The Saudi banking sector and its role in supporting the activity of the Saudi Stock Exchange: An analytical study of the Saudi Stock Exchange during the period 2009–2021

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Abstract:

Through this study, we attempted to shed light on the Saudi Stock Exchange and the extent to which its effectiveness could be increased by listing the Saudi banking sector on the Saudi Stock Exchange (Tadawul). We collected some statistics related to the volume of the banking sector's investments in the Saudi Stock Exchange and analyzed them in order to determine the extent of the Saudi banking sector's ability to make a difference through the size of its investments. We talked about what the Saudi Stock Exchange is and traced its roots all the way back to 1932. It stands as the biggest stock exchange in the Arab world when it comes to market capitalization—especially after Saudi Aramco, the petroleum giant, got listed. On the global stage, it holds the ninth spot for market capitalization. The study concluded that the Saudi banking sector has an important and significant role in the Saudi Stock Exchange through the size of investments in it, especially since the largest bank in Saudi Arabia, Al Rajhi Bank, is part of the composition of the Saudi banking sector listed on the Saudi Stock Exchange.

Keywords: Banking Sector; Stock Exchange; Investment; Market Capitalization; Stocks.

JEL Classification Codes : G21, G10, G14.

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1. INTRODUCTION

In light of economic developments, rapid growth, and increased awareness among individuals of the importance of saving and managing money wisely, securities markets have become a key option for those seeking to grow their wealth in an organized manner. They enable individuals and institutions to invest in financial instruments such as stocks and funds within a trading environment subject to regulation and oversight. Although this field may seem complex at first, becoming familiar with its fundamentals is an important step toward making more informed financial decisions.

The biggest financial market in the Middle East and North Africa is found in Saudi Arabia. Within the framework of achieving the Kingdom's Vision 2030, the Saudi financial market is experiencing an accelerated pace of changes, including improving market infrastructure, launching new markets, products, and services, and opening up to foreign investors. The Saudi financial market also provides opportunities for companies to reach individual and institutional investors locally, regionally, and globally.

The Saudi banking sector is one of the most important sectors listed on the Saudi Stock Exchange (Tadawul) because it is a strong, well-organized financial system subject to the supervision of the Saudi Central Bank (SAMA). It includes local and international banks and has witnessed strong growth and profitability, especially with the strengthening of the technical infrastructure and the increasing number of digital banks and financial technology institutions. This makes it attractive for investment and enhances its role in Vision 2030. This is what prompted the Saudi banking industry to invest its excess funds in the Saudi stock exchange in order to both make money and support and guarantee the success of the Saudi Stock Exchange's (Tadawul) operations. This is what this study aims to emphasize.

1.1 Study question

Based on the above, the following research problem can be stated:

To what extent can the Saudi banking sector contribute to supporting and revitalizing the Saudi Stock Exchange (Tadawul)?

1.2 Sub-Questions

- What are the most prominent challenges and risks facing Saudi banks when investing their funds in the Saudi stock exchange?
- What is the nature of the banking sector funds invested in the Saudi stock exchange?
- What is the nature of the investments that Saudi banks make in the Saudi stock exchange?

1.3 Hypotheses

- The most prominent challenges and risks facing Saudi banks when investing their funds in the Saudi stock exchange are the risks of price fluctuations.
- The nature of the banking sector funds invested in the Saudi stock exchange is the financial surpluses that exceed their needs for managing the Saudi monetary sector, or they are long-term savings.
- The nature of the investments that Saudi banks make in the Saudi stock exchange is investment in securities, especially stocks. This is due to the nature of most banks active in the Saudi monetary sector, which are Islamic banks; they do not prefer investing in bonds because bonds are considered loans.

1.4 Study Objectives

This study aims to identify the role of investing banks' funds in stimulating the Saudi Stock Exchange by analyzing statistics on the Saudi banking sector's investments in the Saudi stock exchange and measuring their impact on liquidity, trading volume, and the efficiency of the exchange's performance. The study also seeks to highlight the extent to which banks' investments contribute to supporting the exchange's activity and effectiveness. In addition, the study aims to identify the most prominent risks and challenges facing banks when investing their funds in the Saudi Stock Exchange, ultimately reaching results and recommendations that may contribute to enhancing the role of the Saudi banking sector in stimulating the Saudi stock exchange.

