

credx

The Rise of Private Credit in Saudi Arabia

A \$1T Opportunity in the Making



Foreword



Private credit, debt financing provided by non-bank lenders, is booming globally. It has grown from about \$300 billion in 2010 to roughly \$1.6 trillion by 2023. This surge reflects banks' tighter lending standards and investors' hunt for yield.

Private credit is booming globally

\$300 B in 2010  **\$1.6 T** in 2023

The Middle East is now joining this trend: the GCC (including Saudi Arabia) “is not an exception” to the global rise of non-bank lending. In fact, Saudi Arabia’s economic transformation under Vision 2030 and an evolving regulatory landscape are unlocking a massive private credit opportunity in the Kingdom and broader GCC.

Saudi Arabia’s Vision 2030 agenda is driving demand for new funding channels.

Diversification efforts are projected to boost sectors like infrastructure, tourism, technology, and renewables, spurring GDP growth and private investment³. The Kingdom’s strong fundamentals (favorable demographics, low inflation, USD peg) and ~\$1.5 trillion economy mean ample credit needs.

S&P Global Ratings notes that rapid SME growth and massive financing needs under Vision 2030 “offer private capital financing a significant growth opportunity”. In practice, Saudi public and private debt has grown at a 12% compound annual rate (2021–24) as Vision 2030 projects were launched. Yet private credit still accounts for only about 2% of total debt, rising tenfold to ~\$3.7 billion by 2024, indicating enormous room to grow.

This dynamism is mirrored across the GCC: leading banks and regulators are enabling non-bank lending, and international investors are keen to participate, eyeing opportunities similar to those that developed in the US and Europe a decade ago.

Global Trends and the GCC Catching Up

Private credit's expansion has been a global story. As PwC notes, demand from SMEs and tighter bank regulations propelled the asset class from \$300 billion in 2010 to over \$1.6 trillion in 2023. This trend is now reaching the Gulf. New bankruptcy laws and the adoption of English common law in hubs like Dubai's DIFC have set the stage for private credit growth. In short, the GCC (including Saudi Arabia and Egypt) could see credit markets evolve much as the US and EU did years ago.

Institutional investors are taking notice. The GCC markets are "less saturated" than developed markets, offering potentially higher yields and structure flexibility if legal frameworks continue to improve. Already, global asset managers and funds are setting up regional offices and funds to target Gulf private credit. For example, Dechert LLP reports that many international fund managers are establishing bases in Dubai and Abu Dhabi, drawn by proximity to sovereign wealth funds and GCC institutions. Channel Capital Advisors similarly emphasizes the massive "\$250 billion" SME financing gap in the Gulf, evidence of an unmet demand that alternative lenders are poised to fill.

In the GCC, this catch-up is supported by supportive data initiatives and fintech. Saudi Arabia's rollout of an Open Banking Hub (and similar credit bureau developments in the UAE) is enabling data-driven lending, allowing non-bank lenders to underwrite SME credit more efficiently. In parallel, a vibrant fintech ecosystem is innovating new Shariah-aligned financing platforms (for example, tokenized invoice financing pilots in the Gulf).



Together, these trends set the backdrop for a Gulf private credit market that could approach hundreds of billions or even trillions of dollars in the coming decade

Why Saudi Arabia Now? Vision 2030 and Economic Diversification

Saudi Arabia's Vision 2030 agenda is the catalyst for much of the private credit opportunity. The plan calls for diversifying the economy beyond oil, developing new industries and infrastructure, and significantly boosting private sector participation. This translates into enormous funding needs. For instance, Vision 2030 targets tripling the tourism contribution and expanding manufacturing and technology sectors, which in turn require extensive capital.

Analysts note that Saudi's public and private debt levels surged at a 12% CAGR from 2021–2024, largely to support Vision 2030 projects. As banks face limits in how much they can lend, there is a clear funding gap. S&P Global Ratings highlights that Saudi's funding needs "remain high" and that "slower deposit growth is prompting banks to turn increasingly to alternative funding channels". In practice, private credit funds and syndicates are beginning to fill this gap: borrowing entities range from government-related entities and large conglomerates to family-owned SMEs.

This environment positions private credit as a partner to traditional banking. Rather than competing with banks, private lenders can collaborate, offering loans that may sit alongside or behind a bank's exposure, thereby allowing banks to "mitigate exposure to single-name and sector concentration risks and free up capital".

These gaps and targets underscore why Saudi is ripe for private credit expansion. Institutional players and FinTech lenders can structure new, non-dilutive funding products to bring that SME ambition into reach. By pairing global capital with local knowledge, private credit can accelerate the growth of high-impact businesses that underpin the Kingdom's economic vision.



In short, private credit helps Saudi banks extend more credit economy-wide while adhering to prudent risk limits

A particularly important driver is the SME sector. Saudi Vision 2030 aims to boost the SME contribution to GDP from roughly 22% today to 35% by 2030. To hit this, access to finance must improve dramatically.

