

Investment Funds and Their Role in Financial Markets -The State of the Saudi Stock Market-

صناديق الاستثمار ودورها في الأسواق المالية – حالة سوق الأسهم السعودي.-

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Received: 19/09/2019; Accepted: 03/11/2019

Abstract:

Investment funds are one of the most important forms of savings mobilization at the present time there is almost no financial market in this instrument, a tool with multiple advantages that dominates the activity of the local market and other markets because it is a safe and effective means of transferring capital among the world's financial markets.

In the context of satisfying the wishes of investors and savers alike and keeping abreast of the global financial markets in the use of modern financial instruments, the idea of establishing investment funds emerged. Saudi Arabia established the first investment fund in the Arab countries in 1979. The Kingdom succeeded in this experiment to reach 273 investment funds in this context, the paper discussed the problem of investment funds and their circulation on the performance of the Saudi stock market during the period (2006-2017).

Keywords: Financial market, investment funds, market efficiency, trading, Dubai World Group.

Résumé

Les fonds d'investissement constituent l'une des formes les plus importantes de mobilisation de l'épargne à l'heure actuelle. Il n'existe pratiquement aucun marché financier dans cet instrument, un outil aux multiples avantages qui domine l'activité du marché local et des autres marchés car c'est un moyen sûr et efficace de transférer des capitaux entre les marchés financiers mondiaux.

Dans le contexte de la satisfaction des souhaits des investisseurs et des épargnants et de se tenir au courant des marchés financiers mondiaux dans l'utilisation d'instruments financiers modernes, l'idée de créer des fonds d'investissement est apparue. L'Arabie saoudite a créé le premier fonds d'investissement dans les pays Le Royaume a réussi dans cette expérience à atteindre 273 fonds arabes en 1979 d'investissement dans ce contexte. Le document a examiné le problème des fonds d'investissement et de leur circulation sur la performance du marché boursier saoudien période (2006-2017).

Mots-clés: marché financier, fonds d'investissement, efficacité du marché, trading, Dubai World Group.

ملخص:

تعتبر صناديق الاستثمار من أهم صيغ تعبئة المدخرات في الوقت الحالي، إذ لا يكاد يخلو أي سوق مالي من هذه الأداة الاستثمارية، وهي أداة تتمتع بمزايا متعددة تؤهلها للهيمنة على نشاط السوق المحلي والأسواق الأخرى لكونها وسيلة آمنة ومؤثرة في نقل رؤوس الأموال بين أسواق المال في العالم.

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وفي إطار تلبية رغبات المستثمرين والمدخرين على حد سواء ومواكبة الأسواق المالية العالمية في استخدام الأدوات المالية الحديثة ظهرت فكرة إنشاء صناديق الاستثمار، فأنشأت المملكة العربية السعودية أول صندوق استثماري على مستوى الدول العربية في عام 1979، ونجحت المملكة في هذه التجربة ليلعب عدد الصناديق الاستثمارية فيها 273 صندوق في عام 2017 حيث امتازت هذه الصناديق بتنوعها وشمولها، وفي هذا السياق تم طرح اشكالية هذه الورقة والتي تمحورت في الكشف عن أثر نشاط صناديق الاستثمار وتداولها على أداء سوق الاوراق المالية السعودي خلال الفترة (2006-2017).

الكلمات المفتاح: الأسواق المالية؛ صناديق الاستثمار؛ الكفاءة السوقية؛ تداول؛ مجموعة دبي العالمية.

I- Introduction :

Investment funds are one of the modern instruments in the financial markets. They are investment receptacle that raises the capital of a group of investors managing with a specific investment strategy and objectives set by the Fund Manager to achieve investment advantages that the individual investor can not achieve individually under the limited financial resources available and the inability of individuals to manage their investments alone which may have significant losses. Its industry has spread tremendously in the financial markets because of its advantages for their investors compared to direct investment. these funds have been affected and appeared a lot of criticism Which led to the emergence of many of the requirements related to them, in terms of selection of the manager with competence and good experience, or choose the type of securities invested in the Fund, and ways to disclose and show information related to the Fund, and protect the rights of the holders of documents, The work of these funds in order to preserve the funds of investors and reduce the risks.

Saudi Arabia was the first Arab country have the experience of the investment funds, when NCB established its first investment fund, Al Ahly Dollar Short-Term Fund, in December 1979. The rules and regulations of Saudi investment funds were issued only 14 years later. Beginning of year 1993.

