

Report on Payments Usage Study

KINGDOM OF SAUDI ARABIA

2023



البنك المركزي السعودي
SAMA
Saudi Central Bank





For correspondence and inquiries:

Postal address:

Saudi Central Bank

P.O. Box 2992, Riyadh 11169

Kingdom of Saudi Arabia

Telephone No.: (+966) 11 4633000

Email: info@sama.gov.sa

For the latest reports, instructions issued to financial institutions supervised by SAMA, monetary and banking statistics, and quarterly balance of payments estimates, please visit SAMA's website at:

<http://www.sama.gov.sa>

Head Office: Riyadh.

Branches: Makkah, Madinah, Riyadh, Jeddah, Dammam, Ta'if, Buraydah, Jazan, Tabuk, Abha.

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1- Executive Summary

National Payment Usage Study 2023

The Saudi Central Bank (SAMA) undertook a cross-country study to assess payment usage behaviors across government, businesses and consumers in 2023, aiming to understand the current share of non-cash payment transactions from the total payments executed in the Kingdom of Saudi Arabia, and assess the progress in the national cashless agenda.

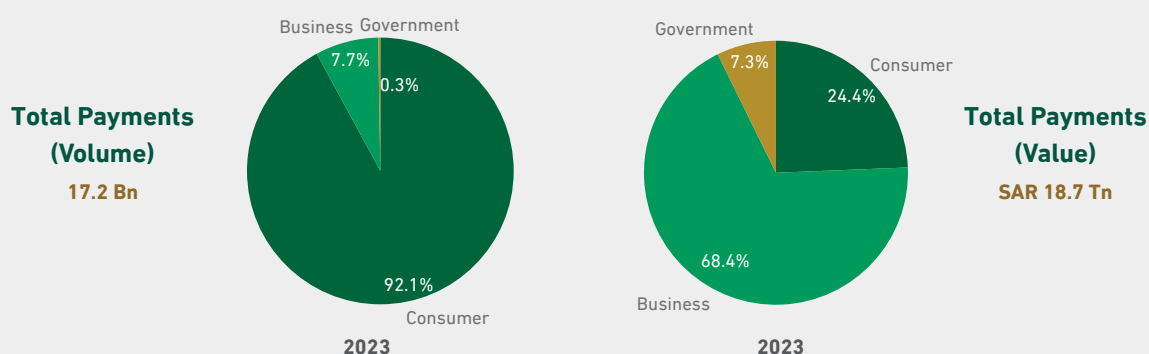
The study was conducted covering over 1,600 consumers and 315 business establishments, and the findings showed that non-cash payment methods continue to be the preferred payment methods among consumers, businesses, and the government in the Kingdom. The results showed that, for the year 2023, only 28% of total payment transactions in the Kingdom were made in cash, compared to 38% in 2021. The share of overall value of these cash transactions remained low, at 5% for the year 2023.

Growth in Nationwide Total payment Transactions

Based on the study, approximately 17.2 billion payment transactions were conducted across the Kingdom in 2023, increasing from 11.3 billion transactions in 2021. The growth in total payments is largely driven by growth in consumer-initiated payments, which constitute 92.1% of all payment transactions. Businesses generate 7.7% of payment volume, and the government sector to 0.3%.

In 2023, the total value of payment transactions is estimated to be SAR 18.75 trillion, with the business segment contributing to the majority of the payment value.

Figure 1: Share of payments by economic agent



Source: Saudi Central Bank.

Increasing Cashless Payments among Consumers

The use of cards and other non-cash payment methods continued to be on the rise among consumers in the Kingdom, in line with the trends seen in recent years.

Card payments continue to be the primary method of payment among consumers, accounting for more than half of all payments (51%), while cash usage has dropped significantly to 30%, compared to 43% in 2021. Card usage, both in PoS and e-Commerce has seen a steep increase in 2023.

Furthermore, the increase in non-cash payments in the Kingdom has seen consumers electing to use a variety of payment methods to make their payments, which, including e-wallets, have seen a surge in usage, as has the instant payments system, “sarie”.

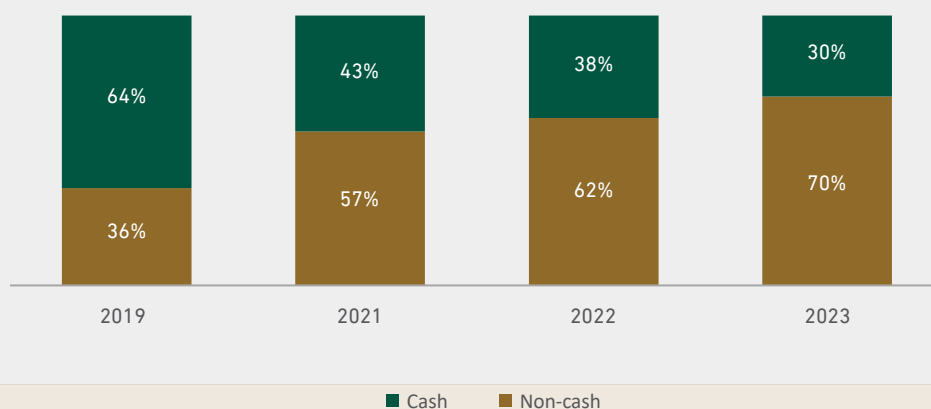
One-Off Payments

One-off payments make up the majority of consumer-initiated payment transactions, accounting for 93% of the total payment volume.

Cash usage for one-off payments has significantly declined to 32% from 44% in 2021, where debit cards continue to be the most common payment method, accounting for 46% of day-to-day discretionary transactions.

Cash continues to be one of the preferred payment methods for lower value transactions. 39% of one-off payments under 50 SAR and 32% of transactions with value between 50 and 100 SAR are paid by cash, and approximately ~70% of all one-off cash transactions are under SAR 100.

Figure 2: Consumer-initiated payment ratios (by volume)



Source: Saudi Central Bank.

Furthermore, e-Wallets account for 14% of low-value transactions under SAR 50, indicating a moderate uptake in its usage as a payment instrument for such transactions. However, debit cards remain the preferred method, representing nearly 42% of all transactions within this value bracket. As the transaction values increase, there is a noticeable shift towards non-cash payment methods, with cash payments dropping to just 19% for transactions above SAR 300.

Grocery purchases represent a significant portion of consumer ‘One-Off’ payments, accounting for 31% of these transactions. Restaurant and café payments account for 22% of the consumer payment volume, followed by Petrol Stations, which account for approximately 10% of all one-off payments in the Kingdom in 2023.

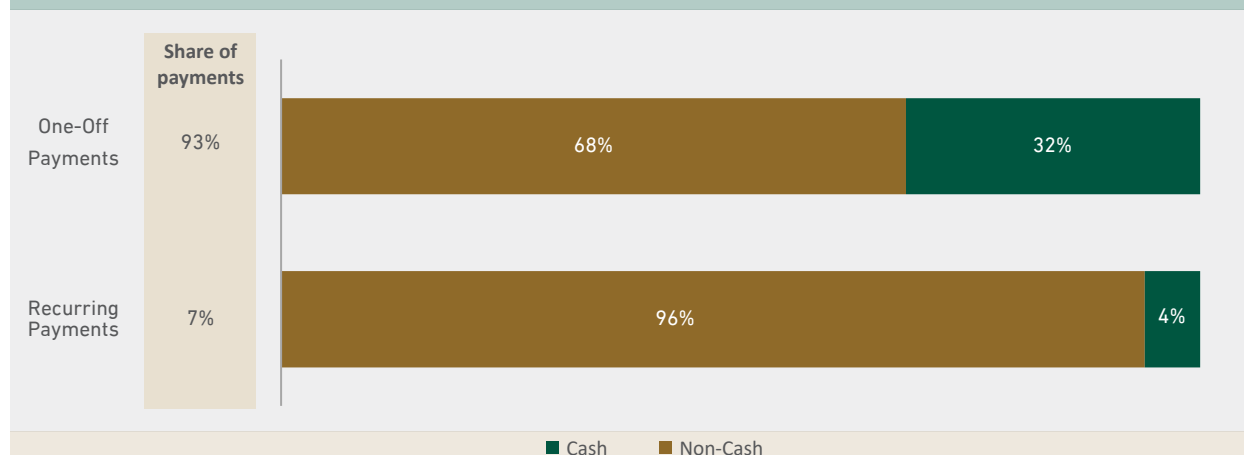
All these sectors have seen a decline in cash usage rates since 2021, wherein both grocery and convenience stores purchases are currently 35% cash, down from 51% in 2021. Restaurants and café’s cash usage rate has dropped from 36% to 28%, and in petrol stations from 51% to 27%.

