

Increasing Saudi Non-oil Revenue Through Umrah Tourism: Prospects And Challenges

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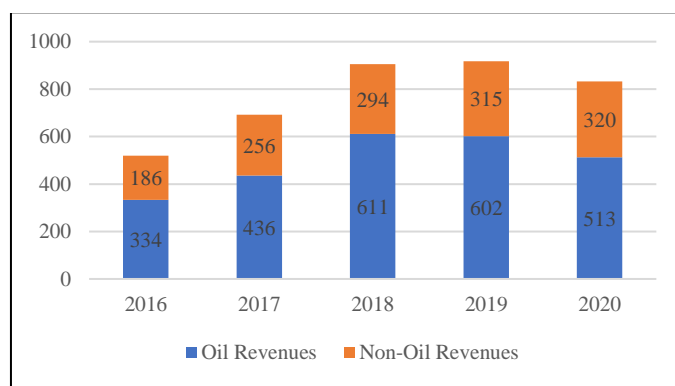
Abstract—Economic diversification is a critical priority for Saudi Arabia, integrated into Vision 2030. An increase in Non-Oil Revenues (NOR) through various channels, including tourism, is one of the most critical factors from this perspective. This study aimed to examine NOR contributions to the Umrah ecosystem. It applied a qualitative research approach and combined the Delphi method, expert interviews, the analytic hierarchy process (AHP) technique, and secondary data analysis to project NOR revenues from Umrah visitors between 2023 and 2030. It was found that the total NOR of Umrah visitors is likely to increase from 11.69 billion SAR in 2022 to 50.91 billion SAR in 2030. Furthermore, if the government introduces expedited visa processing services and fees for visiting historical and religious sites, it can secure an additional 7.38 billion SAR by 2030. The thesis emphasizes the pivotal role of the Umrah ecosystem in Saudi Arabia's economic diversification and the fulfillment of the Vision 2030 agenda.

Keywords—Non-oil revenue, Vision 2030, current NOR, expected NOR, Umrah, tourism, AHP

I. INTRODUCTION

Saudi Arabia has heavily depended on oil revenue to underprop its economy. The nation's oil reserves have shaped its economic landscape (Hasanov & Razek, 2023). However, recognizing the volatility and risks associated with over-relying on oil, Saudi Arabia has embarked on a transformative journey to diversify its revenue sources and reduce this dependence on oil income. In 2007, the non-oil gross domestic product (GDP) in Saudi Arabia was 10.54 percent [1]. Although this figure rose to 13.61 percent in 2008, it consistently declined between 2009 and 2017 before rising steadily between 2018 (14.69 percent) and 2023 (18.81 percent) [1], as shown in Fig. 1.

FIGURE 1. Non-Oil GDP of Saudi Arabia



Five years ago, Saudi Arabia initiated Vision 2030 to diversify its revenues and decrease its heavy dependency on oil. Saudi Arabia's Vision 2030 objectives comprise endorsing the private sector to build a vibrant community, founding a booming economy through diversification, and investing in means to place the Kingdom for international commerce and competition [2]. Umrah underpins Vision 2030's accomplishments. As a result, the government has integrated significant reforms to enable and support the Umrah ecosystem and many supplementary to renovate it to allow Muslims worldwide to maximize Umrah [3]. Although Umrah centralizes service and experience, Vision 2030 accentuates economic growth. Hence, the government should consider several opportunities for Vision 2030 to maximize Non-Oil Revenue (NOR) in Umrah.

Umrah, a pilgrimage to the holy cities of Mecca and Medina, is a significant non-oil revenue stream for Saudi Arabia, as millions of Muslims worldwide undertake Umrah annually. As part of Vision 2030, Saudi Arabia has invested in infrastructure and services to enhance the Umrah experience and increase the number of visitors. Umrah is increasingly considered a tourism activity due to the scale of its international visitors [4, 5]. In 2019, Saudi Arabia welcomed over 8 million Umrah visitors, prompting investments in accommodation, transportation, and other tourism-related services [6]. Improved infrastructure and offerings will position Saudi Arabia as a year-round tourist destination for religious purposes, leisure, and cultural experiences.

The primary aim of this study is to identify and evaluate how to maximize non-oil revenue in the Umrah ecosystem. To achieve this aim, three objectives were suggested to serve the necessity for figuring out the infrastructure of the Umrah ecosystem. The following are the proposed objectives to accomplish the aim:

1. To identify the challenges related to maximizing NOR in Umrah.
2. To identify the strategic initiatives to maximize NOR in Umrah, focusing on increasing the revenue per Umrah visitor.
3. To determine the expected contributions of Umrah visitors to Saudi Arabia's NOR between 2023 and 2030 using the scenarios with and without these strategic initiatives.