The increase in the number of investment funds and their role in activating the Saudi financial market and attracting them to savings were necessary to have systems and laws that regulate the work of these funds. The Capital Market Authority (CMA) introduced the investment funds in 2006 by decision No. 1-212-2006 and committed by all companies, But the global financial meltdowns have o have affected their performance and this has been reflected by the large withdrawal of document holders from their funds, so there was a need to find new rules governing the work of the Saudi investment funds and ensure that the holders of documents to protect their money. In light of these variables we have raised the problematic of the paper in the following formula:

What is the role of investment funds in activating and raising the efficiency and performance of the Saudi stock market?

To answer the main problematic of the research paper, the study was divided into three basic points as follows:

Research Questions: The following main question is branched out as follows:

01-Do investment funds have the same importance and role as other investment formats in the global economy?

02-Is there a difference between direct investment and investment through mutual funds in the Saudi capital market?

03-Will the presence of investment funds increase the number of companies listed on the Saudi stock market.

Research hypotheses: To answer the general problem and sub-questions we considered relying on the following hypotheses:

01-Despite the modernity of investment funds, they have a prominent role in the current

economy and other forms of investment.

02-There is a difference between direct investment and investment through mutual funds in the Saudi capital market.

03- The presence of investment funds contributes to ensuring the credibility of the disclosure of information of interest to the competent traders and those interested in the affairs of finance and investment and thus increase the confidence of investors in the stock market, which leads to an increase in the number of listed company.

II. Key features of financial markets:

II.1 The concept of financial markets and their stages of development:

The history of the economic months and the most and important financial markets in the world which known in Europe, as varied definitions according to the point of view of each thinker, but it flows in the same sense.

II.1.1 The concept of financial markets

1- It is defined as: "the place where the seller and buyer meet for financial assets".

But the modern concept of the financial market exceeded the idea of place or space; it has become dependent on the definition of the implementation of the deal, whatever it is through networks such as the Internet or communication ... Etc. If the transaction is generated the market.¹ (Abdel Ghafour Dadden, Ibrahim Bakhti, 2014, p. 46).

Based on the above definition, the researchers see that the financial market is the framework through which the economic surplus is mobilized and redistributed in the areas of activity that generate a higher return and in the same time providing the projects with their liquidity needs and in such a way that through their interaction to determine the fair prices of financial assets Previous.

II.1.2 The emergence and development of financial markets:

It can be said that the idea of markets and their emergence has passed through five stages related to the financial and economic development of the countries: ² (Hassan KhalafFleih, 2006, p.6)

The first phase: presents the beginning of the development of the financial markets, which ensures the existence of a limited number of private banks and money changers. Their existence was linked to a relative increase in incomes, which resulted in an increase in the volume of investments that require banks to borrow from them in response to their inability to provide the necessary financial resources to her.

The second stage: it was characterized by the beginning of the emergence of a central bank that controls commercial banks after the first stage was characterized by absolute economic freedom. Commercial banks at this stage performed their traditional work and increased their acceptance of discounting bills and commercial papers. Their role in credit increased according to the rules issued by the Central Bank. Tried to make its activity internationally, but it was unable to grant loans for specific periods, despite the increase in the demand of individuals for money at this stage.³ (Khalil al-Hindi, Antoine Nashif, 2000, p. 26)

The Third stage: the emergence of The banks specialized in short-, medium- and long-term lending (industrial, real estate and agricultural banks), which issued medium and long-term bonds to meet the needs of projects that varied and expanded in size and number.⁴ (SufianKhoja Alamah, Maryam Kayed, 2013, p. 04)

The fourth stage: the emergence of local monetary markets, interested rates, increased medium and long term Treasury bills, commercial paper activity and tradable deposit certificates. This is the beginning of the integration of the money market into the financial market and the beginning of the emergence of secondary markets to exchange these securities As well as an advanced cash market, which requires substantial financial resources for the volume of operations in which they are conducted. ⁵ (Salah al-Din Hassan al-Sisi, 2014, p 123).

The fifth Stage: it is the stage of integration of domestic financial markets into international financial markets, complementing each other market in terms of money supply or demand. This stage represents an advanced link in the development of the banking system within the country and the development of its general economic facilities.⁶ (Hassan al-Sisi, 2003, p08.)