These latest results demonstrate the significant progress made in recent years to provide Consumer Payment Choice, and a continued shift in consumer behavior away from cash and other less efficient instruments and towards non-cash payments.

Recurring Payments

Recurring payments account for only 7% of consumer payment transactions in Saudi Arabia in 2023. Recurring Payments are those that are periodically paid by consumers. For example, recurring payments include regular bills such as those for telecom or utility, rent payments (house or car), loan installments, as well as other frequent payments such as gym, spa, Buy Now Pay Later (BNPL), and medical insurance.

Figure 3: One-off and recurring payment ratios (by volume)



Source: Saudi Central Bank.

Digital payments now dominate recurring transactions since they have a 96% share. Cash usage rates are seen to be dropping significantly in utility and communication services payments, from 15% each 2% and 3% respectively – owing to the popular use of SADAD payment system, which has supported the migration of recurring payments to non-cash since its introduction in 2004, but with an increasing significance in the last five years.

Declining Cash Usage Among Businesses

Businesses in the Kingdom have maintained the trend of reducing their usage of cash. The outcomes of the survey indicated that 96% of all business payments in 2023 were made via non-cash methods, compared to 84% in 2021.

This reduction in cash usage arises from declining cash use by small and micro enterprises in the Kingdom when making payments to individuals and other businesses. Meanwhile all payments made by businesses to the government are fully digital, largely conducted via SADAD online payment platform.

Larger businesses were observed to use less cash, while small and micro enterprises account for the majority of cash usage by volume. However, there is a clear trend of reducing cash usage even among smaller businesses, with credit transfer being the predominant payment method of choice for business payments.

Government-Initiated Payments Continue to Be Entirely Non-Cash Based

Government-initiated payments in the Kingdom are almost fully conducted via non-cash payment methods since 2019. 100% of all payments initiated by the government towards consumers, businesses, and other governmental entities were delivered through non-cash methods, with credit transfers being the primary method of payment for such transactions. This continues to be the case in 2023.

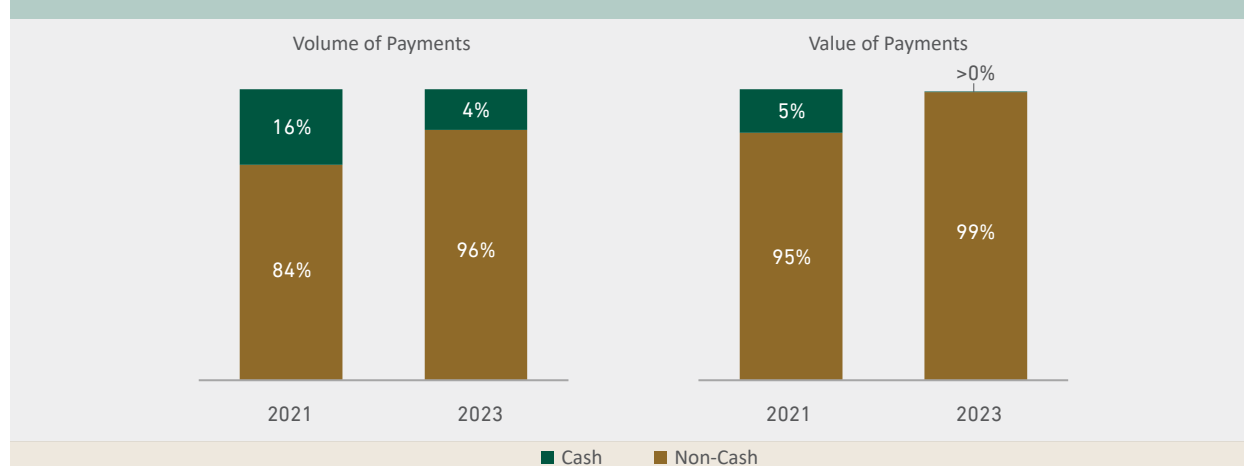
Payment Methods Outlook

The study clearly shows a continued shift in consumer behavior and a progressive growth in adoption of non-cash payment methods. This trend supports the transition towards more commercially efficient methods of payments and away from cash, which is associated with relatively high logistic and infrastructure costs.

Based on the current trend in the non-cash consumer payment rate, the Kingdom continues to be on a solid path to achieve its ambitions.

At the same time, SAMA remains committed to providing payment users with a broad choice of payment methods, enhancing the efficiency of the payment experience through providing the necessary regulations, and fostering the development of the broader payments ecosystem across the Kingdom. At the same time, SAMA will maintain its commitment to ensuring accessibility and availability of cash as a payment method, recognizing its significance within the overall payments ecosystem of the Kingdom.

Figure 4: Business Payments by Payment Means



Source: Saudi Central Bank.

2- Introduction

The Saudi Central Bank (SAMA) is a key stakeholder and enabler of the payments ecosystem in KSA, providing payment users (consumers, businesses and government) with a broad choice of payment methods, and enhancing the efficiency of payment experience for users.

Recognizing the global trend of increasing adoption of digital payment methods, and the increased efficiency associated with digital payment methods, SAMA has led multiple initiatives that enable development and promotion of payment options and encourage the delivery of faster, more efficient digital payment methods. Furthermore, as part of the Financial Sector Development Program (FSDP), the Kingdom had set ambitious targets for the future in 2019, aiming to increase the share of digital payment transactions to 70% of all consumer payment transactions by 2025 and 80% by 2030.

In order to measure progress against this target, and to gain further insights into payment behavior of consumers, businesses and the KSA government, SAMA undertake an annual National Payments Usage Study. This report outlines the key findings of the 2023 edition of this study, which was conducted based upon the global best practices in data collection, processing and analysis, and followed similar methodologies to those employed in previous editions of the study.

The study provides detailed insights into respondents' payment behaviors, utilizing a quantitative and qualitative approach that allows for an assessment of trends and differences across various regional and demographic factors, and includes insights into payment preferences and behaviors over the course of the last day and across a typical month.

All types of payments are considered by the study, which is conducted based upon a 'payment initiator protocol', to avoid any potential double counting, through considering only outward payments initiated by each payment initiator (consumer, business, or government).

The 2022 edition of this study revealed that the share of digital payment transactions initiated by consumers was 62%, surpassing the 60% estimate set out by the FSDP.

SAMA continues to facilitate the need for increased capacity and greater efficiency in payments. This is meant to accommodate the exponential growth that the Kingdom continues to see across its various digital payment systems, including the Real Time Gross Settlement (RTGS) system, Electronic Bill Presentment and Payment (EBPP) system (SADAD), national card payments infrastructure (mada), and instant payments system (sarie). Furthermore, SAMA continues to recognize the need for ensuring accessibility and availability of cash as a payment method and remains committed to enabling broader payment choices and efficiency of payments for consumers and businesses throughout the Kingdom.

3- Payment Usage Study Methodology

This comprehensive study has been developed by the Saudi Central Bank (SAMA). This study seeks to understand payment behavior of consumers, businesses, and government within the Kingdom. The outcomes of this study are based on primary fieldwork, which was conducted between December 2023 and February 2024, utilizing a mixed method (quantitative and qualitative) approach.

3.1 Consumer Module

The consumer survey was conducted using the Computer-Assisted Personal Interviewing (CAPI) method, where consumers were asked questions face-to-face and the responses were digitally captured on a tablet by the interviewer to ensure quality and completeness of the answers.

The sampling approach for the consumer survey was informed by an analysis of publicly available datasets from official government sources. A detailed evaluation of the general population’s structure was undertaken to ensure that the sample mirrored the overall population distribution in the Kingdom, including a balanced representation of age groups, regions, gender, and other demographic variables. Based on the survey’s statistical framework to achieve a 95% confidence level with a margin of error under 3%, 1600 responses were collected from consumers across the Kingdom.