The significance of this study is mainly connected with the Umrah ecosystem's critical role in maximizing Saudi NOR and achieving Saudi Vision 2030 goals. The government initiated an ambitious policy to maximize revenues from Hajj and Umrah to \$150 billion through 2022 [5]. In addition to the direct financial profit that Umrah visitors bring, more than half a million [7] persons are working in the tourism field in the Kingdom, which is greatly religiously focused. The role of religious tourism in increasing the income of Saudi citizens living in the cities of Makkah and Medina, in addition to Jeddah, is substantial. It also plays a considerable role in shaping the nation's NOR.

II. METHODOLOGY

The selected methodological approach presents a peculiar mixture of qualitative data collection and quantitative data analysis methods. It emphasizes collecting secondary data, such as government records, published articles and reports, and books and journals, as well as arranging meetings with experts working in the different governmental and private sectors concerned with the field of Umrah. The central part of this study involved conducting semi-structured interviews among six experts to determine and evaluate the expected performance of various initiatives in increasing NOR from Umrah visitors with the help of the AHP technique.

The methodology combines The Delphi method, the Analytic Hierarchy Process (AHP), and a combined forecasting technique based on linear interpolation that uses historical data. The Delphi method is an iterative research approach that elicits and refines expert consensus on contentious topics. The Analytic Hierarchy Process (AHP) is used to construct hierarchies or feedback networks [8] and then make judgments or perform measurements on pairs of elements for a controlling factor to derive ratio scales that are then synthesized throughout the structure to select the best alternative [9].

The analysis of the data was carried out in several stages, such as examining the spending patterns of Umrah visitors, calculating NOR per person, forecasting the number of Umrah visitors during the period between 2023 and 2030, listing the initiatives and expert opinions to define the best initiatives, creating action plans for the best initiatives, and calculating the NOR impact of various scenarios, including those with and without the proposed initiatives. The AHP method was utilized

to analyze five suggested initiatives (introducing fees for visiting historical and religious sites, offering expedited visa processing fees, introducing a departure tax, offering a check-in service before arriving at the airport, and introducing additional health services) based on ranks given to them by the experts. After calculating the normalized weights for each initiative and criterion, the composite scores were computed for all five options to choose the two highest-ranking initiatives. Finally, the projected contribution of these initiatives to NOR was incorporated into the analysis to create four scenarios for the country's NOR based on whether the government will implement the proposed initiatives.

III. RESULTS AND DISCUSSION

A. Spending Patterns of Umrah Visitors

An investigation of Umrah visitors' spending has been conducted to determine the current structure of NOR. One may assume that Umrah visitors have different expenses, including visas, housing, transportation, food, traveling, personal spending, etc. Reliable secondary data online suggests that Umrah visitors' main expenses include housing, transportation, food, and travel costs, whereas Visa and personal spending should be calculated separately [10]. The data provided by the General Authority for Statistics [11] allows for calculating the average length of stay to determine the total spending per night. Table 1 shows that Umrah visitors' average length of stay is 17.20 days. By multiplying the suggested daily spending (30 SAR) by 17.20 days, it is possible to derive 516 SAR, the average amount of personal spending per trip.

TABLE 1. Calculation of the Average Length of Stay per Trip

	One week	Two weeks	Three weeks	Four weeks and more	Total
Percentage of Visitors of Total Number of Visitors	11%	49%	22%	18%	100%
Number of Visitors * Number of Days	5.83	50.11	33.10	36.29	125.33
Average Length of Stay per Trip = ((Number of Visitors * Number of Days)/ Total Number of Visitors)					17.20

B. NOR Per Person

We found that housing fees, airport fees, visa fees, and VAT (15%) are the primary sources of NOR from Umrah visitors. Recent data show that the Visa fee is 300 SAR [12]. According to Zakat, Tax, and Customs Authority [13] of the Kingdom of Saudi Arabia, the country has a 15% VAT tax covering all spending inside the country. The nation also has airport security and building fees of 16 SAR and 110 SAR, respectively [14]. Table 2 provides information about the weighted average of hotel fees based on the data from the Ministry of Tourism [15].