Yet SMEs currently face stark challenges: according to Channel Capital Advisors, Saudi's banks allocate under 7% of total credit to SMEs (most lending goes to government and large corporates). Across the GCC, an AT Kearney study estimates an SME funding gap of about \$250 billion. Additionally, 63% of GCC SMEs report cash-flow constraints as their top problem. Many promising small businesses cannot meet banks' collateral or track record requirements. Vision 2030's financial goals acknowledge this gap, for example, Saudi targets 20% SME credit share by 2030, yet current bank lending to SMEs is still below 10% in most Gulf countries.

Shariah-Compliant Finance: Principles and Practices

In Saudi Arabia and the GCC, any private credit solution must be Shariah-compliant. That means avoiding interest (riba) and ensuring transparency, risk-sharing, and asset-backing in line with Islamic law.

Fortunately, financial engineers have developed many Shariah structures that mirror conventional debt outcomes. For example, **sukuk** (Islamic bonds) allow companies to raise cash by issuing certificates that represent ownership in assets or projects. In recent years, Saudi corporates and government entities have increasingly tapped the sukuk market as a flexible alternative to conventional bonds. This expanding sukuk marketplace means that institutional investors (pension funds, insurance companies, sovereign funds) already have robust Shariah-friendly credit products to invest in.

For portfolios or Collateralized Loan Obligations (CLOs), the approach is to adapt or wrap them in Shariah-approved vehicles. As legal experts note, a typical CLO's interest-bearing loan structure would violate Shariah rules, so Islamic investors must access such credit assets via specialized structures—structured products like securitized—for example, **commodity Murabaha (tawarruq) feeders** or **wakala/mudaraba arrangements**. In practice, this means setting up offshore special-purpose companies where each tranche is supported by an underlying asset and contract that conforms to Islamic principles. In effect, the economic credit exposure is preserved, but the documentation uses approved trade-based or agency contracts. This bespoke engineering has already been used in parts

of the Gulf to give Islamic investors exposure to diversified loan portfolios. The key point is that **credit solutions can be fully Shariah-aligned if designed from the ground up that way.**

Even relatively simple instruments like receivables financing or trade finance have Shariah versions. A Murabaha (cost-plus sale) or Ijara (lease-to-own) structure can achieve the same economics as a cash advance or loan.



In short, the requirement for Shariah compliance is not a barrier but a design parameter.

Investors allocating capital want yield and security; Saudi entrepreneurs want clear, faith-aligned funding. Structured finance professionals are bridging that gap. (Indeed, Credx's own model is "Shariah-first," meaning every deal is built on approved Islamic contracts by design.)

As the market matures, we can expect a variety of Shariah-compliant private credit vehicles, from asset-backed sukuk to Islamic CLO-like funds, to flourish in Saudi Arabia

Private Credit Strategies: Solutions for Growth

What do Shariah-compliant private credit solutions look like in action? Here are some key strategies and examples relevant to Saudi and the GCC:

- **Direct Lending to SMEs and Midcaps**

Non-bank funds can provide term loans or mezzanine financing to growing businesses that banks won't fully finance. For instance, a Riyadh-based food manufacturer might need SAR 20 million to expand production. A private credit fund could step in with a collateralized loan at a competitive margin, using equipment and receivables as collateral.

Unlike venture capital, this debt doesn't dilute ownership, and it can be structured to comply with Islamic law (e.g. a Murabaha or Ijara finance contract). Such tailored term facilities are becoming more common for family-owned enterprises in sectors like manufacturing, technology, healthcare and logistics.

- **Receivables Securitization**

Many Saudi corporates have sizable accounts receivable on their books. These can be packaged into a securitization structure. For example, Credx or another arranger could buy a portfolio of a retailer's invoices at a discount and then issue asset-backed securities (ABS) to investors. This converts future cash flows into immediate liquidity. If structured Shariah-compliantly (e.g. through a commodity sale or Ijara leaseback of the goods), it opens the door to Islamic funds. A concrete scenario: a chain of construction suppliers uses a structured receivables facility to get paid

immediately for its contracts, improving cash flow and growth prospects, while investors in the ABS receive steady, sukuk-like payments.

- **Trade Finance and Supply Chain Finance**

Short-term private credit via trade instruments helps SMEs and trading companies manage import/export needs. Shariah tools like Murabaha (financing import purchases) or Wakalah (agency financing) enable Islamic investors to fund trade flows. For example, a local electronics distributor could use a structured murabaha facility to buy goods from abroad; Credx (or a similar platform) finances the purchase, and repays it as sales occur. These Shariah-compliant trade products are especially useful for smaller firms in international supply chains.

- **Collateralized Loan Obligations (CLOs) and Structured Credit**

On the larger end, institutional investors can gain diversified exposure through CLO-like vehicles. In the West, CLOs pool corporate loans and slice them into tranches. In the Gulf, CLO concepts are emerging too, often with an Islamic wrapper. Picture a structured fund that pools loans to Middle Eastern mid-caps across industries; global investors (including Saudi institutions) invest in tranches of that fund. Because standard loan contracts may conflict with Shariah, such a fund might be set up as a trust where each tranche represents ownership in a commodity Murabaha-based feeder, for instance. This approach is more complex, but the law firm Dechert notes that Islamic investors are indeed using Shariah-compliant "wrapped" or structured solutions to access the benefits of CLOs.