II.2 Key Functions of Financial Markets:

Economists have summarized the great importance of financial markets in our daily lives and what they offer to the economy in four key functions:

II.2.1 Mobilization of savings: The regulation of financial markets is a meeting between the owners of financial rules, savers, and those who seek and demand those rules, especially international institutions and public organizations, directing the flow of savings available and which the holder wishes to raise, Loans and capital for institutions looking for expansion and investment. ⁷ (Abdel Karim Shukal, Samir Ibrahim, 2011, p 03)

On the other hand, financial markets help to increase national savings by providing the necessary financial instruments such as stocks, bonds, deposits, certificates of savings, etc., thus providing national savings with profitable and low-risk outlets.⁸ (Suleiman Ebadi, 2007, p. 02)

II.2.2 Wealth Store: Financial instruments traded in financial markets are a good way to store wealth for individuals and companies who wish to save and store their money until they need it for future spending. These instruments are better than other fixed assets for three reasons: they give their holders income; they are depreciated as a result of obsolescence. They can also be easily liquidated through financial markets and therefore have lower risks than other assets. ⁹ (ibid., P. 20)

Financial markets play a role as a storehouse of wealth as long as the saver compares the different saving methods based on several criteria, including profit and security to ensure wealth increase. The previous financial instruments give the owner a return or monetary income equal to the value of wealth (w) multiplied by the rate of return on them The following is: $y = wr$.¹⁰ (Abbas Kazim al-Da'mi, op. Cit., P. 124)

II.2.3 Liquidity: Just as financial markets offer opportunities to transfer money into financial forms to retain, in the same time, they provide the opportunity for financiers to transfer their assets from securities to funds that can be invested if the market is efficient and sophisticated. Financial markets give savers two opportunities: both accesses to liquidity and return¹¹. (Abd al-Moneim al-Sayyed Ali, Nizar Saad al-Din al-Issa, 2004, p. 70 / Suleiman Ebadi, op. Cit., P. 02)

II.2.4 Economic status indicator: The financial market contributes to determining the practical trends in the forecasting process. It is the center where the vibrations occurring in the economy are recorded and recorded. The volume of transactions reflects the importance of the liquid assets traded. In addition, the prices which deal forecast the general price of return of the invested amounts. ¹² (Khaled Aigouli, 2009, p. 187)

III-principal features of investment funds:

Investment funds are an important financial instrument for investing in securities. It based on raising funds from young and old savers through investment instruments or documents. These funds are invested in a portfolio of securities that are selected and managed by securities management companies in order to achieve the greatest possible return to investors.

III. 1.The concept of investment funds:

- A financial tool for the collection and management of investor funds, where investors provide their funds to professional departments, which in turn invest them in securities to achieve profit for all parties.¹³ (Carte lauranc. N, 1996, P 08.)

We conclude from the above definition that investment funds are a financial tool to pool the savings of small investors who wish to invest their money, and then invest

these savings in securities through an expert in managing securities portfolios to benefit the founders and investors And the whole national economy.

III.2 Types of investment funds:

can be classified as investment funds according to the following criteria:

III.2.1 According to the finance structure standard: Investment funds are classified in terms of their financing structure into two main types:

1. Closed-end investment funds: Closed-end investment funds are defined as closed-end investment companies, since the number of documents for these funds is fixed and specified, and these documents are sold and bought through the secondary markets of the stock market ¹⁴(Bassam I. Azebe, P.78). According to the regulations of these funds, the owners of these funds may not recover their value from the issuing fund.¹⁵ (Ahmed bin Hassan bin Ahmed al-Hassani, 1999, p.08)

2. Open-end investment funds: The term of the mutual fund shall prevail over this fund. As is clear from the denomination, the size of the fund of the open fund or the funds invested therein shall not be fixed the fund management may issue and sell more financial documents to meet the needs of investors. , As well as the full commitment of the Fund's management to meet the redemption requests that may be made by the owners of the shares or investment units at any time.¹⁶ (Ahmed bin Hassan bin Ahmed Al-Hassani, op. Cit., P 09./- Farida Bin Yousef Zanini, 2006, P. 29, 30.)

