

**Saudi Arabia Micro Lending Market Assessment, By Provider [Banks, Microfinance Institutes, Non-banking Financial Institutions, Others], By End-user [Solo Entrepreneurs, Micro Enterprises, Small Enterprises], By Region, Opportunities and Forecast, 2017-2031F**

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**Report description:**

Saudi Arabia micro lending market is projected to witness a CAGR of 20.08% during the forecast period 2024-2031, growing from USD 0.83 billion in 2023 to USD 3.57 billion in 2031. There are several driving factors supporting the rapid growth of the micro lending market in Saudi Arabia. Government support is a key impetus behind the market growth owing to efforts such as Vision 2030, aiming to encourage entrepreneurship and boost access to finance. It includes increasing efforts toward financial inclusion, focusing on reaching more unserved populations, such as women and rural communities, to empower them to launch their businesses. The growing entrepreneurial culture, especially amongst the youth, is adding to the demand for microfinance. Moreover, the digitization of financial services has led to the development of fintech companies, offering online platforms that are making it even more straightforward to apply for loans. Easy access to these services through widespread smartphone use is further supplemented by a fostering regulatory climate from SAMA. Training new entrepreneurs, collaborating with NGOs, and ensuring the availability of required resources increase the probability of success. Introducing a mix of loan products focused on distinct industries, along with greater awareness of the benefits of microfinance, pushes the market further. Micro lending is a service offered in terms of a small loan to an individual and a microenterprise who usually cannot obtain credit from the traditional bank. It assists entrepreneurs, primarily in developing regions, through accessible credit when starting or expanding their respective businesses. Being part of the fintech platforms, micro lending made its applications and dispersal to be more efficient and faster. This will create entrepreneurship and foster financial inclusion to improve many livelihoods and stimulate local economies. In Q3 2023, the credit facilities extended to MSMEs in Saudi Arabia were at almost USD 71.6 billion, up from Q3 2022 levels at an annualized rate of 18%. The banks extended around USD 67.1 billion, or 94% of the total credit extended to the MSMEs.

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### Increase in Adoption of Microfinance to Enhance Market Growth

The demand for microfinance is strongly pushing market growth, particularly in developing regions, where access to traditional banking services remains limited. More entrepreneurs and small business owners are seeking alternative financing options, and institutions such as microfinance institutions are filling that gap through tailored financial products designed to meet the unique needs of such clients. Such recognition goes against the backdrop of growing understanding concerning the role microfinance plays in financial inclusion and empowerment for the underserved, especially women and rural dwellers. It captures innovation in fintech solutions, which have streamlined the process of micro-lending, thus making way for quicker loan approvals and disbursements through digital platforms. Innovations such as these attract a new generation of borrowers who are keener on easy online access to credit. In April 2024, Green investment is being promoted in Jordan through a package of USD 4 million for the Jordan Microfinance Company Tamweelcom by the European Bank for Reconstruction and Development (EBRD), the European Union (EU), and the Green Climate Fund (GCF). The latter has committed USD 1 million with EU grants as well as technical assistance. This initiative will contribute to the investment of the local MSMEs in mitigating and adapting climate change technologies. Also, the positive government policies and initiatives toward entrepreneurship have even further enhanced the microfinance industry by promoting an increasing number of people who opt for micro-loans as an option to acquire funds. In turn, this builds up more economic activities and complements sustainable development by upskilling individuals and allowing them to improve their levels of living while part of their immediate economies. Consequently, having a growth expansion in the reach and access to microfinance is of utmost importance in setting up growth in this ever-changing market.

### Increased Financial Inclusion to Drive Market Growth

Higher financial inclusion can substantially boost growth in the Saudi micro lending market and bring about a paradigm change in the financial scenario of underprivileged citizens. While the government is busy implementing projects under Vision 2030 to diversify its economy and encourage entrepreneurship, access to microfinance has now emerged as an important tool to empower citizens, predominantly women and those living in rural territories, toward the way ahead. In 2024, Kiva Microfunds, a non-profit organization, provided 4,279 loans for women who are fully funded, with over USD 2.3 million in loans raised and 12,901 women impacted.

From this aspect, financial credit institutions participate by providing special financial products to which small business owners can relate as part of growth and sustainability. Fintech platforms continue to support the enhancement of financial inclusion through digital lending solutions that simplify application and approval, making access to credit easier than ever. In addition, increasing knowledge of financial services has opened microfinance to an even greater cross-section of the population. Government policies aimed at strengthening and popularizing financial literacy further helped create an environment in which micro lending developed rapidly. Overall, financial inclusion is a great catalyst that not only stimulates economic activity but empowers communities, thus ensuring excellent foundations for sustainable development in Saudi Arabia.