TABLE 2. Calculation of the Weighted Average of Hotel Fees

	4-5 Stars	1-3 stars	Total
Total Rooms per Category	74,731	297,459	372,190
Fees Percentage (%)	5.0	2.5	-
Total Rooms per Category * Fees Percentage	373,655	743,648	1,117,303
W-Average of Fees Percentage (%) = ((Total Rooms per Category * Fees Percentage)/ Total Number of Rooms)	$(1,117,303) / (372,190) = 3.0$		

Table 3 provides information about the structure of NOR and includes detailed information about the VAT, Visa, housing fees, airport fees, and total NOR per person. The total NOR per person, as shown above, is 1,235.78. This figure now should be adjusted for inflation. Using the data from Macrotrends [16], the recent inflation rate of 2.47% can be used.

TABLE 3. The Structure of NOR

NOR Source	Value	Applied for	Absolute (SAR)
VAT	15%	4650 + 516	774.90
Visa	-	-	300.00
Housing fees	3%	4650 * 25%	34.88
Airport fees (security)	-	-	16.00
Airport fees (building)	-	-	110.00
Total NOR per person	-	-	1,235.78

Table 4 provides information about the inflation-adjusted NOR between 2017 and 2030. It illustrates that this parameter is expected to increase from 1,235.78 SAR in 2017 to 1,697.06 SAR in 2030 using the inflation rate of 2.47%. These numbers are used in calculations in the following sections of the study.

TABLE 4. Inflation-adjusted NOR between 2017 and 2030

Year	Inflation-Adjusted NOR
2017	1235.78
2018	1266.30
2019	1297.58
2020	1329.63
2021	1362.47
2022	1396.12
2023	1430.61
2024	1465.94
2025	1502.15
2026	1539.25
2027	1577.27
2028	1616.23
2029	1656.15
2030	1697.06

C. The Initiatives and Expert Opinions

To find suitable initiatives, we conducted a benchmark analysis of several countries that implemented different measures to increase their tourist revenues. Expedited and priority visa processing fees are a popular instrument to boost tourist revenues. The program Global Entry, which works in the United States, allows for expedited clearance for low-risk travelers at selected airports. Travelers submit around 50,000 applications for this program each month, which brings approximately \$5,000,000 in revenues, given that one application costs \$100 [17]. Whereas the United States charged \$100 for the service, Saudi Arabia should offer a lower price to attract more travelers. Therefore, 200 SAR seems adequate, considering it is currently around \$53. Using the data from the

Visa Office [18], we calculated that approximately 10% of all visa recipients apply for the expedited visa service (60,000 out of 567,927). Thus, we assumed the same percentage of visa recipients will use this service in Saudi Arabia.

Introducing fees for visiting historical and religious sites is also viable for the Kingdom. Such fees can be a possible source of revenue. In January and February 2023, Jordan sold 60,000 tickets to Petra, thus collecting approximately \$4,200,000 in revenues [19]. Saudi Arabia can follow this example and set fees for visiting its historical and religious sites. It seems justified to assume that around 90% of all Umrah visitors, or even more, attend at least one historical and religious site. Considering the minimum price of 20 SAR per visitor, the figure should be revisited after determining the exact list of sites for which the government will introduce fees.

Departure tax is another option available for Saudi Arabia. A tourist flying in economy class from Malaysia to another ASEAN country must pay \$1.9 in departure tax [20]. Between January 2023 and May 2023, Maldives collected \$10.92 million in departure taxes [21]. Therefore, such an initiative can contribute to the increase in NOR. Given that the departure tax can vary between \$1 and \$25 for different countries, it seems justified to follow the price range of developing countries and set the price at around 20 SAR.

Finally, the last initiative that the Kingdom of Saudi Arabia can consider is the introduction of new fees for check-in luggage before getting to the airport. For instance, many airlines provide such a service in the United States. The price for such a service varies significantly. It can be inferred from various sources that it can cost approximately 20-30 SAR and be used by about 15-20% of all passengers [22]. Considering the unique features of Saudi Arabia, one may assume that the price for such a service should be at least 50 SAR and that it may be used by around 30% of travelers.

An additional initiative suggested by one of the experts is to provide professional health care and healing services in Makkah and Madinah, especially for older visitors. Using the data from benchmark analysis, we created assumptions for all five initiatives, which can be found in Table 5.