1.5 Methodology

The descriptive-analytical method was used. To determine effects and

outcomes, we gathered data and statistics about the Saudi Stock Exchange (Tadawul) and the Saudi banking industry listed on the exchange.

1.6 Paper Structure

- Section One: The nature of the Saudi Stock Exchange
- Section Two: Active sectors in the Saudi Stock Exchange
- Section Three: Results of investing banking-sector funds in the Saudi Stock Exchange

2. The Nature of the Saudi Stock Exchange

Financial markets are defined as a meeting place between suppliers of long-term capital and those demanding it, with the aim of mobilizing and facilitating the flow of financial surpluses toward those with a financial deficit, under certain conditions, in order to contribute to economic and social development (McMenamin, 1999, p. 72). They are also defined as a long-term financing network built on issuance, meaning the sale of tradable values such as stocks and bonds that make it possible to mobilize individual savings (Canso, 1989, p. 387).

Financial markets also represent the physical or virtual space where the forces of supply of investment instruments and demand for them meet. They are a mechanism that enables the exchange of monetary wealth with other different forms such as securities and basic commodities like gold and precious metals (Bakir, 2008, p. 40).

2.1 The Emergence and Development of the Saudi Stock Exchange

Saudi joint-stock companies first emerged in the mid-1930s with the establishment of the Arab Automobile Company. Others soon followed, and by 1975 the number had increased to 14, with a combined capital of 1.7 million riyals (Ben Lakhal, 2015, p. 152). The 1970s saw rapid economic growth, leading to the creation of more banks and joint-stock companies, and an unprecedented number of shares became available on the market. At that time, most share trading was conducted directly between individuals or through a few small brokerage offices. As government resources expanded, so did public interest in stocks, resulting in the proliferation of brokerage offices. By the early 1980s, trading volumes surged and stock prices climbed sharply (Kattaf, 2013-2014, p. 334).

For some time, the Saudi financial market operated with little formal oversight. This changed in the early 1980s when the government moved to establish a regulated trading framework. In 1984, a royal order introduced new regulations: all share trading was required to go through local banks, overseen by a ministerial committee. The Saudi Arabian Monetary Agency was tasked with organizing and supervising the market, managing daily oversight, enforcing compliance, and ensuring smooth operations. Only commercial banks and Al Rajhi Banking and Investment Company were authorized to trade shares, which increased regulatory control. Around this period, the Saudi Share Registration Company was founded by the banks to centrally register joint-stock companies and manage the settlement of all share transactions (Kattaf, 2013-2014, pp. 334-335).

With the beginning of 1990, the Saudi market began to develop more effectively as the ESIS system—known as the Automated Securities Information System—was implemented. It is an electronic system specialized in trading and in performing clearing and settlement operations. It remained in use until the end of 2001, when a new trading system began, called Tadawul, replacing older electronic systems with newer ones with greater capacity, in what was the first implementation of its kind in Arab financial markets (Argaam Web Site, 2015).

The Saudi financial market entered a new chapter when the government approved the Capital Market Law and established the Saudi Stock Exchange Company, known as Tadawul, on March 19, 2007. This step, based on Article 20 of the law, made Tadawul a joint-stock company and granted it exclusive rights to operate as the Kingdom's sole securities market. If you want to buy or sell securities in Saudi Arabia, Tadawul is the platform to use (Argaam Plus Web Site, 2024).

The Capital Market Law—issued by Royal Decree No. M/30 in June 2003—defines the market's legal framework, objectives, and the responsibilities of both the exchange and the Securities Depository Center. Tadawul serves as the official and primary source for all market information. Its capital is 1.2 billion Saudi riyals, divided into 120 million shares at 10 riyals each, all fully subscribed by the Public Investment Fund. Internationally, Tadawul became an affiliate member of the International

Organization of Securities Commissions and joined the World Federation of Exchanges (Saudi Exchange Web Site, 2022).

2015 was a pivotal year. Regulators opened the market to qualified foreign institutional investors, bringing in new activity and competition. The following year, the Securities Depository Center Company (Edaa) was launched, overseeing the deposit and settlement system and managing securities registration and ownership (Al Kharif, 2015, p. 02). By 2018, the Securities Clearing Center Company (Muqassa) began operating as an intermediary, helping to reduce counterparty risk in trades. In the same year, the market joined three major international indices.