Table 1: Sample Distribution for Population and Consumers

Distribution	Region					Gender		Age Groups					Nationality	
	Central	Eastern	Western	Northern	Southern	Male	Female	24-15	34-25	44-35	54-45	+55	Saudi	Non-Saudi
Population distribution	31%	16%	32%	8%	13%	61%	39%	20%	31%	25%	14%	10%	58%	42%
Sample distribution	31%	16%	42%	10%	9%	60%	40%	20%	31%	25%	14%	10%	61%	39%

Source: Saudi Central Bank.

To uphold the integrity of the data collected, an intensive quality assurance process was implemented. This involved identifying and addressing outliers, speedsters, straight-liners, and respondents with incorrect understanding, among other inconsistencies, which were removed from the dataset.

A total of 31 detailed questions were asked to understand the trends in cash/non-cash usage, payment method preferences, and payment behaviors. Responses were then collated to enable a structured analysis on two levels: an aggregate national overview and a detailed sub-sector segmentation of the data by demographic, geographic, and socio-economic factors.

Survey respondents were asked about two different kinds of payments;

1. One-off Payments¹

Respondents were requested to record all payments made on the previous day. This analysis included examining the variety of payment instruments utilized, identifying the locations or contexts in which these payments were made (e.g., grocery stores/ supermarkets, restaurant/café, etc), and quantifying the amounts spent for each occasion.

2. Recurring Payments²

Respondents were asked about regular financial commitments such as utility bills, subscriptions, and rent or mortgage payments. The analysis here focuses on the type of payment instrument preferred for each payment type and the amounts that were spent on each transaction.

In addition to the above, respondents were asked about their payment habits, preferences and their pain points/challenges when using different payment instruments. Further questions aimed to understand their e-Commerce and Buy-Now-Pay-Later (BNPL) familiarity and usage behavior were posed.

The survey addressed three main categories of payments:

Person to Person payments
P2P

Person to Business payments P2B

Person to Government payments
P2G

According to the survey, the total one-off daily payments made by the respondents amount to 107,070 transactions which are equally distributed across all days of the month. In addition, a total of 8,226 transactions were identified as recurring monthly payments by the respondents. Results from these surveys were consolidated and extrapolated to represent payments conducted by consumers across the Kingdom.

3.2 Business Module

This module was designed to capture a detailed view of the payment practices across businesses in different economic sectors within the Kingdom.

The methodology for this module involved a mixed methods approach – employing personal interviews and self-administered surveys, consistent with the methodology adopted for this study in 2021.

¹One-Off Payments: are defined as discretionary or 'non-contractual' payments made by consumers or business, which form part of their daily commercial activity. One-Off payments, can be both frequent and part of a regular activity – such as weekly or periodic grocery shopping, eating at restaurants or buying fuel at a service station, but they are not generally subject to a cyclical bill or ongoing contract such as a water or electricity bill.

²Recurring Payments: tend to be subject to a service or delivery contract and typically include energy, communications and water utilities.

For SMEs, the survey was conducted through face-to-face interviews, utilizing a Computer-Assisted Personal Interviewing (CAPI) methodology. In the case of larger businesses, the survey was administered through self-completion online surveys and was more data intensive. Follow-up calls were conducted to ensure completion and to address queries of the respondents.

In similar fashion to the Consumer study, the business survey was designed to address three main categories of payments:

Business to Person payments B2P/
e.g. salaries payments

Business to Business payments
B2B/ e.g. vendor payments

Business to Government payments
B2G

In total, the study garnered responses from 315 businesses, carefully selected to ensure the representation of SMEs and large businesses across a diverse range of sectors, in accordance with the different business segments in Saudi Arabia, as defined by the General Authority for Statistics.

A comprehensive set of 32 questions were asked to dissect the various aspects of business payments, covering transaction volume and value, payment instruments usage, and the purpose of payment. The findings from these surveys were then extrapolated to provide a broad view of the Saudi business payment landscape.

Table 2: Sample Distribution for Businesses

Sector	Share of total expenditure	Large Enterprises	Medium Enterprises	Small Enterprises	Micro Enterprises
Retail and wholesale trade	45.6%	1	10	36	71
Manufacturing	20.5%	2	10	26	7
Construction	11.8%	2	10	15	6
Travel, tourism, and hospitality	8.8%	--	1	7	10
Finance	2.4%	--	1	5	5
Personal services	2.2%	--	--	2	11
Business services	1.9%	--	1	5	10
Healthcare	1.5%	1	4	5	4
Utilities	0.8%	--	--	3	6
Education	0.8%	--	2	5	3
Communications	0.7%	--	--	4	11
Mining & Metals; Oil & Gas	0.4%	2	1	4	1
Other services	2.6%	2	2	2	1
Sample distribution	--	3%	13%	38%	46%

Source: Saudi Central Bank.

3.3 Government Module

Prior assessments of government-initiated payment activity and behaviors, conducted in 2019 and 2021, showed that approximately 100% of government-initiated payments by value and volume were conducted via non-cash payment methods, with credit transfers being the predominant method of payment used.

The 2023 study aimed to verify the continued overwhelming use of non-cash payment methods in the government sector. To do so, the study took into consideration the published overall government expenditure, which was used to calibrate the total universe of payments in terms of value and volume, to ensure alignment of the outcomes of the study with the national monetary metrics for 2023.

4- Key Findings

4.1 Payment Usage Insights

This study, carried out by the Saudi Central Bank, adopts a broad perspective into payment behaviors, analyzing payment behaviors among all types of economic participants; consumers, businesses and government. In contrast, similar research conducted globally typically focuses solely on consumer or 'private sector' payments.

This thorough study offers a detailed insight into the behaviors and preferences in the usage of payment instruments, including cash and digital payments.

In 2023, the overall cash usage rate dropped to 28% of total payments conducted in terms of volume and 5% in terms of value.

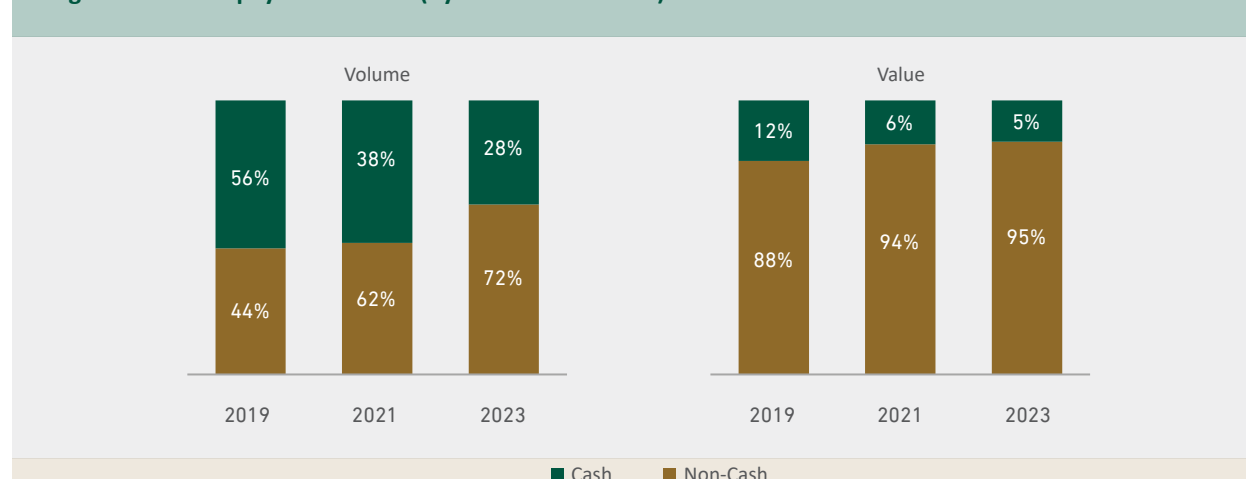
4.1.1 Consumer Payments

Focusing only on consumer payment behavior, the study reveals that 70% of all retail consumer payments are non-cash, achieving the goal set by the Financial Sector Development Program (FSDP) for 2025, two years earlier than anticipated.

4.1.2 Business Payments

There has been a continuous, noticeable shift towards increasing usage of digital payments in the business sector as well, with cash transactions now constituting only 4% of the total volume and less than 1% of the total value. It has been noted that large and medium-sized businesses predominantly utilize non-cash methods for transactions, whereas micro and small businesses constitute a slightly greater share of cash payments by volume.

