

Saudi Arabia Consumer Finance Market By Type (Unsecured Consumer Finance, Secured Consumer Finance), By Region, Competition, Forecast & Opportunities, 2020-2030F

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Report description:

Saudi Arabia Consumer Finance Market was valued at USD 356.72 Billion in 2023 and is expected to reach USD 973.97 Billion by 2029 with a CAGR of 18.28% during the forecast period. The Saudi Arabia consumer finance market is expected to continue its growth trajectory, driven by the ongoing economic diversification, digital transformation, and demographic changes. The demand for consumer finance products, such as personal loans, mortgages, and BNPL services, will likely remain strong as consumers continue to seek financing solutions to support their consumption habits. Additionally, the growth of digital payments and fintech services will expand the market's accessibility, especially for younger, tech-savvy consumers who prefer online platforms. According to CEIC and as reported by the Saudi Central Bank, Saudi Arabia's bank loans for consumers were recorded at 452,321.357 SAR million in June 2024. This represents an increase from the previous figure of 450,887.301 SAR million in March 2024.

Key Market Drivers

Economic Diversification under Vision 2030

Saudi Arabia's Vision 2030 is a key driver of the consumer finance market's growth. This ambitious blueprint for economic diversification is focused on reducing the country's reliance on oil revenues and building a more sustainable, diversified economy. Vision 2030 emphasizes the development of non-oil sectors, including retail, real estate, tourism, and financial services, which directly impact the demand for consumer finance products. As more sectors grow, there is an increased need for personal financial products, such as loans, mortgages, and credit cards, to cater to the evolving demands of the population. Furthermore, Vision 2030 seeks to boost the financial inclusion of underserved populations, enhancing access to banking services for young people, women, and rural communities. This is expected to significantly increase the uptake of consumer finance products, as more people are empowered to manage their finances and access credit for the first time. The government has also implemented various reforms to encourage consumer spending, such as providing subsidies for homeownership and easing restrictions on car

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loans. In its 2024 budget, the Saudi government allocated SAR 1.25 trillion to the infrastructure, healthcare, and education sectors, opening up substantial opportunities for financial institutions to offer loans. Moreover, The Minister of Finance has approved a plan that outlines public debt developments and initiatives for the debt markets. The plan anticipates financing requirements of around SAR 86 billion to cover debt maturities and the projected budget deficit for 2024, reflecting a well-organized approach to managing government financing activities.

Young and Growing Population

Saudi Arabia has a predominantly young population, with a large proportion of people under the age of 30. This youthful demographic is tech-savvy, increasingly urbanized, and more open to adopting new financial services, especially digital solutions. This has created a fertile environment for consumer finance providers to offer a range of products, from personal loans to digital payment solutions. A significant portion of Saudi Arabia's youth is seeking financial independence, which translates to a growing demand for credit and loans for purposes such as education, buying cars, and establishing households. Additionally, the younger population tends to favor flexible and convenient financing options, such as Buy Now Pay Later (BNPL) services, which are gaining traction in the country. The surge in e-commerce and online shopping is another factor contributing to the rise in BNPL popularity, as younger consumers prefer to manage their payments over time. Furthermore, the government's focus on improving job creation for young people, coupled with higher disposable incomes, is leading to increased consumption. This growing middle class is driving demand for goods and services, further boosting the need for financing options to support their purchasing power. As this young generation enters the workforce and starts families, their financial needs will continue to fuel the consumer finance market.

Technological Advancements in Fintech

Technological advancements in financial technology (fintech) are transforming Saudi Arabia's consumer finance landscape. The rapid adoption of digital platforms and mobile banking apps has simplified the process of accessing loans, managing finances, and making payments. This digital transformation is not only enhancing consumer convenience but also driving financial inclusion, particularly among younger, tech-savvy consumers who prefer digital solutions to traditional banking. The introduction of mobile wallets, peer-to-peer lending platforms, and advanced credit scoring systems is allowing consumers to access financing more easily. Consumers can now apply for loans, make payments, and manage their accounts seamlessly through their smartphones, reducing the need for in-person banking and improving the overall user experience. Additionally, the rise of digital payment solutions, such as Apple Pay, STC Pay, and other local mobile wallets, is encouraging consumers to adopt cashless payment methods, which complement the expansion of consumer credit. Furthermore, fintech innovations have led to the growth of alternative credit scoring models, which use non-traditional data points, such as transaction history and spending habits, to evaluate creditworthiness. This is making it easier for individuals who may not have a traditional credit history to access loans and credit. As a result, more people in Saudi Arabia, including those from previously underserved populations, can now participate in the consumer finance market. The Saudi government is also supportive of the fintech sector, with regulations and policies aimed at fostering innovation and ensuring the security and transparency of digital financial services.

