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The Founding Gap: What 71,000 New Registrations a Quarter Don't Tell You About Building in Saudi Arabia

Saudi Arabia is issuing roughly 71,000 new commercial registrations a quarter and has passed 1.9 million active records, but the formation surge sits atop a venture market that corrected 74% year-on-year in H1 2026 and a five-year startup survival rate still below half. The bottleneck is no longer starting — it is surviving the distance between a commercial registration and an operating, funded business. For founders, funders and service providers, the decision-relevant question has shifted from whether to start to how to reach traction before capital, compliance and cash flow catch up.

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The picture

Business formation in Saudi Arabia is running at industrial scale, and the machinery around it — registration, guarantees, development lending, venture capital — is now dense enough to be read as a single economy. That is what this edition does.

The headline flow is large and steady. Saudi Arabia recorded 1.9 million active commercial registrations by the end of Q2 2026, a 12 percent increase year-on-year, with more than 71,000 new registrations issued during the quarter; the total reached 1,918,512, including 1,280,505 establishments and 638,007 companies. [1] The Q1 2026 print was closely comparable — commercial registrations stood at approximately 1.89 million by the end of the first quarter of 2026, with 71,000 new enrolments issued during the three-month period. [12]

That steadiness itself is a signal. Formation held broadly flat across two quarters even as the ground shifted underneath — a new registration law, a venture correction, and a Ministry-led clean-up of the register. The volume is real; the question this report presses is what share of it converts into operating, financed businesses.

A note on the sources, stated plainly. Two official series describe the same population and do not always agree. The Ministry of Commerce's quarterly Business Sector Bulletin counts commercial registrations; Monsha'at's SME Monitor counts SMEs and lags by a quarter or more. In late 2025 Monsha'at reported active commercial registrations reaching 1.7 million by the end of Q3 2025 [17] , while the Ministry's own count had already moved higher into 2026. Where they diverge, we cite each by name and period rather than blend them — and founders should do the same.

What's driving it

Demand: formation is broad, young and increasingly female

The composition of new registrations is the most structurally interesting part of the data. Women owned 46 percent of active commercial establishment registrations, while 38 percent were owned by young entrepreneurs, [1] per the Ministry's Q2 2026 bulletin. On the flow of *new* records the female share runs higher still: female entrepreneurs accounted for 47 percent of newly issued commercial records in Q1 2026 [12]. This marks a genuine shift in who signs the contracts.

The sector mix tilts toward Vision 2030 priority activities, with e-commerce registrations growing and Saudi Arabia ranking among the world's fastest-growing countries in the sector, and tourism-linked formation — resorts, tourist guides, tour operators, travel agencies, hotels — and logistics all expanding.

Our read on the demand signal: the register is filling with exactly the experiential, lifestyle and services activities VI tracks — but registration measures *intent to trade*, not trading.

Supply: the register got a rulebook

April 2025 reset the operating system. The Ministry of Commerce implemented the new Law of Commercial Register and Law of Trade Names effective 3 April 2025, establishing a unified commercial registry encompassing all business activities across the Kingdom and eliminating the need for sub-registries. [10] Two consequences matter for founders.

First, the register is now self-cleaning. The system introduced an annual electronic confirmation of registry data, replacing the former renewal process, with registration suspension and eventual deletion for failure to confirm data within specified timeframes. [11] The teeth are real: failure to confirm within 90 days of the annual-confirmation due date leads to suspension, and registrations are permanently deleted after one year of suspension. [11]

Second, the clean-up has already started removing records. The Ministry announced the cancellation of approximately 39,000 sub-commercial registrations since the new law came into effect, representing 8.7 percent of the total sub-

registrations. [3] (That tally dates to October 2025; no fresher cancellation count had been published as of this edition.) Our read: headline "active registration" growth is now a *net* number after attrition — which makes the steady 71,000-a-quarter formation flow more impressive, and the survival question more urgent.

There is also a hard operating clock founders underestimate. Businesses are now required to link bank accounts to their commercial registrations, and must obtain activity licences within 90 days of registration. [10] The CR marks the start of a countdown, not the finish line.

Regions: still a three-city economy, with Asir emerging

Formation remains heavily concentrated. Among regions, Riyadh accounted for the largest share of active commercial registrations with 666,108, followed by Makkah with 397,029 and the Eastern Province with 302,165. [1] On *new* flow the same order holds: Riyadh leads new registrations, followed by Makkah, the Eastern Province and Qassim, with Asir emerging further down the ranking.