Figure 5: Overall payments ratios (by volume and value)



Source: Saudi Central Bank.

4.1.3 Government Payments

The government sector maintained its position since 2019, wherein all government-initiated transactions towards individuals, businesses and other government entities were entirely conducted via non-cash payment methods.

4.1.4 Nationwide Payments

Nationwide, it is estimated that individual consumers accounted for 15.8 billion of the approximately 17.2 billion payments in 2023 by volume, indicating that consumers represent 92.1% of all payment transactions (by volume) within the KSA economy, an increase from 85% in 2019.

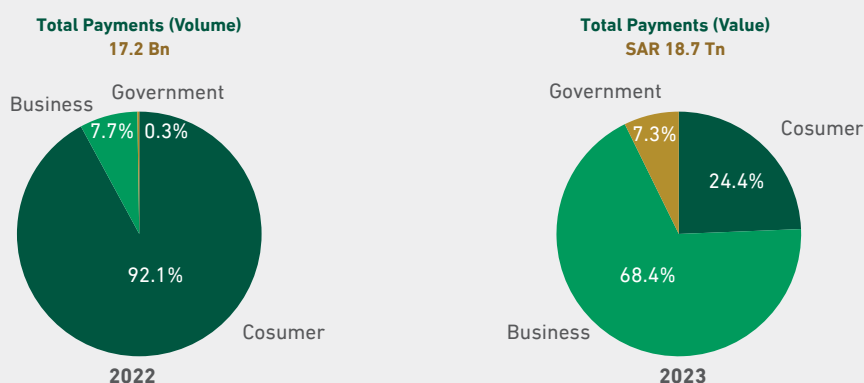
However, consumer payments tend to be of relatively lower amounts in value. In 2023, consumer payments constituted only 24.4% of the total payment value, amounting to SAR 18.7 trillion in the Kingdom, while businesses accounted for 68.4% of the total payment value share.

4.2 Non-Cash Payment Usage Trends

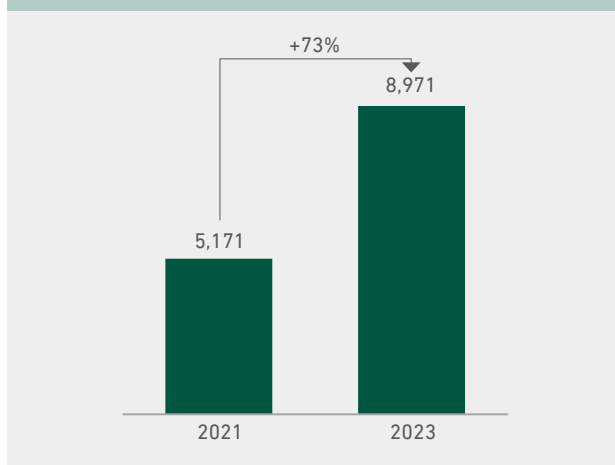
The payments landscape continues to reflect a dynamic shift towards digital transactions within the economy. The total volume of non-cash transactions has surged to approximately 12.37 billion, marking a significant progression from the 7 billion transactions estimated in 2021. This increase represents a nearly 1.77 times growth over last two years.

Card-initiated payments have further cemented their prevalence in non-cash payments, accounting for 80% of all non-cash transactions and amounting to nearly 9.9 billion transactions.

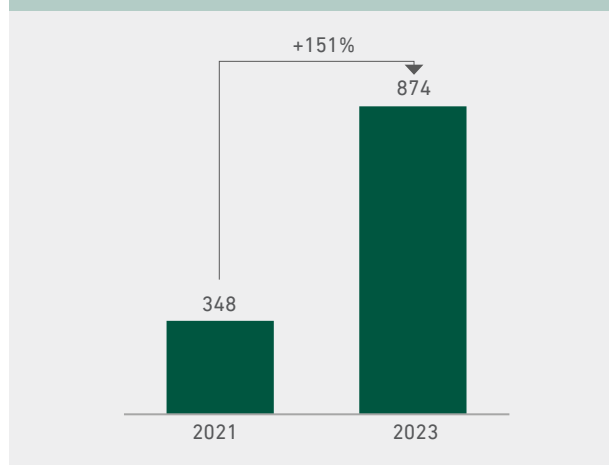
Figure 6: Share of payments by economic agent



Source: Saudi Central Bank.

Figure 7: Yearly Card POS transactions (millions)

Source: Saudi Central Bank.

Figure 8: Yearly e-Commerce transactions (millions)

Source: Saudi Central Bank.

Cards

The overall transaction volume through PoS card transactions grew by nearly 73% from 2021 and currently stands at 8.97 billion, with NFC (Near Field Communication) enabled transactions accounting for 96% of this total. Mobile payments through NFC account for 47% of these payments, highlighting the increasing reliance of users on smartphones for initiating payment transactions.

The landscape of retail payment infrastructure has also experienced notable growth, with the number of installed PoS terminals increasing to 1.74 million in 2023. This growth is attributed to the ongoing push for retail outlets across the Kingdom to accommodate consumer preferences for non-cash payments, further facilitated by the expansion of NFC technology and mobile payment solutions.

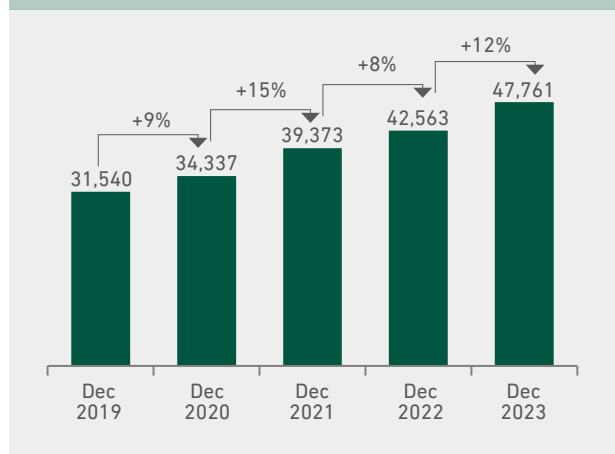
Instant Payments System

Since its introduction in February 2021, the Instant Payments System (IPS) under the 'sarie' scheme has witnessed exponential growth in transaction volumes, increasing from 176 million transactions in 2021 to 437 million transactions in 2023. This growth can be attributed to the system's ability to offer real-time account-to-account transfers coupled with its cost-efficiency.³

Additionally, the transaction volumes through the Real-Time Gross Settlement (RTGS) system have also seen growth, albeit at a slower pace, increasing from 167 million in 2021 to 200 million transactions in 2023. This indicates a shift in some payment use cases from RTGS to IPS.

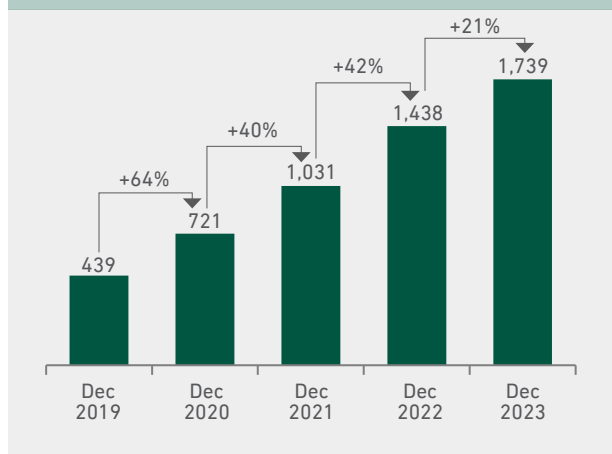
³IPS ensures an average transaction cost of SAR 0.50 for transfers up to SAR 500, and SAR 1 for electronic transfers ranging between SAR 500 and SAR 20,000. This pricing model presents a significant reduction compared to the traditionally higher costs associated with same-day interbank transfers, which were typically charged at SAR 7 by the Real-Time Gross Settlement (RTGS) system. High-value transactions exceeding 20,000 SAR are managed through the RTGS system, where funds are transferred within a few hours to a day, depending on the timing of the transaction initiation.

Figure 9: # of cards (thousands)



Source: Saudi Central Bank.

Figure 10: # of POS terminals (thousands)



Source: Saudi Central Bank.