In 2019, Saudi Arabia's financial market advanced into the world's top ten. The listing of Saudi Aramco attracted global attention as the largest IPO ever. Tadawul completed its inclusion in both the MSCI and S&P Dow Jones indices, signaling strong confidence from international investors and demonstrating that the Kingdom's financial reforms and Vision 2030 were achieving results.

2.2 Features of the Saudi Stock Exchange

The Saudi financial market is characterized by the following (Kattaf, 2013-2014, pp. 334-335):

- The Saudi financial market is the largest in the Middle East and also across the Arab region. It has significant potential for growth and development. Although the number of listed companies is relatively small compared to other markets, total market capitalization and the market capitalization rate are roughly equivalent to the market capitalization of all other Arab markets combined.
- Trading in the Saudi financial market is limited to the shares of Saudi companies only, which can be classified into fifteen main sectors.
- Foreign investment in the Saudi financial market is permitted for natural and legal persons from the Gulf Cooperation Council countries, as well as resident non-Saudis inside the Kingdom. Otherwise, foreigners are not allowed to invest directly in the shares

of companies listed in the Saudi market, while the right to indirect investment remains available through mutual investment funds.

2.3 The General Organization of the Saudi Stock Exchange

2.3.1 Regulatory and supervisory bodies related to the stock exchange

There are several regulatory and supervisory bodies related to the stock exchange, which can be mentioned as follows (CMA, 2022):

- **Capital Market Authority (CMA):** The Capital Market Authority (CMA) was established by the Capital Market Law. Reporting directly to the Prime Minister, it possesses its own legal identity and independently manages its finances and administration. The CMA is responsible for regulating and developing the financial market. Beyond setting regulations, it actively shapes the investment landscape, aiming to foster trust and ensure market transparency, especially for joint-stock companies. The authority emphasizes clear disclosure and serves as a protector, safeguarding investors and market participants against illegal practices. Additionally, the CMA plays an important national role and is a prominent member of the International Organization of Securities Commissions (IOSCO), linking Saudi Arabia to the global regulatory framework.
- **Saudi Central Bank (SAMA):** The Saudi Central Bank, known as SAMA, supervises commercial banks and currency exchange businesses throughout the Kingdom. It also monitors insurance companies, finance companies, and credit information agencies. Serving as Saudi Arabia's central bank, SAMA holds a significant position globally, being a member of organizations such as the Bank for International Settlements, the Committee on Payments and Market Infrastructures, and the Basel Committee on Banking Supervision.
- **Ministry of Commerce:** The Ministry of Commerce is dedicated to strengthening Saudi Arabia's trade and investment sectors. It formulates and enforces policies that safeguard the interests of both businesses and consumers, all aimed at promoting sustainable economic growth.
- **Ministry of Investment:** It follows up and evaluates investment performance, removes obstacles for investors, prepares studies and research, and proposes implementation plans to enhance investments within the Kingdom.
- **Saudi Organization for Chartered and Professional Accountants:** It operates under the Ministry of Commerce by

reviewing and developing accounting and auditing standards and all matters that contribute to developing these professions.

- **General Authority of Zakat and Tax:** It is the government entity under the Ministry of Finance responsible for collecting zakat and collecting taxes from those subject to them in accordance with applicable systems and instructions.

2.3.2 Sections of the Saudi Stock Exchange

Entering the financial market—whether in the form of stocks or debt instruments—is an important step toward developing any company, as it contributes significantly to increasing its size, business activity, and the sustainability of its operations. Tadawul works to enable companies to reach individual and institutional investors through an integrated operating system and advanced services. By the end of the first half of 2019, the number of listed companies, real estate investment funds, exchange-traded funds, and debt instruments in Tadawul reached about 272 entities of different types (CMA, 2022).