Key Market Challenges

High Levels of Household Debt

One of the major challenges facing the Saudi Arabia consumer finance market is the growing levels of household debt. As more consumers access credit for personal loans, mortgages, and consumer goods, the risk of overleveraging becomes significant. In 2024, an increasing number of consumers are struggling to meet their repayment obligations, which can lead to financial instability for households. While consumer credit is essential to fuel spending, excessive borrowing, particularly for non-essential items, could create long-term financial strain on consumers. The rise in household debt also places pressure on financial institutions to develop effective credit risk management strategies. Lenders must carefully assess a consumer's ability to repay before offering loans, as a higher default rate could damage their profitability and reputation. Moreover, the overall economic uncertainty, coupled with fluctuating oil prices, can affect consumers' ability to repay their debts, especially if the economy experiences a slowdown.

Regulatory and Compliance Challenges

Saudi Arabia consumer finance market is subject to various regulatory frameworks designed to protect consumers and maintain financial stability. However, navigating this regulatory environment presents challenges for financial institutions. The introduction

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of new regulations to improve transparency, ensure fair lending practices, and prevent over-indebtedness has led to increased compliance costs for banks and non-bank financial institutions. Moreover, financial institutions must ensure that their digital products, including mobile banking apps, BNPL services, and online loan platforms, comply with stringent data privacy and security standards. The rise in fintech solutions, which offer new and innovative ways for consumers to access credit, also raises concerns around the oversight of these new services. Authorities need to strike a balance between fostering innovation in the fintech sector and maintaining strict regulations that prevent fraud, money laundering, and cybersecurity risks. The regulatory environment also poses challenges to international financial institutions entering the Saudi market. Adhering to local regulations while offering competitive services can be a significant hurdle for foreign players.

Key Market Trends

Growth of Digital and Mobile Payments

One of the most significant trends in Saudi Arabia consumer finance market is the increasing adoption of digital and mobile payment solutions. With the rise of smartphones and internet penetration, Saudi consumers are increasingly turning to mobile payment platforms for both everyday transactions and larger purchases. Mobile wallets, such as STC Pay, Apple Pay, and other local solutions, have gained traction among tech-savvy consumers, especially younger generations who prefer the convenience and security of digital transactions. This shift is also driven by the broader government initiatives to promote a cashless economy in line with Saudi Arabia's Vision 2030. The push for financial inclusion, the development of secure payment systems, and the improvement of digital banking services are encouraging more people to engage with digital finance. The Saudi Arabian Monetary Authority (SAMA) has played a pivotal role in promoting fintech innovations and ensuring the security and transparency of digital payments, making mobile payment systems more attractive to consumers. The rise in e-commerce and online shopping has further fueled the demand for digital payment solutions. Consumers are increasingly using mobile payments to make purchases from online retailers, from electronics to groceries.

Expansion of Buy Now, Pay Later (BNPL) Services

The Buy Now, Pay Later (BNPL) model has become one of the most prominent trends in Saudi Arabia consumer finance market. BNPL allows consumers to purchase goods and services upfront and spread the cost over a series of payments, often without incurring interest if paid on time. This service is gaining popularity, especially among the younger population, as it provides an easy and flexible way to manage payments for big-ticket items like electronics, clothing, and home appliances. The rise of e-commerce platforms in Saudi Arabia has accelerated the demand for BNPL services. Many online retailers now offer BNPL options, allowing consumers to make purchases without the immediate financial burden. As a result, BNPL services are not only becoming a favored financing option for consumers but are also attracting a broad range of retailers who wish to boost sales and improve customer loyalty. The growth of BNPL is also being driven by the convenience it offers. Consumers are increasingly looking for financial products that provide flexibility, and BNPL meets these needs by enabling immediate gratification while allowing payments to be spread over time. Additionally, BNPL services are particularly attractive to younger, credit-conscious consumers who may not have access to traditional credit products such as credit cards.