SADAD

SADAD is a national billing system established by SAMA. Operational since 2004, SADAD supports more than 100 of the largest billers in the Kingdom, encompassing a wide range of sectors such as telecommunications, utilities, insurance, banking, e-commerce, and government services. More than 90% of all bills issued for these sectors are settled through SADAD.

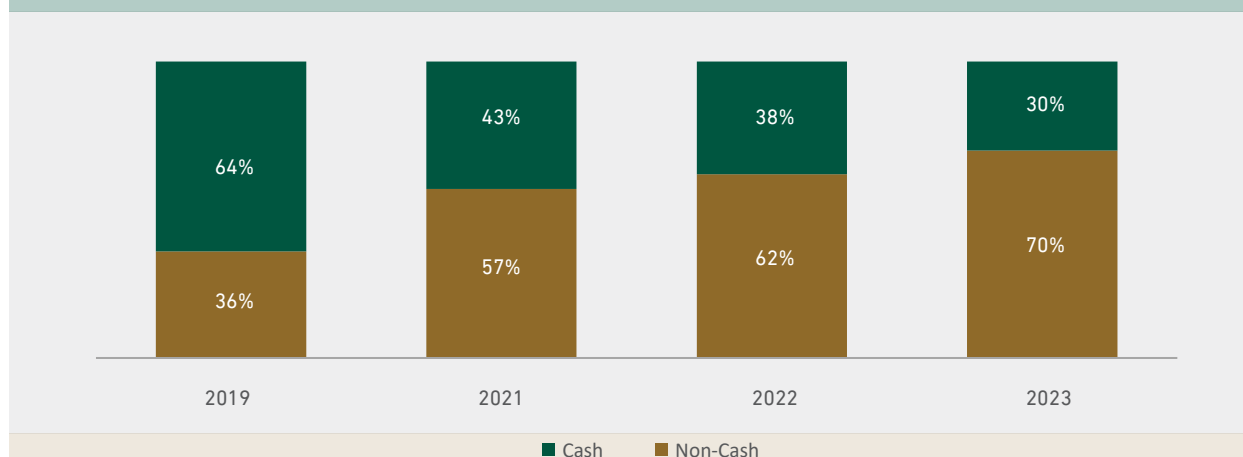
In terms of transaction volume, SADAD platform accounted for approximately 2% of all payment transactions across the Kingdom by volume in 2023. The total number of bills paid through SADAD reached 322 million in 2023, with consumers representing the overwhelming majority of these payments.

4.3 Consumer Initiated Payments

4.3.1 Payment Usage Trends

The study confirms the continued dominance of card payments among the consumer segment, which still accounts for approximately half of all payment transactions by volume. On the other hand, cash usage has witnessed a significant decline, now constituting 30% of transactions by volume (compared to 43% in 2021 and 38% in 2022). This trend is reflective of a global movement towards cashless transactions and can be attributed to the enhanced accessibility and acceptance of digital payment solutions within the Kingdom, bolstered by initiatives undertaken by SAMA along with the banking industry and private sector players.

When asked about their last PoS payment transaction only, respondents indicated that just 16% of these payments were made in cash. This result highlights the significant progress Saudi Arabia has made in reducing cash dependency within its economy and is comparable with the results observed in some other jurisdictions.

Figure 11: Consumer-initiated payment ratios (by volume)

Source: Saudi Central Bank.

The increase in accessibility of Point of Sale (PoS) terminals through targeted regulations and initiatives has broadened the adoption of digital payments among merchants. This, in turn has led to a more robust infrastructure for cashless transactions in the Kingdom.

E-wallets have also shown an increase in usage among consumers, accounting for 13% of transactions by volume. This surge in adoption of e-wallets, including both pass-through wallets and stored value wallets, highlights a consumer preference for mobile and digital payment solutions, favored for their convenience and speed.

The study also provides insights into the average transaction values (ATV) across different payment instruments, indicating distinct consumer behavior patterns. Cash transactions exhibit an ATV of 106 SAR, and e-Wallets slightly higher at 120 SAR, suggesting these methods are preferred for lower-value transactions.

The trend of consumer payment behavior shifting away from cash is also evident in many other countries. However, differences in survey methodologies and the extent of their coverage could affect the comparability of these results. It is important to consider these variations when analyzing trends in payment behaviors across different regions.

Another observable trend is the deceleration in growth of non-cash payments within several predominantly cashless societies, including Sweden, Canada, the UK, the US, and the Netherlands. This slowdown reflects the saturation of digital adoption in the broader market, leaving behind a smaller, yet steadfast community of cash users.

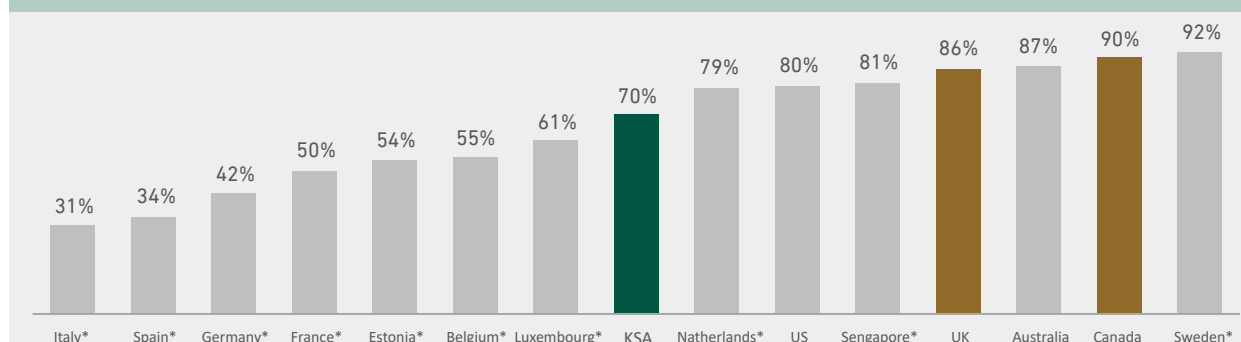
For these typically small segments (of both the consumer and business communities), cash continues to be a significant means of payment. Central Banks are increasingly expressing their intent to not only support cash as a means of payment but also protect the infrastructure for cash transactions, thereby promoting customer choice.

Table 3: Use of payment means by volume, 2021 - 2023

Year	Cash	Cards	E-wallets*	SADAD Payments System	Direct Debit	Cheques	Credit Transfers and others
(2021)	42.5%	52.5%	0.3%	2.7%	0.1%	0.0%	1.9%
(2023)	29.6%	51.0%	13.2%	3.4%	0.6%	0.0%	2.1%

*Including cards payments via E-wallets.

Source: Saudi Central Bank.

Figure 12: Non-cash payments share in selected countries

For countries with, data focuses on payments at points of sale, while data of other countries covers all consumer-initiated payments.

Source: ■ Saudi Central Bank. ■ Banking Institutions. ■ Central Bank/Government.

One-Off and Recurring Payments

The share of one-off to recurring payments has remained relatively the same as 2021 where one-off payments constitute the overwhelming majority of all transactions, making up 93% of all payments (compared to 95% in 2021) and recurring payments making up 7% (compared to 5% in 2021).

4.3.1.1 One-Off Payments

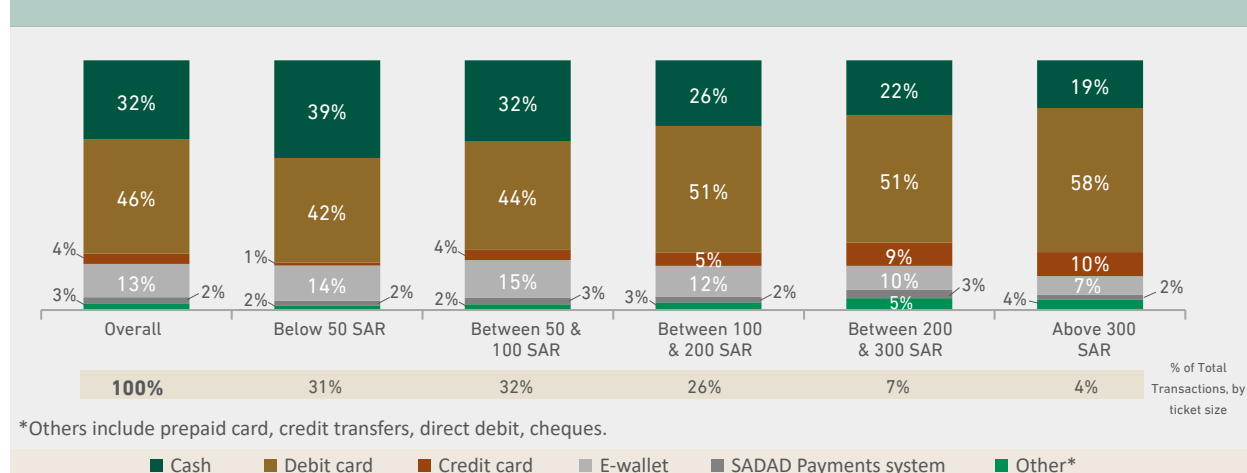
Non-recurring day-to-day payments have seen a significant drop in cash usage, from 44% in 2021 to 32%, by volume. Debit card remains the most common payment instrument used for one-off payments, accounting for 46% of all transactions made in a day.