Tadawul serves as Saudi Arabia's only authorized securities exchange, managing the listing and trading of securities throughout the nation. Its activities are supervised by the Capital Market Authority, though Tadawul has exercised some self-regulatory powers since 2018. Supporting its operations are two subsidiaries: the Securities Depository Center Company (Edaa), founded in 2016, and the Securities Clearing Center Company (Muqassa), established in 2018. The total market capitalization of companies listed on Tadawul exceeds 10,000 billion Saudi riyals, or more than 2,400 billion US dollars. Tadawul operates a main market as well as a parallel market known as Nomu, and it also includes a dedicated market for corporate debt instruments (CMA, 2022). In terms of structure, Tadawul is divided into two primary segments:

A. The Main Market (Tadawul)

A.1 Definition

Trading in Saudi Arabia began in the mid-1930s, with the Arab Automobile Company becoming the nation's first joint-stock company. As the economy developed and locals started owning shares in foreign banks, more companies entered the market. This growth continued until June 16,

2003, when the government established the official Authority to oversee the market. Later, on March 19, 2007, the Council of Ministers approved Tadawul, the stock exchange, under Article 20 of the Capital Market Law.

Over the years, with the significant expansion of the local economy and companies' need to reach a wide segment of investors, total listings in the main and parallel markets reached 262 companies, securities, and debt instruments. By the end of 2018, 190 companies were listed in the main market, 10 companies were listed in Nomu, and there were 62 debt instrument issuances. In addition to listing shares, Tadawul also lists and trades bonds and sukuk as well as various funds. The main market index (TASI) includes all companies listed in the main Tadawul market and is a key indicator trusted by investors. Tadawul also publishes sector indices according to the global industry classification standard. Tadawul is wholly owned by the Public Investment Fund. The Kingdom's Vision 2030 and its associated programs will have a noticeable impact on the development of the Saudi financial market, enabling Tadawul to strengthen its position as an important financial center in the region. Through its strategic plans, it aims to become an integrated financial market by 2025.

A.2 Objectives of Tadawul

The Saudi Stock Exchange (Tadawul) seeks to achieve the following objectives (CFKC, 2021):

- Efficiently manage and operate the financial market and provide high-quality services through:
    - Managing and qualifying the financial market efficiently and effectively.
    - Ensuring market efficiency, quality, and fairness.
    - Raising the level of investment awareness among investors.
    - Developing the market's technical and regulatory capabilities.
    - Providing high-quality services to clients, whether intermediaries, investors, issuers, data service providers, or others.
- Develop a leading financial market that provides competitive investment and financing channels through:

- Providing appropriate mechanisms for companies to obtain the needed financing.
- Developing integrated, diverse, and innovative markets, products, services, and financial instruments.
- Encouraging local and global investors, issuers, and intermediaries to participate in the market.
- Integrating and improving the effectiveness of the market's core operations.

– Opening the Saudi stock market to qualified foreign financial institutions does not aim to bring capital or inject liquidity into the financial market; rather, it aims to achieve long-term objectives, including (CMA, 2022):

- Enhancing institutional investment in the Saudi financial market, supporting market stability and reducing volatility by attracting specialized investors with long-term investment goals.
- Transferring knowledge and expertise to local financial institutions and investors and raising the professionalism of market participants by attracting highly qualified specialized expertise.
- Improving the performance of listed companies, especially regarding disclosure of financial information, and improving the performance of specialized investment companies.
- Strengthening the position of the Saudi financial market as a leading market and increasing the chances of upgrading its global classification to an emerging market according to relevant global index classifications, foremost among them MSCI.
- Raising the level of research, studies, and evaluations conducted on the market generally and on listed companies specifically, providing participants with more accurate information and fairer valuations.

A.3 Characteristics of the main Tadawul market (CFKC, 2021)

- In 2019, the Saudi financial market was classified among the ten largest financial markets globally by market capitalization, reaching 2406 billion US dollars.
- The Saudi financial market represents 76% of market capitalization in the Middle East and North Africa region.
- It represents the highest ratio of market capitalization to gross domestic product among the largest emerging markets, at 309%.

A.4 Listing requirements in the main market

- The company must be a closed joint-stock company.
- At least 30% of shares must be offered to the public.
- The company must have at least 200 shareholders.
- The expected market capitalization must be at least 300 million Saudi riyals.