III.2.2 - Criteria of the objectives set:

The objective of the Fund is determined in such a way as to attract a certain category of investors. In this regard, we distinguish five types of investment funds according to the main objectives:

1. Income funds: These funds aim to generate current income for investors. The portfolio composition of these funds usually includes bonds that give fixed rates of interest on the shares of stable companies that distribute the bulk of their profits.¹⁷ (Saïid abd AlHamid Mutawa, 2001, p. 446)

2. Growth Funds: These funds aim to achieve long-term growth and a large future return instead of current yield by working to achieve an improvement in the market value of the composition of the Fund ie the securities constituting the Fund's portfolio. The Fund's management invests in shares Small businesses are expected to have future growth as profits are recycled for further capital gains.¹⁸ (Alaa Farhan Taleb et al, Op.Cit., P. 225./ - Nazih Abdel Maksoud M. Mabrouk, 2007, p.

3. Growth and income funds: The purpose of this type is to achieve the two objectives simultaneously (growth and income) in parallel, on the one hand, on the growth of the capital of the investor and on the other hand to achieve a periodic income. It is worth distinguishing between two types of funds: Which give priority to income on capital growth.¹⁹ (Hatem Ghuaib Saeed, Ibrahim Hazza Salim, 2018, p. 326)

4 - Dual target funds: These funds issue two types of documents to meet the needs of two classes of investors, investors who want a return of the periodic can invest in income stocks, while the investor who wants to achieve growth in investment can invest in growth stocks that generate capital gains through the rise The market value of portfolio components, where these funds usually belong to closed end boxes.²⁰ (Abdel Ghaffar Hanafi, Rasameya Qariqas, 1997, p 373.)

5-Tax administration funds: These funds are not distributions to investors, but is reinvestment of the generated profits in exchange for the investor additional shares equivalent to their value, and of course there is no place to pay the tax as long as the investor did not receive distributions in cash, The tax is only payable when the shares are sold. This type of fund may be appropriate for an investor who wishes to delay the payment of the tax to subsequent years, and may be suitable for an investor who is

subject to a high tax bracket under a tax system in which the tax rate on profit is greater than that of capital gains. ²¹ (Monir Ibrahim Hindi, 1994, p 40.)

III.2.3 -Return criterion:

Investment funds are classified according to this standard to: ²² (Omar Abbou, op. Cit., P. 61.- Ahmed Salah Attia, op. Cit., P 24.)

1-Funds with periodic return: This fund are distributed net profit of the investment document holders at quarterly intervals, semi-annual or annual, and includes the prospectus in the document distribution of return, these funds usually invest in stocks and bonds of large and stable enterprises, these founds proportionate to investors who depend the return on their investment to cover their living expenses.

2- Funds with accumulated returns: The fund management reinvests the realized returns in all types of securities available in the financial market. Upon redemption of the asset, the principal and profit are repaid together. These funds invest in ordinary shares in enterprises with higher growth potential it is therefore suitable for investors who do not rely on the return of their investments to cover their living expenses.

3-Funds with cumulative periodic return: This investment fund invests in a diversified portfolio of securities, local and foreign bonds and government securities, and is managed by specialists to maximize the return to investors for distribution to policyholders.

IV- The role of investment funds in activating the Saudi stock market:

The Saudi stock market occupies the leading positions among the Arab financial markets, whether in terms of market value, the size of the listed companies or the number of transactions executed, in addition to the existence of a significant number of investment funds listed in this market.

IV.1.1 Introduction of the Saudi Capital Market:

The Saudi stock market originates in stages, including formation of a ministerial committee 1984, from the Ministry of Finance and National Economy, the Ministry of Commerce and the Saudi Arabian Monetary Agency, with the aim of organizing and developing the market after it was an informal market. SAMA was the governmental body responsible for organizing and controlling the market until the establishment of the Capital Market Authority on 31/07/2003 Of the Royal Decree (M /30), which oversees the regulation and control of the financial market through issuing regulations and rules aimed at protecting investors and ensuring fairness and efficiency in the market.

On 19/03/2007, the Saudi Council of Ministers, headed by the Custodian of the Two Holy Mosques, approved the establishment of a joint stock company on behalf of the Saudi Stock Exchange (Trading) this decision comes in implementation of Article 20 of the Capital Market Law.²³ (Saudi Stock Exchange, Market Overview.)

IV.1.2 Development of investment funds during the period (2000-2017):

The following table shows the performance of the Saudi stock market as a result of the existence of investment funds through several indicators, the most important of which are: number of investment funds, number of investors and number of subscribers and the size of their assets.

Table (01): Total investment funds in Saudi Arabia and total financial assets managed for the period (2000-2017).