Rising Popularity of Sharia-Compliant Financial Products

Saudi Arabia consumer finance market is experiencing a growing trend toward Sharia-compliant financial products. Given the country's adherence to Islamic principles, there is strong consumer demand for financial products that comply with Sharia law, which prohibits interest (riba) and ensures transactions are based on ethical principles. This trend is influencing the types of financing products available to Saudi consumers, including personal loans, mortgages, and credit cards. Islamic financial products such as Murabaha (cost-plus financing), Ijara (leasing), and Mudaraba (profit-sharing agreements) are increasingly being offered by financial institutions to cater to the demand for non-interest-bearing financing. This aligns with Saudi Arabia's goal to expand the reach of Islamic finance globally and supports local financial institutions in meeting the needs of the population. The rise of Islamic fintech startups also plays a role in modernizing and offering Sharia-compliant products that are tailored to contemporary consumer preferences. Furthermore, this trend is reflected in the growing popularity of Islamic credit cards and home financing options that align with Sharia principles. These products are gaining traction among a large portion of the population that prioritizes Islamic finance and avoids conventional, interest-based borrowing. As the Saudi government continues to promote Islamic finance as a pillar of its economic strategy, this trend is expected to further accelerate, allowing for a deeper integration of Sharia-compliant products into the broader consumer finance market.

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Segmental Insights

Type Insights

Secured consumer finance was the dominating segment in the Saudi Arabia consumer finance market, accounting for a significant share of the overall market due to its favorable terms for both lenders and borrowers. In secured financing, loans are backed by collateral, such as property, vehicles, or other valuable assets, reducing the risk for financial institutions. As a result, lenders are more willing to offer larger loan amounts at lower interest rates, making it an attractive option for consumers seeking substantial financing. The increasing demand for real estate and automobiles in Saudi Arabia plays a key role in the dominance of secured consumer finance. Government initiatives, such as affordable housing programs and incentives for car ownership, have further fueled this demand, encouraging consumers to opt for secured loans to finance these major purchases. Additionally, the growing number of middle-income families and the expansion of the Saudi economy under Vision 2030 contribute to a higher uptake of secured loans. Financial institutions are continuously developing tailored secured financing products to meet the diverse needs of consumers, enhancing accessibility and convenience. As secured loans offer more stability and lower risk, they remain the most favored and dominant financing option in Saudi Arabia consumer finance sector, a trend that is likely to persist in the coming years.

Regional Insights

The Western Region was the dominating region in the Saudi Arabia consumer finance market, driven by its economic significance, high population density, and strong infrastructure. This region includes key cities such as Jeddah, Mecca, and Medina, which are not only cultural and religious hubs but also major economic centers. Jeddah, in particular, is one of the country's largest cities, with a thriving business environment and high levels of consumer spending, which contributes to the demand for various consumer finance products. The Western Region's prominence is also fueled by its diversified economy, which includes key sectors like retail, real estate, and hospitality. With the increasing urbanization and development of large residential and commercial projects, demand for financing products such as personal loans, mortgages, and auto loans has surged. Additionally, the region's significance in the tourism and religious sectors, particularly with the influx of Hajj and Umrah pilgrims, further drives consumer spending, boosting the need for flexible financing options. Furthermore, the region's proximity to international trade routes and the presence of major ports like the Port of Jeddah support economic growth, which in turn strengthens the demand for consumer credit. The combination of these factors ensures that the Western Region continues to lead the consumer finance market in Saudi Arabia.

Key Market Players

- Al Rajhi Banking & Investment Corporation SJSC
- National Commercial Bank SJSC
- Riyadh Bank SJSC
- Saudi British Bank
- Samba Financial Group SJSC
- Saudi Investment Bank SJSC
- Alinma Bank SJSC
- Banque Saudi Fransi SJSC
- Alawwal Bank
- Arab National Bank

Report Scope:

In this report, the Saudi Arabia Consumer Finance Market has been segmented into the following categories, in addition to the industry trends which have also been detailed below:

□□ Saudi Arabia Consumer Finance Market, By Type:

- o Unsecured Consumer Finance
- o Secured Consumer Finance

□□ Saudi Arabia Consumer Finance Market, By Region:

- o Northern & Central
- o Western

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- o Southern
- o Eastern

Competitive Landscape

Company Profiles: Detailed analysis of the major companies presents in the Saudi Arabia Consumer Finance Market.

Available Customizations:

Saudi Arabia Consumer Finance Market report with the given market data, TechSci Research offers customizations according to a company's specific needs. The following customization options are available for the report:

Company Information

☐☐ Detailed analysis and profiling of additional market players (up to five).

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