B. The Parallel Market (Nomu) (Saudi Exchange Web Site, 2022)

B.1 Definition

Nomu is a parallel market characterized by lower listing requirements and is considered an alternative platform for companies wishing to list. Investment in this market is restricted to qualified investors only. Nomu serves as an alternative platform for companies that do not meet the main market's requirements and seek to offer their shares to the public. The Nomu market is an important channel that supports diversification and deepening of financial markets. It is more flexible and lower cost, and it is part of one of the most liquid market environments in the Middle East and North Africa region.

Small and medium-sized enterprises suffer from a major lack of services in the Kingdom of Saudi Arabia compared to their overall contribution to the economy. SMEs represent about one-third of Saudi GDP and contribute about two-thirds of jobs, but their share of bank lending is only 2%. Therefore, the Nomu market provides a real alternative for SMEs in Saudi Arabia to access an alternative source of financing through the Saudi financial market. Listing and offering requirements in Nomu are more flexible than those of the main market, and listed companies must comply with ongoing obligations set by Tadawul as well as the Authority.

Since the launch of Nomu in February 2017 (Al-Nimr, 2025), ten companies have been listed with offering sizes exceeding 785 million riyals. Through listing in Nomu, SMEs can reach institutional and individual investors who meet a number of criteria and conditions. Any company, after being listed in Nomu for two years, has the opportunity to transfer to the main market after fulfilling its requirements.

B.2 Objectives

- An additional source of financing for companies and increasing capital.
- Increasing the diversity of available investment instruments and deepening the Saudi financial market.

B.3 Characteristics

- A market with more flexible standards and requirements.
- Investment in the Nomu parallel market is limited to qualified investors only.
- Ability to transfer to the main market after obtaining approvals from regulatory bodies.

B.4 Offering and listing requirements in Nomu

The offering and listing process is carried out according to the conditions below:

- The issuer must be a joint-stock company.
- The company's market capitalization must be at least 10 million Saudi riyals.
- At least 20% of shares must be offered so they are owned by the public, or the issuer may list shares with a minimum value of 30 million Saudi riyals as the minimum value of listed shares.
- Conducting a core operating activity for at least one year.
- Appointing a financial advisor is mandatory; appointing a legal advisor is optional.
- Publishing audited annual financial statements and reports.
- Publishing reviewed semi-annual financial statements.
- Disclosing material information.

- There is no profitability requirement, and founders are prohibited from selling their shares for one year from the date of listing.
- The number of public shareholders must not be less than 50 shareholders at listing.

B.5 Achievements of Nomu

The Nomu parallel market underwent a pivotal renewal to facilitate the entry of small and medium-sized enterprises into the financial market. Among the steps taken were the following (CMA, 2022):

- Allowing companies to list directly in Nomu without an initial public offering, making it the first market in the Gulf Cooperation Council countries to take this step. This enables SMEs that do not need additional financing to find a market to provide liquidity for their shares.
- Reducing the percentage of total capital required to be listed.
- Facilitating the process of transferring from Nomu to Tadawul, benefiting five companies.
- Extending the disclosure deadline to the public from quarterly to semi-annually to reduce regulatory burdens.
- Introducing a capped Nomu index to limit the weight of any company in the index. These changes also increased market liquidity.

3. Active Sectors in the Saudi Stock Exchange

Tadawul introduced a market sector classification in 2008. With the development of the Kingdom's economy, new changes occurred in the public and private sectors, which requires keeping pace with these changes by reclassifying the sectors of companies listed on Tadawul. Companies that wished to conduct a public offering were classified into specific sectors that might not accurately reflect the nature of their activity or the actual sector to which they belong. The new classification applied by Tadawul is based on aligning the company's main activities and income sources and classifying it in the most appropriate sector. The previous Tadawul sector classification had several limitations and obstacles, as it was not based on global classification standards, and there were no periodic reviews to track changes in companies' activities, based on which the sector affiliation would be adjusted (CMA, 2022).

3.1 The new sector classification system in Tadawul (GICS)

The Global Industry Classification Standard (GICS) is a globally recognized classification system used by thousands of market participants across groups related to investment activities such as asset managers, brokers (institutional or retail), advisors, researchers, and stock exchanges. The GICS standard was developed by S&P and MSCI, two global companies specialized in financial information. They are among the leading global providers of independent global financial data, index information, and benchmarking-related products and services.