Year	Number of active funds	Total assets of funds SR 1 billion	Number of participants at the end of the financial period	Growth rate of Fund assets	Growth rate of participants
2000	138	38.56	95.800	/	/
2001	138	50.06	173.999	%30	%82
2002	143	48.82	165.044	%-2	%-5
2003	170	53.87	172.197	%10	%4
2004	188	60.32	198.357	%12	%15
2005	199	136.97	568.284	%127	%186
2006	214	84.1	499.968	%-39	%-12
2007	252	105.1	426.085	%25	%-15
2008	262	74.81	374.975	%-29	%-12
2009	244	89.55	356.331	%20	%-5
2010	243	94.74	320.415	%6	%-10
2011	249	82.19	293.905	%-13	%-8
2012	240	88.07	275.624	%7	%-6
2013	236	103.18	258.110	%17	%-6
2014	252	110.71	246.031	%7	%-5
2015	270	102.90	236.977	%-7	%-4
2016	275	87.84	224.411	%-15	%-5
2017	273	110.20	238.445	% 25.5	% 6

The source: Saudi Arabian Monetary Agency, Annual Report 2018, p 99.

➤ Analysis of the previous table:

The table shows that the growth in the assets of the investment funds was consistent but rose in 2005 to a very high level due to the large rise in oil prices, which fluctuated between the years to 2007 (the year of the global financial crisis), this crisis hit the global economy and had Direct effects on the Saudi economy through the slowdown in the growth of the Saudi economy and the decline in Saudi exports (petroleum and non-petroleum) and the decline in the flow of foreign investment to the Kingdom, in addition to the survival of the riyal exchange rate low to most customers of the trading partners of the Kingdom, To 56 points compared to last year and to lose the market value of the total issued shares by about 52% (39 CMA, the annual report for 2008), and oil prices fell to a low level in 2009, causing a financial shock to the Saudi economy, the Saudi economy depends on oil exports Accounting for more than 45% of the state's revenues.

In 2012 and 2013, there was a drop in the number of listed funds to 240 and 236 funds respectively, due to the repercussions of the Greek sovereign debt crisis and the CMA's freeze on some funds due to lack of disclosure and transparency of financial reports .²⁴(Omar Abbou, 2016 , P. 174.)

The number of investment funds managed by investment companies in the Kingdom decreased by 0.7 percent to 273 funds in 2017, and total fund assets rose by 25.5 percent to about 110.2 billion riyals at the end of 2017. On the other hand, the number of investors in the funds is linked to the number of investors in the financial market. The decline in the number of investors in the market leads to a decrease in the number of investors in mutual funds.²⁵ (Ahmed Hassan Mahmoud Erabat, 2017, p. 84)

IV.1.3. Total assets of investment funds: In addressing the diversity of assets of investment funds in the language of numbers, we reach the following:

IV.3.1.1 - Total assets by type:**Table (02): Assets of Investment Funds by Investment Type (2006-2017). Unit: billion riyals.**

Type of fund	Local stock	Foreign stock	Local bonds and instruments	Foreign bonds	Local money instrument	Foreign money instrument	Other local asset	Other Foreign Asset	real estate investment	Total assets
2006	31.960	15.583	1.683	168	23.951	3.512	3.749	3.501	/	84.108
2007	45.206	16.809	531	264	29.362	3.518	4.611	4.799	/	105.099
2008	17.085	9.749	1.618	559	38.289	2.252	2.145	995	2.149	74.814
2009	19.281	10.009	1.960	324	49.402	4.099	1.167	974	2.332	89.548
2010	20.948	10.933	2.995	363	48.330	8.028	693	976	1.473	94.740
2011	18.472	9.289	3.031	2.560	40.132	5.454	1.156	359	1.740	82.193
2012	19.192	10.354	2.086	1.807	44.874	6.034	1.833	60	1.817	88.068
2013	23.639	12.170	2.878	1.731	50.809	7.005	1.411	409	3.127	103.179
2014	24.477	11.215	3.973	2.019	45.674	15.194	4.189	410	3.560	110.711
2015	20.025	10.573	5.830	2.017	43.691	12.976	4.014	407	3.365	102.898
2016	16.386	4.940	5.577	2.282	70.793	10.570	4.698	388	3.200	87.836
2017	17.988	5.420	4.996	1.528	55.169	11.598	8.743	542	4.249	110.233

The source: -Prepared by the two researchers depending on the various reports of the Saudi capital market.

The table above shows the assets of investment funds in the period 2006-2017.