Asir matters for VI's sectors specifically — it is where entertainment supply is arriving, and where formation is being pulled up behind it. Our read: the giga-project and destination map is beginning to seed a secondary formation geography, but Riyadh still absorbs the overwhelming majority of capital and talent, and a services founder outside the top three regions is building further from both.

Capital: three taps, running at different pressures

Founders draw on three distinct capital sources, and in 2026 they are not moving together.

Venture capital corrected sharply. After a record 2025 — Saudi startups raised $1.72 billion across 257 deals in 2025, a 145 percent increase in funding and a 45 percent jump in deal count year on year, the highest level ever recorded by a single MENA market [5] — H1 2026 reversed. The value of VC investments fell 74 percent to $219 million from around $853 million a year earlier, and the number of deals declined 41 percent to 72, from 122 a year earlier. [4] The concentration is extreme: fintech raised $147 million during H1 2026, accounting for 67 percent of total funding. [4] For a lifestyle or experiential founder, equity capital is scarcer and more selective than the 2025 headlines suggest.

Development lending held up better. The Social Development Bank is the quieter, larger tap. SDB provided financing worth SAR8 billion ($2.13 billion) to individuals and entrepreneurs across various sectors in 2025, of which SAR3.1 billion went to entrepreneurs and small and emerging enterprises, benefiting 8,000 businesses. [6] Relevant to VI's sectors: the value of SDB portfolios allocated to the information technology, gaming and esports sectors increased to SAR 1.30 billion. [15]

Guarantee-backed bank lending is scaling deliberately. In 2024 Kafalah issued financing guarantees worth SAR 13.9 billion, supporting 5,346 SMEs with more than 7,000 guarantees. [7] The programme is pushing higher — Kafalah is aiming to boost its financing-guarantee issuances to between SAR 20 billion and SAR 22 billion over 2025 and 2026. [7] It is explicitly opening VI-relevant sectors: Kafalah is preparing to launch new initiatives including sports-related ventures to support the Kingdom's journey toward hosting the 2034 FIFA World Cup. [7] The early entertainment numbers remain a small share of the overall programme, though the precise entertainment-sector cut is not confirmed here.

The gap: where founders stall between CR and cash flow

This is the crux of the edition. The distance between issuing a commercial registration and running a funded, operating business is where the formation economy leaks — and the official data now lets us see it.

The survival number is the starkest. The five-year startup survival rate has improved from 30 percent to 42 percent, though it remains below the 60 percent target. [8] In plain terms: on current evidence, most new ventures do not reach year five. And international benchmarks suggest the danger zone is early — SME mortality rates are highest in the first three to five years of operation, implying that sustained support for enterprise viability, not just formation, is essential. [13]

The financing structure explains much of the stall. Over 80 percent of GCC bank lending flows to government entities and large corporates, with SMEs receiving less than 7 percent of total credit facilities in Saudi Arabia. [9] Collateral norms compound it: most GCC banks demand 200–250 percent collateral coverage for SME loans, far exceeding the 140 percent required for corporate lending. [9] The aggregate shortfall is large — the SME funding gap in Saudi Arabia is estimated at over SAR 300 billion (USD 80 billion). [14]

And the destination the whole system is built toward has barely moved. SME contribution to GDP has moved only modestly from its 20 percent baseline — Vision 2030's own tracker pages diverge on the current print, one reporting 22 percent [8] and another 28 percent [13]; we quote the more conservative figure — and either reading leaves it well short of the 35 percent target, the single widest structural gap in the entire Vision 2030 framework. [8]

Our read on the gap: Saudi Arabia has solved *formation* — it is cheap, fast and legislatively supported. What it has not solved is the *middle* — the 12-to-36-month passage from CR to repeatable revenue, where equity is fintech-concentrated, bank credit is collateral-gated, and a compliance clock (90-day licence, annual confirmation, linked bank account) runs regardless of whether the business is trading. This is the founding gap, and it is where advisory, revenue-based finance and disciplined market testing earn their keep.