4.3.1.2 Payment Method Usage by Amount

The examination of one-off payments by payment amount provides further insight into consumer payment preferences. The majority of one-off transactions for consumers are concentrated in smaller amounts, with a combined 63% of all transactions falling below SAR 100. Cash remains a significant payment method for these lower value transactions, as cash usage rates appear to be inversely correlated with transaction value. Furthermore, a substantial uptake in e-Wallet usage can be seen relative to 2021, with a particularly higher usage rate for low value transactions under SAR 100.

As the transaction value increases, the reliance on cash diminishes. For transactions above SAR 100, non-cash payment usage becomes more prominent, with cards being the most common form of payment. For transactions above SAR 300, cash is less commonly used, comprising only 19% of transactions, while digital payment methods evidently hold a greater share.

Figure 13: One-off payments by ticket size



Source: Saudi Central Bank.

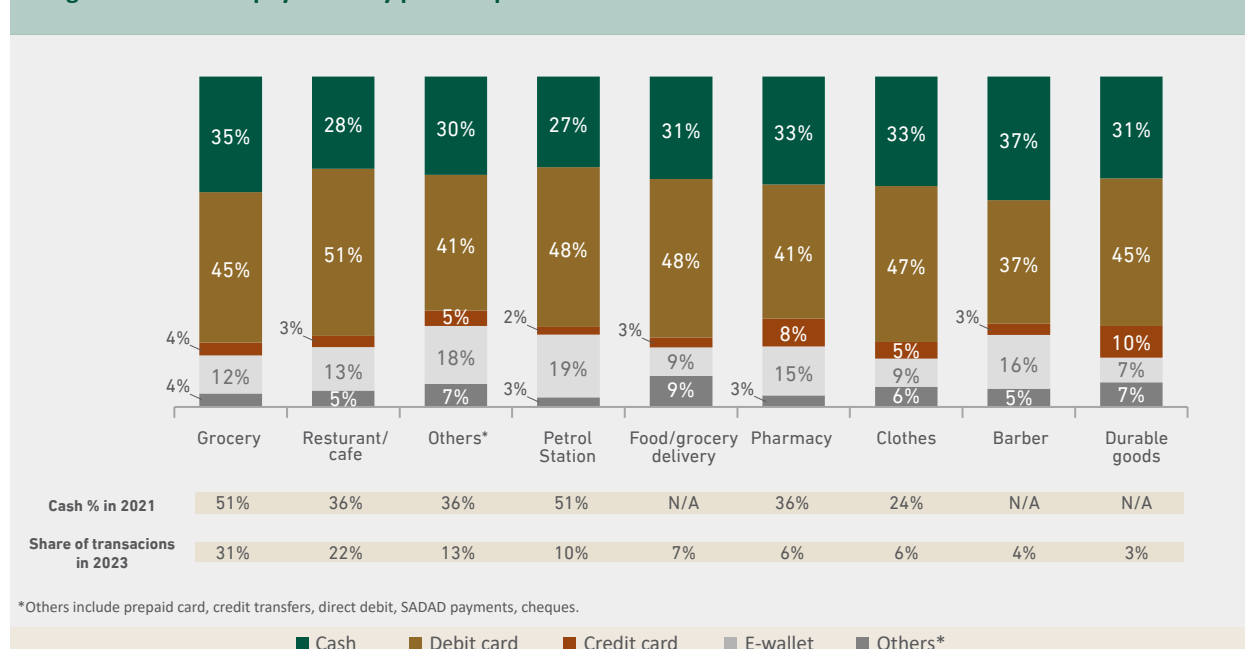
4.3.1.3 Payment Method Usage by Merchant Category

Assessing payment behavior of consumers in the Kingdom by the type of merchant reveals a variation in the use of payment methods across various merchant categories:

- Grocery stores and convenience stores, accounting for 31% of one-off transactions, have witnessed a substantial shift towards cards and a corresponding decline in cash usage, wherein the share of cash has declined from 51% in 2021 to 35%.
- Restaurants and cafes, constituting 22% of transactions, also follow the same trend, with more than half of the payments now made via debit cards.
- This change is driven largely by the prevalence of digital payment methods and the proliferation of PoS devices across these key sectors (Grocery stores and Food & Beverages outlets account for close to half of the total card payment volume) and the convenience of NFC enabled 'Tap & Go' payment transactions.
- Petrol stations exhibited the highest usage of cash in 2021, where 51% transactions were paid in cash. They now show a similar trend as other merchant categories with 48% debit card usage and cash usage reduced to 27%.

The rise of e-Wallets is noteworthy, capturing a significant share across most categories. This shows growing consumer preference in e-Wallet transactions for daily needs, following the trend of increasing NFC-based payments nationally. These trends underscore an important shift in consumer behavior, with a continued move towards embracing digital payment methods for their convenience, safety, and speed. Cash, although declining, remains a notable payment method for certain types of purchases (e.g. barbershops/ convenience stores).

Figure 14: One-off payments by place of purchase



Source: Saudi Central Bank.

4.3.1.4 Use of Payment Methods by Demographics

A younger, digitally capable population, more actively involved in paid employment, with a greater level of social and commercial engagement has prompted more retail activity and a significantly greater use of digital payments.

The demographic analysis reflects the Kingdom's accelerated transition towards a less cash-reliant society. This change is underpinned by SAMA's initiatives for supporting payments options that are secure, fast, and easier customer experience and rising consumer trust in digital transactions.

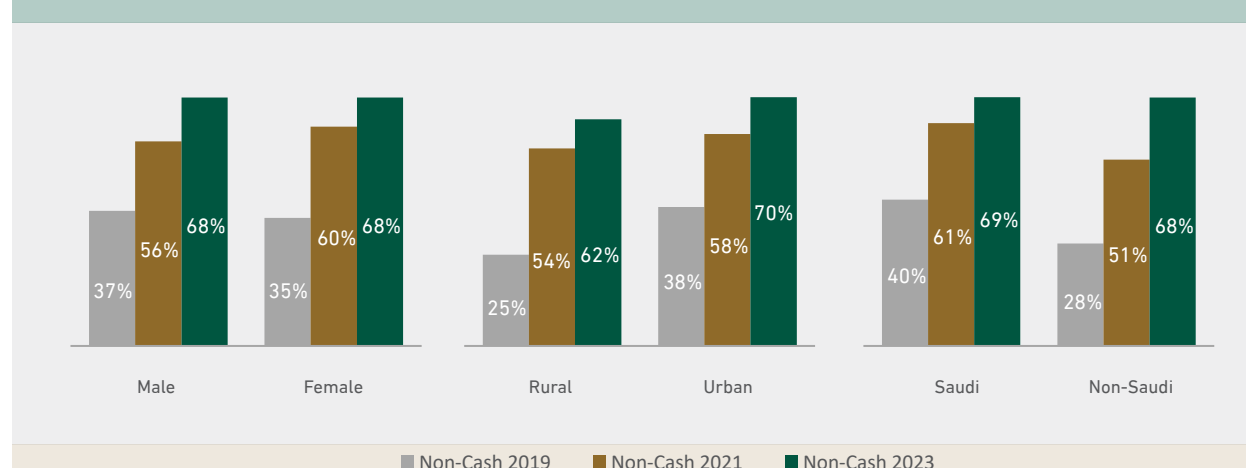
Gender-wise, increase is observed in non-cash payment adoption, with males and females exhibiting a 12% and 8% increase in non-cash, respectively, from 2021 to 2023.