There has been a fluctuation in the evolution of total assets throughout the study period, but in particular from 2006 to 2009 due to the crisis in the financial bubble that hit the Saudi securities market, where the assets of investment funds in general fell and investments in local stocks in particular, Local funds had fallen to 32 billion riyals. However, local equity funds maintained the lead among other types, and then returned to growth in 2007 to reach 45.2 billion riyals, an estimated 43% of total assets.

In a separate context, the global financial crisis, which broke out in early 2007 and exploded in the ninth month of 2008 and was considered the worst since the Great Depression of 1929, caused huge losses in all the world markets and collapsed indices and assets fell dramatically, and the Saudi stock market like The rest of the global markets witnessed a significant decline in the level of indicators and the assets of investment funds fell, affected by the decline in domestic and foreign stocks and other assets, and remains the impact of the decline in domestic stocks to 17 billion riyals after it was 45.2 billion riyals in 2007, representing 22.8% of the total market S, and note the escape of fund managers to invest in local monetary instruments, which rose to 38.2 billion riyals.

Interestingly, whenever a crisis hits the financial markets, monetary instruments are used as a safe haven for funds to avoid large losses. This is what distinguishes investment funds in preserving assets through diversification. As markets stabilize, fund managers return to invest in domestic and foreign stocks. In 2009, where local stocks rose to reach 20.9 billion riyals in 2010, while in 2011 there was a decline in total assets amounted to 13.2% as a result of the repercussions of the Greek sovereign debt crisis, but if we talk about the rest of the years, we noticed an improvement in a J To fund

assets with the exception of 2016, which fell by 14.64%, and it soon rose by 25.50% in 2017.

IV.3.1.2 - Total assets of open and closed funds:

Table (03): Investment funds (open / closed) in the period (2000-2017). Assets: MSR.

Period	open		closed		total	
	number	assets	number	assets	number	Assets
2000	136	38552	2	4	138	38556
2001	137	49862	1	198	138	50060
2002	139	48149	4	678	143	48827
2003	166	53190	4	676	170	53866
2004	176	58741	12	1576	188	60317
2005	188	135838	11	1136	199	136974
2006*	--	--	--	--	214	84108
2007*	--	--	--	--	252	105100
2008	243	71652	19	3162	262	74814
2009	235	87929	9	1619	244	89548
2010	233	93592	10	1148	243	94740
2011	239	80746	10	1447	249	82193
2012	229	86324	11	1744	240	88068
2013	226	100644	10	2535	236	103179
2014	242	107711	10	3 000	252	110 711
2015	261	100572	9	2 326	270	102 898
2016	263	84976	12	2 859	275	87 836
2017	255	98251	18	11 982	273	110 233

The source: www.cma.org.sa 30-06-2019 * 18: 35

*Lack of information on the volume of assets of open and closed investment funds during 2006, 2007, refer to changing the source of information from the Saudi Arabian Monetary Agency to the Capital Market Authority.

Table analysis:

It is clear from the table above those investors in investment funds prefer to go to opened funds because of their characteristics (providing liquidity to subscribers continuously) through the constant readiness to repurchase investment documents at the request of the subscriber. However, The relation of investment funds to the Saudi Stock Exchange remains very limited and under the Fund's management policy and its category, unlike closed funds that are closely related to the trading market where they are traded in a market like securities (equities and bonds) .They are traded in the form of investment documents, but their number remains a little and fluctuates While the number of funds stood at 18 funds in 2017, the open funds were in continuous growth, reaching 255 compared to the same year.

In the distribution of assets by sector, the following tables show that for 2006, 2007 and 2008-2011 as follows.

Table (04): Volume of Investment Fund Assets in the Saudi Stock Market Sector in 2006-2007.

sector	2007		2006		change
	Volume in million SR	percentage	Volume in million SR	percentage	
Banks	9,175	21%	6,975	22.5%	%31.5
Industry	21,64	%49.5	11,891	38.3%	%82.0
Cement	3,401	%7.8	3,469	11.2%	%2.0-
Services	2,3	%5.3	1,535	4.9%	%49.8
Electricité	191	0.4%	686	2.2%	%-72.2
Télécommunications	3,137	7.2%	4,114	13.2%	%-23.7
Insurance	1,087	%5.2	1,017	3.3%	%6.9
Agriculture	127	%0.3	97	0.3\$	%30.9
liquidity_	2,62	%6	1,279	4.1%	%104.8
total	43,678	100%	31,063	100%	%40.6

The source: Saudi Capital Market Authority.