3.2 Advantages of the GICS standard

- Global: the classification standard is applied to thousands of companies worldwide.
- Reliable: an independent and neutral classification conducted by two global companies with extensive experience in financial information.
- Flexible: the structure provides four levels of analysis, from main sectors to detailed industries.
- Upgradeable and growing: S&P and MSCI conduct an annual review to keep the structure aligned with global markets.
- The GICS standard was chosen as the standard for reclassifying Tadawul sectors. This makes it easier for local and foreign investors to analyze, evaluate, and compare investment performance indicators in Tadawul sectors with their counterparts in global financial markets, thereby contributing to more effective investment strategies.

3.3 Structure and methodology used in applying GICS

GICS is based on a four-level classification system consisting of 11 main sectors (Level 1), 24 industries (Level 2), more than 60 sub-industries (Level 3), and more than 150 detailed industries (Level 4). The following table illustrates how GICS works (example):

Table 1. Structure of Tadawul according to the global GICS standard

Level 1	Level 2	Level 3	Level 4
Main sector	sector	Sub-sector	Detailed sector
Energy	Energy	Energy Equipment and	Oil and Gas Drilling

		Services	Oil and Gas Equipment and Services
		Oil, Gas and Consumable Fuels	Integrated Oil and Gas
			Oil and Gas Exploration and Production
			Oil and Gas Refining and Marketing
			Oil and Gas Storage and Transportation
			Coal and Consumable Fuels Production
Materials	Materials	Chemicals	Chemicals
			Diversified Chemicals
			Fertilizers and Agricultural Chemicals
			Industrial Gases
			Specialty Chemicals
		Construction Materials	Construction Materials
		Containers and packaging	Glass and Metal Containers

Source: The official website of the Saudi Stock Exchange (Tadawul).

The methodology applied in implementing this classification aims to enhance levels of investment information research and improve asset management for financial professionals worldwide. Based on this structure, companies are classified by detailed industries (Level 4), which then fall under sub-industries (Level 3); sub-industries fall under industries (Level 2), and these combine to form main sectors (Level 1).

3.4 The structure of the new market sectors

Previously, Tadawul sectors were divided into 16 main sectors. The new market sector structure in Tadawul consists of 20 sectors representing Level 2 according to GICS, as shown in the table below:

Table 2. Main sectors in the Saudi Stock Exchange (Tadawul)

No.	Sector name
1	Energy
2	Materials
3	Capital Goods
4	Commercial and Professional Services
5	Transportation
6	Consumer Durables and Apparel
7	Consumer Services
8	Media and Entertainment
9	Consumer Discretionary Distribution and Retail

10	Food Retailing
11	Food Production
12	Health Care
13	Pharmaceuticals
14	Banks
15	Investment and Finance
16	Insurance
17	Telecommunications
18	Utilities
19	Real Estate Investment Trusts
20	Real Estate Management and Development

Source: The official website of the Saudi Stock Exchange (Tadawul).

4. Results of Investing Banking-Sector Funds in the Saudi Stock Exchange

In this section, we address one of the previously mentioned sectors and analyze its financial data. We selected the banking sector due to its importance and its effective contribution to stimulating the Saudi Stock Exchange (Tadawul), as it is one of the most important participants in the exchange. The following table shows trading volume during the period 2009–2021.

Table 3. Value of investments of the banking sector in the Saudi Stock Exchange during the period (2009–2021)

Year	Value of traded shares (SAR)	Share of total	Total traded value (SAR)
2009	149.422.722.595,27	11,82%	1.264.011.291.721,82
2010	98.732.062.591,60	13,01%	759.184.484.995,000
2011	73.554.313.181,80	06,69%	1.098.836.028.656,75
2012	163.040.067.029,00	08,45%	1.929.318.274.741,75
2013	380.035.643.837,50	34,93%	1.752.855.363.980,90
2014	279.706.556.101,40	13,03%	2.146.511.896.920,60
2015	295.376.269.440,37	17,79%	1.660.622.053.130,02
2016	219.354.500.164,06	18,96%	1.156.987.084.201,31
2017	194.864.829.094,93	23,30%	836.275.133.812,290
2018	221.665.662.459,65	25,45%	870.869.683.508,030
2019	280.046.510.856,96	31,82%	880.139.074.790,650
2020	247.750.815.067,75	11,87%	2.087.799.574.493,41
2021	253.412.980.110,03	11,33%	2.235.900.240.676,72