All income groups have seen an increase in non-cash transactions, with digital payment usage most prominent in higher income households. Cash accounts for only ~20% of all payments made by the two highest income groups, by volume. On the other hand, lower-income groups continue to rely more on cash transactions – possibly as a means of micro budgeting.

Geographically, all regions show an uptick in non-cash payments. Significant change is observed in the Central and Southern regions, enabled by SAMAs Point of Sale (PoS) proliferation efforts across the Kingdom.

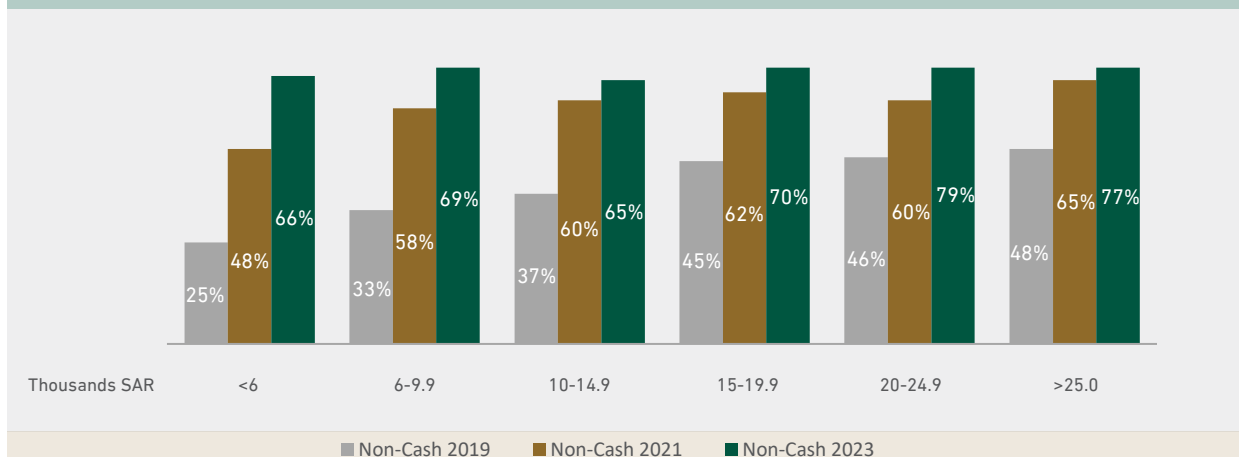
Analysing the breakdown by settlement types, urban areas have a marked preference for non-cash payments, with a 12% increase observed since 2021. On the other hand, rural settlements have also seen an increase in non-cash payment method usage, which has increased by 8% since 2021.

Figure 15: One-off Non-Cash payments by demographic in terms of volume, 2023



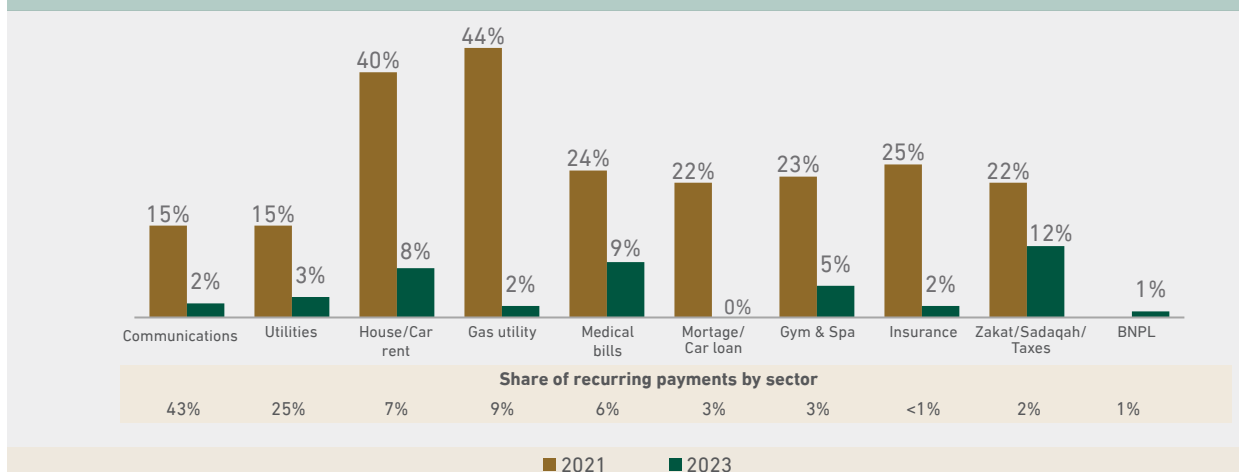
Source: Saudi Central Bank.

Figure 16: One-off Non-Cash payments by income in terms of volume, 2023



Source: Saudi Central Bank.

Figure 17: Recurring payments cash percentage by sector



Source: Saudi Central Bank.

4.3.1.5 Recurring Payments

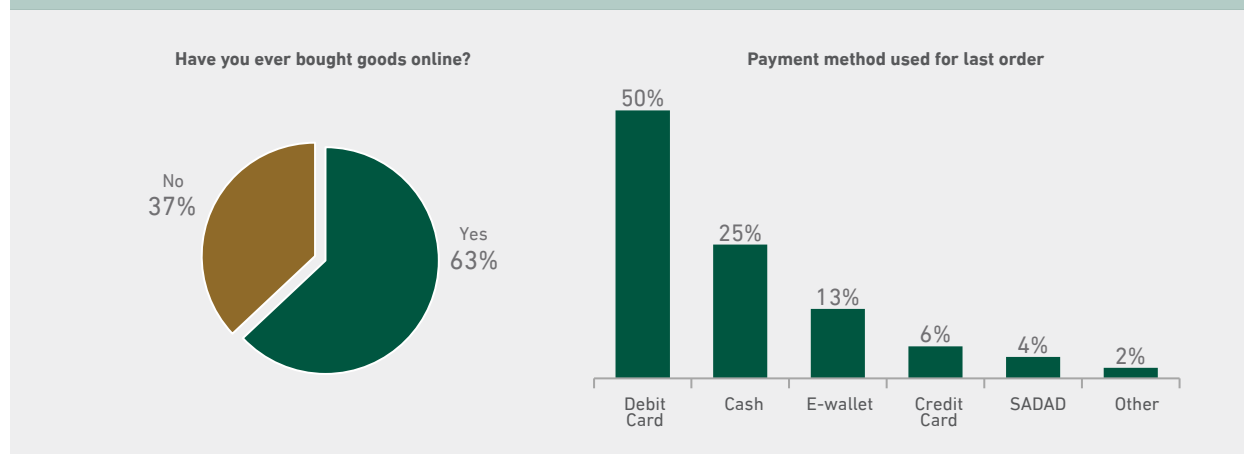
In addition to daily discretionary payments, Saudi consumers engage in various kinds of monthly recurring payments. There has been a widespread transition toward digital payment methods across these transactions, with cash only accounting for 4% of recurring payments by volume in 2023.

Payments for communication services and utilities together make up a dominant portion of recurring transactions, approximately 68% of all transactions. For these two categories, cash usage has significantly declined, with cash use for communication payments dropping from 15% to 2% and utility payments from 15% to 3% from 2021 to 2023. This trend toward digital payments is strongly supported by the usage of SADAD, which is extensively utilized for settling utility and telecommunication bills.

4.3.1.6 E-commerce Payments

The e-commerce payment behavior within the Kingdom demonstrates a strong inclination towards digital payment methods. When asked about the last e-commerce purchase payment method debit cards emerge as the preferred method of payment for e-commerce transactions, with 50% of users opting for this method. Cash on delivery (COD) is the second most preferred method of payment for online purchases, wherein 25% of respondents reported it as a preferred method of payment.

Figure 18: e-Commerce transactions



Source: Saudi Central Bank.