- **Corporate Sukuk Investments**

Saudi Arabia now has an active Sukuk market. Credx and other institutions invest in Shariah-compliant corporate bonds on the primary and secondary markets. By participating in sukuk issuances, global capital flows into Saudi companies in a Shariah-aligned way. More innovatively, private credit platforms can help mid-sized firms (which historically could not issue sukuk) access these markets via structured vehicles. In this model, Credx could pool capital to purchase assets or projects of SMEs and issue a sukuk to finance it, giving small companies access to broad bond-like financing.

- **Asset-Based Financing**

In sectors like real estate, aviation or shipping, private credit vehicles can support large-ticket asset purchases. For instance, an airline looking to expand its fleet might enter an Ijara lease with a special-purpose company created by a private credit fund. The fund buys the aircraft and leases it back on Shariah terms. Similarly, warehouse receipts, leased equipment and other tangible assets can secure financing without traditional interest.



In each case, the mechanics involve blending standard finance practices with Islamic modes (Murabaha, Ijara, Wakalah, etc.).

The goal is the same as in any structured finance transaction: align cash flows, collateral and investment interests so both borrower and lender get what they need under Shariah rules.

The Growth Outlook: From Billions to Potentially Trillions

How big could Saudi private credit become? Today, it is still small. S&P reported only ~\$3.7 billion in outstanding private debt financing in 2024. Compare that to the tens of billions Saudi companies issue in bank loans and sukuk annually. However, growth rates are rapid, roughly tenfold since 2020, and data suggests the market could scale much higher.



~\$2.8T by 2028

Projected global private market size (PwC)

Globally, private credit has been expanding faster than traditional markets. PwC projects the global market may grow to ~\$2.8 trillion by 2028, outpacing overall credit markets. If Saudi private credit followed a similar trajectory (from early stage to maturity), we are looking at exponential expansion over this decade. The title's "\$1T opportunity" is meant to convey that with Vision 2030's funding pipeline in the multi-trillion range and strong investor demand for yield, the Kingdom's private credit universe could run into the **hundreds of billions or more**. For context, Saudi Arabia's economy alone is on the order of \$1–1.5 trillion, and global investors routinely allocate tens of billions to emerging credit markets.

Realistically, private credit in Saudi will grow via: (a) steady deal-by-deal buildup (SME loans, receivables facilities) and (b)

the occasional large program (for example, securitizing a big corporate loan portfolio or launching a specialty fund). Regulatory steps are in place that will speed this. The Capital Market Authority (CMA) and central bank have already issued rules for debt-based finance and crowdfunding. The sovereign wealth fund (PIF) is also supporting private sector projects. Saudi Exchange even allows trading of privately placed sukuk and bonds. These moves, along with a digitizing financial infrastructure, clear hurdles for growth.

Of course, challenges remain. Private credit by nature is less liquid and transparent than public markets ²¹. Investors cannot easily sell loans as they could stocks. Valuation can be complex. And risk management needs strengthening: as one roundtable report observed, Saudi's risk frameworks for private credit "will need to develop and mature" even as the market expands. Consistent legal frameworks (e.g. for collateral enforcement), bankruptcy regimes, and credit-data ecosystems are improving but still progressing. Moreover, structuring Shariah-compliant products requires skilled talent (experienced Shariah scholars, lawyers, structurers).



These gaps mean that market participants must proceed thoughtfully. But they also highlight an opportunity: providers who can ensure institutional-grade governance, transparency, and compliance will be in high demand. This is precisely the niche Credx is targeting.

Technology and FinTech Enablers

One distinguishing feature of Saudi's private credit story is the role of financial technology. Unlike earlier eras, today's investors and borrowers can leverage digital platforms for greater efficiency. Data connectivity (open banking, credit bureaus) allows faster underwriting. Online marketplaces and tokenization mean capital can flow through innovative rails. For example, blockchain-based invoice financing pilots are already deploying stablecoin and tokenized funds to Gulf SMEs via Shariah-compliant models (linking on-chain liquidity with real-world invoices). While we cannot enumerate all such startups here, it's clear that institutional platforms and FinTech are converging.

In practice, this could look like: an SME logs into a Credx platform, uploads its audited financials and invoices, and immediately gets matched with a global fund willing to finance part of its receivables for a fee. Or a pension fund uses a Credx portal to co-invest in a diversified portfolio of trade finance assets, with automated reporting and Shariah certification. With Saudi regulators licensing new fintech activities (even in areas like Buy-Now-Pay-Later) and encouraging innovation, these scenarios are rapidly moving from pilot to reality.



The net effect is that technology acts as the glue, reducing transaction costs and bringing private credit within reach of more SMEs and investors.

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