Source: The official website of the Saudi Stock Exchange. **Currency:** Saudi riyal (SAR)

From the table we can see the following:

- The active banking sector in the Saudi stock exchange consists of 11 banks, distributed between local banks and foreign banks.
- The market capitalization of issued shares at the end of 2021 exceeded 10,000 billion Saudi riyals, approximately 2670 billion US dollars. Thus, the Saudi stock exchange ranks first in the Arab world and 11th globally.
- The financial value of the banking sector traded in the Saudi stock exchange relative to the total traded value in the exchange as a whole is significant. It ranged between 6,69% (73.554.313.181,80 Saudi riyals), approximately 20 billion US dollars in 2011, and 34,93% (380.035.643.837,50 Saudi riyals), more than 100 billion US dollars in 2013. This traded value reflects the added value provided by the banking sector, as it generates important revenues that benefit multiple stakeholders.
- The materials sector was the most active sector in terms of the financial value of traded shares during 2021, with about 457,81 billion riyals out of total traded share value during the year, while the banking sector came second with about 253,41 billion riyals in 2021.
- The banking sector ranked third in 2021 after the materials sector and the real estate management and development sector, with more than 7 billion shares, equal to 11,33% of the total number of traded shares.
- Regarding the activities of listed companies in 2021: Al Rajhi Bank led in the number of executed transactions (about 1,596,630). In terms of the value of traded shares, Al Rajhi Bank led with more than 94 billion Saudi riyals, followed by Alinma Bank with about 52 billion Saudi riyals (both in the banking sector). Dar Al Arkan ranked first in the number of shares traded (about 4.68 billion shares), followed by Alinma Bank (about 2.58 billion shares).

5. CONCLUSION

At the end of this study, it becomes clear that investing the funds of the Saudi banking sector is a key pillar in stimulating the Saudi Stock Exchange and strengthening its role and activity, due to its direct impact on achieving profits, raising liquidity levels, increasing trading volume, and

improving the efficiency of the financial market. The study highlighted that banks' participation in market investment is not limited to achieving returns; it also extends to enhancing financial stability and reducing volatility, which positively affects the confidence of local and foreign investors. The results also showed that the contribution of the banking sector in the Saudi stock exchange is not negligible, especially since there are other heavyweight sectors in the exchange, such as the hydrocarbons sector represented by Saudi Aramco, which accounts for more than three-quarters of the market capitalization of the Saudi stock exchange. Accordingly, strengthening the role of banks in the Saudi stock exchange requires developing investment policies, supporting financial innovation, and reinforcing transparency and governance, in line with the targets of sustainable economic development and the Kingdom's Vision 2030, contributing to building a deeper and more effective financial market.

Accordingly, the results were as follows:

- The results showed a positive relationship between investing the funds of the Saudi banking sector and stimulating the Saudi stock exchange: as banking-sector investments increased, the exchange's activity and trading volume increased.
- The market capitalization of the Saudi stock exchange at the beginning of 2025 reached about 2740 billion US dollars, placing it first in the Middle East and North Africa (Arab Monetary Fund, 2025, p. 9).
- The most prominent challenges and risks facing Saudi banks when investing their funds in the Saudi stock exchange are the risks of price fluctuations, confirming the first hypothesis.
- The nature of the banking sector funds invested in the Saudi stock exchange is the financial surpluses that exceed their needs in managing the Saudi monetary sector, or long-term savings, confirming the second hypothesis.
- The value of the Saudi banking sector's investment in the Saudi stock exchange is significant; at its best it reached 34,93% of total trading value in a year.

- The highest traded value of shares was in 2013 at 380.035.643.837,50 Saudi riyals, representing about one-third of total trading value.
- The nature of the investments that Saudi banks make in the Saudi stock exchange is investment in securities, especially stocks. This is due to the nature of most banks active in the Saudi monetary sector, which are Islamic banks; they do not prefer investing in bonds because bonds are considered loans, confirming the third hypothesis.

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