4.4 Business Initiated Payments

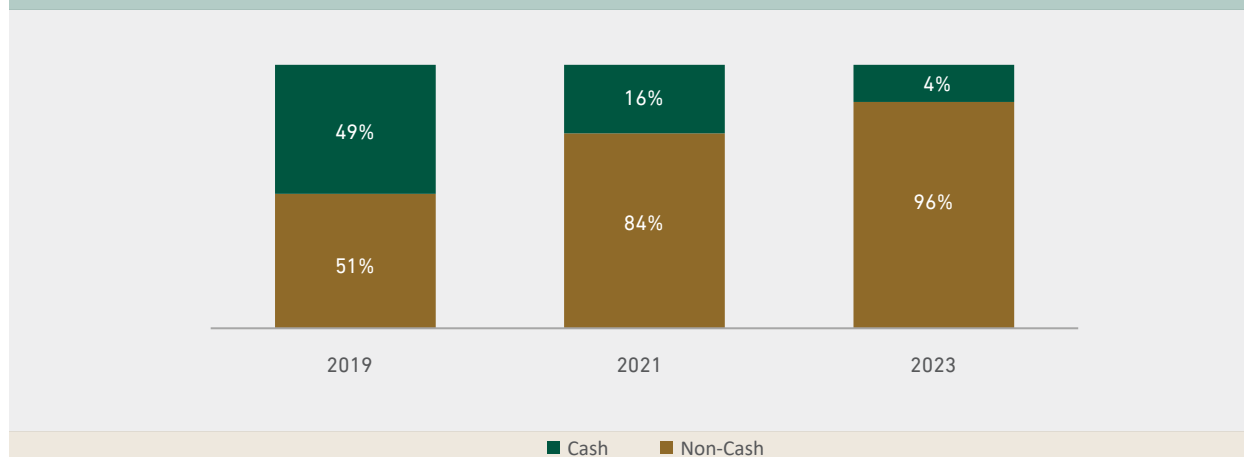
Cash payments by businesses continued to decline over the past two years, with the share of business-initiated cash payments declining to 4%, from 16% in 2021, driven largely by a reduction in cash usage among micro and small enterprises in the Kingdom.

The overwhelming majority of payments initiated by large businesses have been and continue to be made through non-cash methods, resulting in cash payments constituting less than 1% of all business payments by value, dropping from 5% in 2021. Low value cash payments are primarily originated by micro and small enterprises, through B2P and B2B payments.

As of 2021, payments by all types of businesses to government entities have been reported to be 100% cashless (B2G).

The decline in cash usage is evident across all economic sectors participating in this study, wherein credit transfers continue to be the most common method of payment adopted by businesses. A slightly higher usage of cash is evident in economic sectors that comprise a high share of SME and Micro-business establishments, such as Retail & Wholesale, Manufacturing, and Construction sectors.

Consumer spending patterns, as observed through the surveys, have implications for business payment behaviors. With a significant share of consumer cash transactions taking place at smaller establishments such as mini-markets, convenience stores and restaurants, businesses in these sectors are those that have been observed to be more likely to make cash payments towards some of their employees or suppliers.

Figure 19: Business-initiated payment ratios (by volume)

Source: Saudi Central Bank.

4.5 Government Initiated Payments

The detailed assessment of payment activity and behavior in the government sector revealed that 100% of all payments (by volume and value) initiated in the government sector were non-cash. This is consistent with the prior studies conducted in 2021 and 2019, and reflects the government sector's continuous commitment to maintaining the nation's less-cash ambitions.

Government payments towards individuals, businesses and other governmental entities are processed through dedicated channels designed to ensure transparency, efficiency, and security, and enabled through the government's digitization efforts over recent years.

Government-to-Person (G2P) payments are those initiated by government entities to individuals. These include the disbursement of employee salaries, social benefits, welfare payments, and various incentives and allowances. G2P payments are facilitated through platforms such as the Workers' Entitlements System (SARF) and "Etimad" platform, ensuring a direct and secure transfer of funds to beneficiaries.

Government-to-Business (G2B) payments refer to transactions initiated by the government to businesses. These encompass a range of activities such as procurement of goods and services, payments for operating expenses, and utility payments. The Etimad platform serves as the primary channel for initiating these transactions, streamlining the payment process, and enhancing operational efficiency within the business sector.

Government-to-Government (G2G) payments involve transactions initiated by government entities for other government agencies or departments. Platforms like the Etimad and ERAD platforms are instrumental in managing the disbursement of these transactions.

4.6 Efficiency of Payments

Social Cost of Payments reflects all the resource costs in the production and usage of payment services, it is an holistic measure that captures the economic impact of payment transactions on society as a whole.

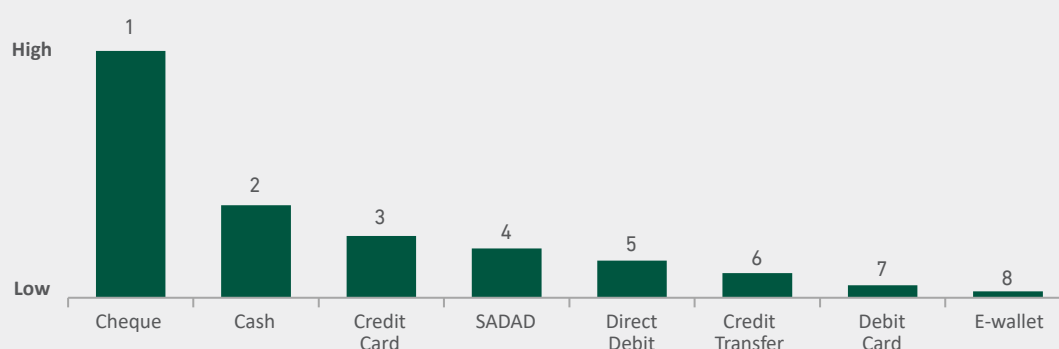
From 2021 to 2023, the total cost to the economy of payments rose by 38%. This is driven mainly by the increase in total payments initiated by individuals, businesses and Government (reflecting an approximate growth of 50% in transactions).

The increasing adoption of digital payment methods, which are associated with lower average resource and transfer costs than their non-digital counterparts, has led to a reduction in the average unit cost of payments by 11% between 2021 and 2023.

Cash and Cheques on the other hand have seen their unit costs increase. This rise can be attributed to diminishing scale economies - as the volume of these type of transactions decreases, the fixed cost associated with maintaining the infrastructure are spread over a smaller number of transactions, effectively increasing the cost per transaction. For cash transactions, the average cost increased by just over 16%.

An increase in card usage further drove down the cost of making both debit card (-16%) and credit card (-28%) payments. SADAD and stored value card payments remain more efficient than the cash alternative.

Figure 20: Cost of payments ranking from the highest to the lowest - 2023



Source: Saudi Central Bank.

5- Concluding Comments

The early achievement of the FSDP's 70% cashless target for 2025 reflects the significant efforts made by SAMA to enhance the digitization of the payment infrastructure in the Kingdom over recent years. SAMA will continue to develop a more digitally capable payment ecosystem, leading to more efficient and cost-effective payments.

SAMA's program of Universal Access for Cashless Payments remains a critical element in the advancement of digital payments. In the past two years, there has been a notable 72% increase in the national PoS estate and a 73% increase in POS card transactions, which has significantly contributed to the ongoing shift towards cashless payments.

Moreover, the notable increase in e-Commerce activities and the steady decline in the use of 'Cash on Delivery' options for e-Commerce deliveries also underline the increasing preference for non-cash payment methods.

SAMA continues to revise its initiatives and regulations in accordance with market behavior and global best practices. With the enactment of the Law of Payments and Payment Services, SAMA has published its implementing regulations, providing more detailed and clearer guidelines for license applicants. In addition, Fintech Regulatory Sandbox was revised in 2022, which has facilitated a large number of payment Fintech companies and the subsequent licensing of 26 non-bank PayTech Companies.

The successful launch of the low-cost, real-time Instant Payment System in 2021 significantly contributed to the digitalization of the payment system in the Kingdom, especially in the P2P sector. It has facilitated 437 Mn transactions in 2023 and become a key enabler of digitizing consumer and business payments. Additional use cases will further broaden its appeal.

With the current non-cash consumer payment ratio reaching 70% in 2023, the Kingdom is well-positioned to meet its estimate of achieving 80% non-cash consumer payments by 2030.

Going forward, SAMA will continue to foster the development of digital payment solutions and regulatory reform, enabling broader payment choices for consumers and businesses along with the banking industry and private sector players.

However, SAMA stays committed to supporting the availability and accessibility of cash, recognizing its significance within the overall payments ecosystem of the Kingdom.