The numbers

METRIC	VALUE	SOURCE (PERIOD)
Active commercial registrations	1,918,512	MoC Business Sector Bulletin (Q2 2026) [1]
New registrations issued in quarter	71,000+	MoC (Q2 2026) [1]
Women-owned share of active establishment CRs	46%	MoC (Q2 2026) [1]
Female share of newly issued CRs	47%	MoC (Q1 2026) [12]
Riyadh / Makkah / Eastern active CRs	666,108 / 397,029 / 302,165	MoC (Q2 2026) [1]
Sub-registrations cancelled under new CR law	~39,000 (8.7% of sub-registrations)	MoC via Saudi Gazette (Oct 2025) [3]
VC funding, H1 2026	$219m (−74% YoY)	MAGNiTT / SVC via Argaam (H1 2026) [4]
VC deal count, H1 2026	72 (−41% YoY)	MAGNiTT / SVC via Argaam (H1 2026) [4]
Fintech share of H1 2026 VC funding	67% ($147m)	MAGNiTT via Argaam (H1 2026) [4]
Full-year 2025 startup funding	$1.72bn / 257 deals	MAGNiTT via SPA (2025) [5]
SDB financing, 2025	SAR 8bn; SAR 3.1bn to 8,000 SMEs	Social Development Bank (2025) [6]
Kafalah guarantees issued, 2024	SAR 13.9bn; 5,346 SMEs	Kafalah CEO via Sharikat Mubasher [7]
Kafalah 2025–26 issuance target	SAR 20–22bn	Kafalah CEO via Sharikat Mubasher [7]
Five-year startup survival rate	42% (target 60%)	Vision 2030 tracker (2026) [8]
SME share of total credit facilities (KSA)	<7%	Channel Capital / SAMA data (2025) [9]
SME contribution to GDP	22–28% (tracker pages diverge; target 35%)	Vision 2030 tracker (2026) [8][13]

Our read

The opportunity is the middle, not the start. Formation is a solved problem; survival is not. Any product, service or capital instrument that shortens the passage from CR to repeatable revenue — revenue-based finance, fractional operating

support, licensing-and-compliance navigation, shared experiential infrastructure — is selling into the widest structural gap in Vision 2030 [8]. That is a more durable business than helping people register, which the state has already made cheap and fast.

The trap is registering before you've tested. The new law turned the CR into the start of a countdown — a 90-day licence deadline, a linked bank account, an annual confirmation [10][11] — and the register is now actively deleting the dormant [3]. A founder who incorporates to "look real" before validating demand is buying obligations, not options. This aligns with what we see first-hand: **across the 94 founder concepts brought to VI's free Concept Diagnostic to date, demand spans 16 sectors, concentrated in Tech/SaaS, Lifestyle and F&B — and only about 2% of graded concepts read as viable as framed.** The register is filling faster than viable propositions are forming. The scarce input is a tested concept, not a CR.

Who wins. In experiential, lifestyle and F&B, the winners in 2026 are the capital-light and the disciplined: founders who test a single site or format before signing a lease, who reach for guarantee-backed debt [7] and development lending [6] rather than waiting on an equity market that has narrowed to fintech [4], and who treat the female-founder surge [1] as the demand signal it is. Service providers who can price and deliver the "middle" — traction, compliance, working capital — win alongside them.

What to watch

- **Q3 2026 Ministry of Commerce Business Sector Bulletin (expected October 2026):** whether the ~71,000-a-quarter formation flow holds as register clean-up continues, and whether net active-CR growth decelerates as deletions accelerate under the annual-confirmation regime [1][3].
- **H2 2026 MAGNiTT / SVC data:** whether the H1 correction was a post-Eid, mega-deal-absence pause — as the data framing suggests

activity in Q1 remained in line with the 2025 quarterly average, while Q2 saw the lowest deal count since Q3 2020 as announcements were delayed after the Eid holiday [4] — or a genuine reset, and whether non-fintech sectors recover any share of the pie [4].

- **Kafalah's SAR 20–22bn issuance push and its sports/entertainment products [7]:** the clearest near-term signal of debt capital reaching VI's sectors ahead of the 2034 World Cup build-out.
- **Biban 2026 (Monsha'at's annual forum):** watch the financing portfolios pledged — Biban 2025 launched seven portfolios worth over SR7.6bn in a single day

(11 agreements and seven financing portfolios above SR7.6 billion / $2.03 billion) [18] — as a barometer of how much of the "middle" is being funded versus announced.

- **SME-GDP contribution updates:** any movement off 22% toward the 35% target is the single most important indicator of whether the founding gap is actually closing [8].

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