- ✓ The table above shows the following:
- The most investment in the investment funds in the industrial sector was concentrated, with total investment reaching about 216 million riyals in 2007 and 49.5% of the total investments in all sectors in 2006, investment funds accounted for 38.3%.
- The volume of investment fund assets in 2007 increased in the sectors of banking, industry, services, insurance and agriculture by 6.9% in the insurance sector and 31.5% in the banking sector compared to 2006.
 - The volume of fund assets in 2007 in the sectors of cement, electricity and communications decreased by 2%, cement sector and 72.2% electricity sector.
- But the expansion of the activity of investment funds to include many other sectors as shown in the following table:

Table (05): Volume of Investment Fund Assets in the Saudi Stock Market for the years 2008-2011

sector	2008		2009		2010		2011	
	Volume billion	percentage	Volume billion	percentage	Volume billion	Percentage	Volume billion	percentage
Banks and Financial Services	3.237	19.7%	4,119	%22	4707.9	24.7%	3639.0	%21.2
Petrochemical Industries	3.22	19.6%	4,64	%25	5592.8	29.3%	4920.8	%28.7
Cement	0.981	6.0%	1,067	%6	950.6	%5	1267.4	%7.4
Retail	0.458	2.8%	0,725	%4	766.4	%4	1103.5	%6.4
Agriculture and Food industries	0.843	5.1%	1,167	%6	1491.8	7.8%	1237.8	%7.2
Energy and utilities	0.049	0.3%	0,084	0.5%	340.9	1.8%	208.6	%1.2
Communications and Information Technology	1.728	10.5%	1,981	%11	1921.6	10.1%	1494.8	%8.7
Multi-investment companies	0.06	0.4%	0,045	0.2%	5.4	0.03%	0.9	%0.01
Insurance	0.002	0.01%	0,064	0.2%	70.5	0.4%	74.6	%0.4
Industriel Investment	0.912	5.5%	1,304	%7	1248.8	6.5%	1336.2	%7.8
Construction	1.144	6.9%	1,467	%8	1123.1	5.9%	837.1	%4.9
real state développement	2.396	14.5%	0,489	%3	460.1	2.4%	468.1	%2.7
Transportation	0.172	%1	0,173	%1	105.6	0.6%	13.0	%0.1
Media and Publishing	0.015	0.1%	0,021	0.1%	15.3	0.1%	17.2	%0.1
Hôtels and Tourisme	0	%0	0,0004	0.002%	0.04	0.0002%	0.04	%0.0002
Other (liquidity and money market)	1.253	7.6%	1,196	6.0%	273.3	1.4%	516.2	%3
Total	16.470	%100	18,542	%100	19074.1	%100	17135.1	%100

The source: prepared by the two researchers depending on:

-The Saudi Capital Market Authority, Annual Report 2011, p56.

-The Saudi Capital Market Authority, Annual Report 2009, p56.

➤ The main features of the table can be summarized as follows:

-The number of sectors in which the fund assets have been invested has increased to 16 sectors. Most of the investments in the banking sector were concentrated after they included 90 sectors in the past.

-Most of the investments of funds investment were concentrated in the petrochemical, banking and financial services sectors with volume amounted to 4.64 billion SR and 4.1 billion SR in 2009, representing 25% and 22% the two sectors constitute almost half of the funds' investments by 47% This ratio exceeds 50% of the total fund investments in all sectors participating in the Saudi stock market in 2010 The volume of assets of the Petrochemical Industries sector, banks and financial services are 4.70 billion riyals, 5.59 billion riyals respectively.

Among the sectors that have witnessed a decline in performance is the real estate development sector, which fell from 14.5% in 2008 to 3% in 2009, which is one of the largest sectors affected by the crisis of Dubai World, which threw the imbalance on all the Gulf countries, especially in the real estate.

The investment in the hotels and tourism sector remained the last in terms of volume by about 400 thousand riyals at a rate of 0.002%.

IV.1.4 the contribution of the investment funds in the Saudi Stock Exchange in nominal terms.