TABLE 5. A Full List of the Initiatives

Initiative name	Initiative brief description	NOR impact per visitor	Umrah visitors who will use the initiative
Expedited and Priority Visa Processes fees	Paying extra fees for much faster visa processing time	200 SAR	10%
Historical and Religious Sites fees	Enforcing fees for visiting public historical and religious sites	20 SAR	90%
Departure Tax	Enforcing tax for traveling outside Saudi Arabia	20 SAR	100%
City Terminal	Paying fees for check-in luggage before getting to the airport	50 SAR	30%
Health Care Services	Providing professional health care and healing services in Makkah and Madinah, especially for older visitors	200-500 SAR	10-20%

Using the AHP technique, we calculated the total weights of the initiatives, as shown in Table 6.

TABLE 6. Total Weights of the Initiatives

Initiative	1	2	3	4	5	Average
1	0.35	0.54	0.34	0.31	0.27	36%
2	0.07	0.11	0.26	0.18	0.13	15%
3	0.08	0.03	0.08	0.13	0.06	8%
4	0.08	0.05	0.04	0.07	0.29	11%
5	0.05	0.04	0.05	0.01	0.04	4%

D. Adjusted NOR Calculations

After introducing the initiatives and discussing them in detail, it becomes evident that raising expedited and priority visa processing fees and fees for visiting historical and religious sites could significantly impact NOR from Umrah visitors. Table 7 provides information about the adjusted NOR per Umrah visitor.

TABLE 7. Adjusted Forecast for NOR Per Visitor

Year	Forecasted NOR/ person (before initiatives)	After executing Initiative 1	After executing Initiative 2	After executing both initiatives
2022	1396	1416	1414.00	1434.00
2023	1431	1451.49	1449.44	1469.94
2024	1466	1487	1484.90	1505.90
2025	1502	1523.52	1521.37	1542.89
2026	1539	1561	1558.85	1580.90
2027	1577	1599.54	1597.34	1619.93
2028	1616	1639	1636.84	1659.99
2029	1656	1679.57	1677.35	1701.08
2030	1697	1721	1718.88	1743.19

Table 8, in turn, shows the forecasted total NOR from Umrah visitors based on the same four scenarios.

TABLE 8. Adjusted Forecast for Total NOR from Umrah Visitors

Year	Forecasted total NOR (before initiatives, billion SAR)	After executing Initiative 1 (billion SAR)	After implementing Initiative 2 (billion SAR)	After implementing both initiatives (billion SAR)
2022	11.69	11.86	11.84	12.01
2023	15.85	16.08	16.05	16.28
2024	20.20	20.49	20.46	20.75
2025	24.76	25.11	25.08	25.43
2026	29.53	29.95	29.91	30.33
2027	34.53	35.01	34.97	35.46
2028	39.75	40.31	40.25	40.82
2029	45.21	45.85	45.79	46.43
2030	50.91	51.63	51.57	52.30

The introduction of both initiatives would significantly contribute to the nation's NOR from Umrah visitors, producing an additional 7.38 billion SAR in revenues between 2022 and 2030.

IV. CONCLUSIONS

The study results show that the number of Umrah visitors will likely increase shortly, reaching 13.779, 21.890, and 30 million people in 2024, 2027, and 2030, respectively. Using the data collected from secondary sources, the study demonstrated that the total NOR contributions of these visitors are likely to increase from 11.69 billion SAR in 2022 to 50.91 billion SAR in 2030. 2030, they are expected to account for 5.09% of the nation's non-oil revenue. The AHP results showed that the

expedited visa processing service and the introduction of fees for visiting historical and religious sites could help further increase the NOR impact per Umrah visitor. If the government implements these initiatives, it can increase NOR by 7.38 billion SAR between 2023 and 2030.

The results of this research illustrate that the government should consider introducing expedited and priority visa processing services and fees for visiting historical and religious sites to increase total NOR from Umrah visitors. At the same time, further research is needed to understand better how these initiatives should be introduced to maximize their benefits. Furthermore, scientists are recommended to conduct a series of studies looking into the nature and components of the Umrah ecosystem to analyze how it could generate value to achieve the goals of Vision 2030.

The findings of the study are subject to several limitations. In particular, we relied on the opinions of the selected experts to evaluate the suggested initiatives. Their bias may have strongly impacted the final results of the research. Moreover, many assumptions made in this study were made using the method of linear interpolation, which only sometimes offers high accuracy. Another limitation of the research is that the assumptions were based on the targets in Vision 2030. Despite these limitations, the findings of this study can be considered valuable from both theoretical and practical perspectives.

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