their operational costs. Moreover, the listing requirements in the financial market are not well-suited to these enterprises. Investors are also hesitant to invest in these businesses due to the high potential risks and their limited financial capacities.

- **Tax challenges:** The mechanism for calculating zakat on securities, as well as the taxes imposed on investors, especially foreign investors, can negatively impact attracting investments and expanding the financial market. This tax system is somewhat complex compared to the systems in foreign financial markets. Although the Capital Market Authority has clarified the regulatory frameworks for calculating zakat, it remains a major challenge.
- **Financial technology in the financial market:** In line with the global digital transformation, the Saudi financial market has seen significant advancements in financial technology, in pursuit of the Kingdom's Vision 2030. However, this remains an ongoing challenge due to the difficulty of fully integrating traditional systems with technology, as traditional financial companies still dominate the Saudi financial market, with only a limited number of startups. Furthermore, the reliance on financial technologies in the market brings an urgent need for securing digital transactions against cyberattacks. Additionally, given that Saudi society is predominantly Muslim, there is a preference for financial technology solutions that align with Islamic principles, which is a unique feature of Islamic financial markets. Achieving this is a significant challenge.

Achieving the goals of Vision 2030 to develop the Saudi financial market requires overcoming all the challenges that hinder progress. These challenges span various areas, which the Kingdom has addressed through several future strategies and initiatives aimed at achieving its objectives.

## 6. Conclusion

The Kingdom of Saudi Arabia aims to develop its financial sector through Vision 2030, which seeks to strengthen its economy and reduce its reliance on oil as an unsustainable resource. The vision adopted by the Kingdom includes a set of strategies, among them those focused on improving and activating its financial market. The Saudi financial market has shown remarkable progress and solid performance during the period from 2010 to 2023, reflecting the efficiency of the governmental measures and strategies implemented by the Kingdom. These efforts have supported the Kingdom's direction and vision despite the global economic conditions and geopolitical crises that have affected the financial market. The historic listing of Aramco and its inclusion in the main financial market, which became the largest listing in the world, enhanced the position of the Saudi financial market. Additionally, the full integration of the Saudi financial market into global indices has further increased its attractiveness. However, despite all the

achievements and progress made in recent years, the Saudi financial market still faces numerous challenges, which the Kingdom will need to address in the future.

## References

1. Ashrafi, Y., & Mashhadi, M. (2014). The Government role in financial development: case study of OPEC countries. *Quarterly Journal of Economic Research and Policies*, 22(70), pp. 205-222.
2. Asongu, S. (2011). Government quality determinants of stock market performance in African countries. *AGDI Working Paper*. Yaounde, Cameroon: African Governance and Development Institute (AGDI).
3. Atack, J., & Neal, L. (2009). *The origins and development of financial markets and institutions*. Cambridge: Cambridge University Press.
4. Capital Market Authority. (2020). *Annual report 2020*. Kingdom of Saudi Arabia.
5. Capital Market Authority. (2021). *Annual Report 2021*. Kingdom of Saudi Arabia. Retrieved from Capital Market Authority.
6. Capital Market Authority. (2022). *Annual reports 2022-2024*. Kingdom of Saudi Arabia.
7. Capital Market Authority. (2023). *Annual report 2023*. Kingdom of Saudi Arabia.
8. Capital Market Authority. (2024). *Strategic Plan 2021-2023*. Kingdom of Saudi Arabia.
9. Chari, A., & Henry, P. B. (2002). Capital account liberalization: allocative efficiency or animal spirits? *NBER Working Papers 8908*. National Bureau of Economic Research, Inc.
10. Financial Sector Development Program. (2023). *Annual Report 2023*. Saudi Arabia: Financial Sector Development Program.
11. Kolapo, F. T. (2023). Drivers of stock market development in Nigeria: Does openness matter? *International Journal of Current Science Research and Review*, 6(8), pp. 5445-5455.
12. Lee, C. H., & Chou, P. I. (2018). Financial openness and market liquidity in emerging markets. *Finance Research Letters*, 25(C), 124-130.
13. Li, C., Zheng, A., & Liu, Y. (2020). The hybrid regulatory regime in turbulent times: The role of the state in China's stock market crisis in 2015-2016. *Regulation and Governance*, 16(2), pp. 392-408.
14. Saudi Exchange. (2014, 09 15). *About Saudi Exchange*. Retrieved from Saudi Exchange:  
<https://www.saudiexchange.sa/wps/portal/saudiexchange/about-saudi-exchange/aboutus/saudi-exchange?locale=en>
15. Saudi, K. S.-A. (2023). *Vision 2030*. Kingdom of Saudi Arabia. Saudi Arabia: Government of the Kingdom of Saudi Arabia.
16. Savari, Z., Rostomi, M., Shams, M., & Jamali, J. (2023). Regulatory quality, rule of law, and stock market performance: A system GMM approach. *International Journal of Nonlinear Analysis and Applications*, 14(6), 211-220.