Table (06): Share of Investment Funds in the Saudi Stock Market during the Period (2005-2017)

year	Market value of securities market billion R	Investment of funds investment in stocks billion R	Share of investment funds in the Saudi financial market %
2005	2438.2	89.444	3.67
2006	1225.9	31.960	2.61
2007	1946.4	45.206	2.32
2008	924.5	17.085	1.84
2009	1195.5	19.281	1.61
2010	1325.4	20.948	1.58
2011	1270.8	18.472	1.45
2012	1400.3	19.192	1.37
2013	1752.9	23.639	1.34
2014	1812.9	24.477	1.35
2015	1579.1	20.025	1.27
2016	1682.0	16.386	0.97
2017	1689.6	17.988	1.06

The source: - Prepared by the two researchers depending on:

- Data in Table (02).

Saudi Arabian Monetary Agency, Annual Report 2010, p. 81.

- Saudi Arabian Monetary Agency, Annual Report 2014, p. 87

- Saudi Arabian Monetary Agency, Annual Report 2018, p. 90.

Analysis of the previous table:

In recent years, there has been a significant increase in the number of investment funds reaching 273 funds in 2017, despite the fluctuation of their assets and the negative repercussions that were leaked domestically to the Saudi economy and which were left behind by financial crises, notably the mortgage crisis. However, the contribution of investment funds to the total market value of the Saudi financial market Is still small despite the results achieved in 2005 by 3.67% of the total market capitalization, which represents the highest percentage of funds investments in stocks, after that, the

performance of investment funds see series of successive declines to reach 1.06% in 2017, thanks to the repercussions of the global financial crisis referred to above.

V. Results: This study proved the validity of the hypotheses presented, and concluded a set of results, as follows:

01-The investment funds are very important national economies, like all other forms of investment because they contain all categories of society, small and old savers, **which means acceptance of the first hypothesis.**

02-In contrast to the prevailing perception among traders in the Saudi stock market, investment through investment funds is less risky than direct investment in the market. The average investor may not be able to buy stocks in several companies, but tends to invest in a limited number of stocks, Which may cause them a heavy loss, and so all of the above **contribute to the consolidation of the Second answer to the hypothesis and prove their validity.**

03- Investment funds are a type of investment in which a large number of investors participate. In view of the existence of this number, there is a need to review the performance of these funds. The purpose of this mechanism is to ascertain the adequacy and effectiveness of the performance of the investment funds and to ensure the credibility of disclosure to the relevant parties and thus increase the number of companies that put their papers on the market, **which supports the acceptance of the third hypothesis.**

04- The Saudi stock market is considered one of the largest Arab financial markets by market value of listed companies. The stock market has a sophisticated business system that relies on an electronic system that connects the trading rooms of commercial banks and financial companies and a central computer in the financial market (trading) has the responsibility for reconciling sellers and buyers during trading hours.

05- In the same context, this market is one of the leading markets in the investment funds in terms of number, assets, diversification and organization despite the crises that hit the global financial markets in general and the Saudi stock market specifically. The investment funds have witnessed significant growth, especially in recent years, reached to 273 funds with an asset size of 110.20 billion Riyals, on the end of 2017.

06-Investment funds play significant roles in activating of the Saudi stock market either directly through closed funds or indirectly with open funds, although this experience is still recent in Saudi Arabia compared to developed countries where the first investment fund appeared in 1979 and the return to the bank But its development was only at the beginning of the millennium, specifically in 2001, when the assets rose to 49.8 billion Riyals to reach nearly 100 billion Riyals in 2007.

07-The contribution of investment funds in the Saudi stock market is very weak, which is estimated at 1.06% in 2017 of the total market value. On the other hand, the clear impact of the global financial crisis on the decline in the number of participants in investment funds year after year is starting from 2008 As of the end of 2017 subscribers reached to 238445 The number of investment funds participants linked by the number of investors in the financial market as the decline in the number of investors in the market to decrease the number of participants in investment funds.

-Recommendations: Through the above we recommend the following:

- Developing the rules and foundations for regulating the work of investment funds to keep up with global economic developments.
- Educating investors (natural or legal) about the importance of dealing in the financial market with its various tools, especially investment funds.
- Use a mechanism to reduce corrective or large fluctuations in stock prices. This is done only by the presence of market makers the entry of investment funds into this

mechanism contributes to maintaining the balance of the market and not to any shocks that may affect the market and the investment funds.

- ◀ Increase the number of closed funds and take advantage of their advantages, as the units of investment issued by trading in the stock market and lead to the addition of more securities traded.
- ◀ Recognize the importance of ETFs in attracting foreign investors effectively and their significant role in global markets.

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