### Banks Segment to Dominate Saudi Arabia Micro Lending Market Share

Banks are leading the micro lending market in Saudi Arabia, as they already possess the existing infrastructure and a large customer base. The traditional banks are now slowly realizing that microfinance would be a good channel for enhancing financial inclusion and supporting small businesses, thus matching Vision 2030. Along with the regulatory framework and government support, they are now opening micro-lending products that meet the distinct needs of low-income individuals as well as entrepreneurs. It can capture the resources available, including its branch networks and digital platforms, for efficient and effective risk assessment in the disbursement of loans. Banks are investing in technology to enable customer convenience and simplify some lending processes to make borrowing as easy as it can be for the consumer.

In most cases, other collaborations with microfinance institutions and fintech companies have generally strengthened their positions in this market. In September 2024, Al Rajhi Bank acquired a 65% stake in the Drahim financial platform licensed by the Saudi Central Bank as part of its strategy to rely on advanced technologies and regulatory frameworks to reinforce its leadership within the financial sector. Meanwhile, as people become more aware of the various benefits of microfinance and an increasing number of people start looking toward financial solutions, banks are moving on in leaps and bounds to be at the forefront of micro-lending within Saudi Arabia. It, in turn, will lead toward fostering economic development and empowering communities nationwide.

### Riyadh to Dominate Saudi Arabia Micro Lending Market Share

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Riyadh is ready to spearhead micro lending in Saudi Arabia, leveraging the capital city's status as one of the country's most economically vibrant regions. Microfinance hubs are most effective where cities have diverse population distributions and emerging entrepreneurial landscapes. Bank concentration, microfinance institutions, and fintech companies portray a wide range of financial services to meet the needs of low-income earners and small business owners with micro lending in Riyadh. With the commitment of the government towards Vision 2030, which focuses on financial inclusion and support for small enterprises, investment in this region has increased. Furthermore, the heavy infrastructure of Riyadh and its embracing technology enables the smooth delivery of microfinance products, which are available to borrowers without problems.

The improvement programs in financial literacy empower potential entrepreneurs to use micro-lending properly. Since more and more people are learning about the benefits of microfinance, Riyadh has set up its spot as the next biggest micro lending hub in Saudi Arabia, with economic growth flourishing and thereby further increasing benefits for its citizens. In July 2024, Riyad Bank announced the launching of the Center of Intelligence, or COI, which is the first specialized center focusing on artificial intelligence technologies and services within the Saudi banking sector. This center will help the bank and its business sectors utilize the innovations of AI to gain analytical insights that are indispensable for supporting the vision of quality and innovation by the bank.

Future Market Scenario (2024 – 2031F)

□ Government policies would continue with friendly legislation that would support growing microfinance institutions that were pursuing financial inclusion.

□ Sector-specific loans and other tailored financial products that cater to small business and individual diversity needs will develop.

□ Increased demand for microfinance solutions will be fueled by an entrepreneurial culture initiated by the government.

□ Higher adoption of fintech solutions would make lending easy and online, thus gaining easy access to micro-loans.

Key Players Landscape and Outlook

The competitive landscape of the micro lending market in Saudi Arabia appears to be very diverse, from traditional banks to microfinance institutions and then to the fintech companies taking different stances on how they differentiate themselves. Banks are leveraging their mature networks and established customer bases to leverage their offerings on the microfinance front through tailored products targeting small enterprises and underserved communities. At the same time, MFIs have been significant in providing the right community ties and giving bespoke services, which enables them to establish relations of trust and long-term relationships with their customers. Fintech is disrupting the market by introducing new digital platforms that function as simple loan application services, hence receiving fast approvals and improved user experiences. Strategic partnerships are sprouting, wherein the banks collaborate with the fintech firms that bring the technological know-how and financial acumen to better deliver services. Other participants are investing in financial education initiatives from the borrower's side, making a more informed customer base. Through product diversification, leveraging technology, and customer engagement, these key players seem well-placed to succeed as Saudi Arabia's micro-lending scenario changes.

In September 2024, Kiva Microfunds, a nonprofit organization, collaborated with OpenAI to assist small businesses and social enterprises tap these artificial intelligence systems, maximizing performance and achieving optimum growth and improved competitiveness in this fast-growing economy.

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\*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work.

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