



جَدَا
شركة صندوق الصناديق
Fund of Funds Company

Charting the Future of Private Credit in Saudi Arabia:

Insights from Jada's Executive Roundtable



OCTOBER 2025

Executive Summary



Private credit is a fast-growing asset class around the world. Institutional investors are looking for ways to diversify into the Middle East's emerging economies, especially to Saudi Arabia. As a result, SMEs and large companies in the Middle East are expecting financing from non-traditional sources.

A well-diversified and trusted debt market is important to support Vision 2030 in the Kingdom and ensure long-term economic growth; therefore, discussions on how to get it right are encouraged.

On September 29, 2025, Jada Fund of Funds hosted an Executive Roundtable on Private Credit in Saudi Arabia. This high-level, invitation-only event, brought together senior executives from global asset managers, Saudi institutional and sovereign investors, regulators, and other ecosystem partners to consider global trends and local realities and come up with practical ways to develop a credible, onshore private credit market in Saudi Arabia.

This White Paper shares the main points of the discussion and invites more feedback from a wider audience. The document is structured around three main ideas: changes in the global market, regional dynamics, and Saudi Arabia's growing role as a target market for private capital.

The goal is to present a general idea of the current state of the market, the risks and opportunities that lie ahead, and the role that regulation and legal frameworks play in making future development possible.

The Global Private Credit Landscape: Macro Trends and Regional Impact

The US alone now has an estimated \$2.5 trillion in the global private credit market. The proliferation, if uncontrolled, could lead to weaker underwriting standards, looser covenant protections, and less transparency, which makes it harder to track defaults. The rush to deploy capital has put further strain on the system.

However, the primary risk in the market lies not in its size but in the imbalances created by capital deployment models like Business Development Companies (BDCs). These structures, by design, require continuous capital deployment, leading to a perpetual bid in the market. This has weakened the connection between market risk signals and prices. It has also led to skewed valuations and reduced underwriting discipline.

At the same time, investors are moving away from long-duration direct lending toward asset-backed strategies with shorter duration. Investments into loans backed by equipment, data centers, and consumer receivables are reaping the benefit due to their attractive front-end yields.

In the US and Europe, banks are often partnering with private credit managers by originating loans and transferring them off balance sheet. This allows the banks to retain fee income while lowering their risk exposure, while at the same time opening up more opportunities for private credit. Innovation from fintechs and securitization is also changing the credit markets, by making new products possible. Early examples, like mortgage securitizations, show how structuring techniques and non-traditional lenders are creating further opportunities. These trends are expected to reach the GCC in the coming few years.

On the other hand, Saudi Arabia and the GCC remain less crowded and offer better pricing and structuring opportunities. Saudi Arabia in particular is an interesting new private credit market because of its strong macroeconomic fundamentals, such as favourable demographics, low inflation, advanced digital infrastructure, in addition to the USD peg. With an economy worth \$1.5 trillion, Saudi Arabia is positioned for rapid growth.

Regulations and frameworks are in place, dividing funds between direct and indirect lending with central bank assistance. However, risk management systems will need to develop and mature further. Development is expected to proceed, mainly through non-bank financial institutions and local financing companies.

Key Takeaways



The US is the largest private credit market today; some investors have raised concerns around deployment pressures, distorting underwriting discipline.



Less saturated markets, including the GCC, can offer better pricing, provided investor confidence in legal frameworks improves further.



Investor demand is shifting toward shorter-duration, asset-backed strategies, supported by bank partnerships and fintech innovation.



Saudi Arabia and the GCC offer attractive opportunities supported by strong fundamentals, though risk management frameworks may require further development.

Unlocking Private Credit Opportunities in Saudi Arabia

Saudi Arabia offers plenty of opportunities for private credit, but the market is still in its early stages of development.

International managers experienced in operating in the Kingdom noted that working with a local partner and developing a strategy that fits the realities of the region is the key to success. Global playbooks alone may not work.

Overall, investor interest exists, but awareness or understanding of the mechanics in private credit markets need to improve further. Many LPs in the region are unfamiliar with the diversification benefits and risk-return profile of private credit. Further education is needed for them to feel confident about making meaningful allocations.

It's also important to raise awareness among borrowers. Businesses usually turn to banks or low-cost government funds for their financing needs, overlooking private credit as a viable option. Private credit needs to be seen as a non-dilutive funding option and a smart choice when bank financing isn't available. To achieve this, there will need to be more educational forums.

Private credit can also help fill in the gaps in areas where banks are not very active, like small and medium-sized businesses and more complicated, structured deals. These underserved areas offer excellent, sustainable risk premia for investors, especially when risk-sharing mechanisms are in place with local partners.

In addition to supporting SMEs, private credit can meet the financing needs of giga- and mega-projects, including last-mile funding. This makes it a suitable fit for Vision 2030's goals to diversify the economy.

To grow the credit market further, consistent regulation, predictable enforcement, and standardized documentation are necessary to accelerate the process of setting up deals. Domestic anchor capital has an important role to play in encouraging foreign investors; it often leads to repeat, long-term partnerships between global and local managers. These partnerships will build credibility and trust over time, which will ensure a growing number of institutional investors returning.

Key Takeaways



Success requires local partnerships and education for both investors and borrowers.



Private credit can serve as a non-dilutive funding option for SMEs and strategic option for large national projects under Vision 2030.



Regulatory consistency and streamlined documentation will be critical for scaling.



Domestic anchor capital can help attract global managers and build long-term credibility.

Navigating Credit Risk: Institutional Frameworks for Risk Assessment

Strong risk discipline is important as Saudi Arabia moves from a bank-dominated financing system to a more varied market.

The fast-growing investment activity could outpace banks' capacity, leaving room for private credit to step in.

In the past, banks in the Kingdom have underpriced risk for quality borrowers and overpriced weaker credits, leaving a gap that private credit funds are starting to fill.

In the last five years, private credit funds have grown from SAR 0.5 billion to SAR 5 billion, very much in line with domestic debt capital markets. Enforcement has become stronger: credit judgments are firmly applied, and new legislation, such as an emerging anti-fraud law, will expand remedies even further.

Regulators are actively supporting securitization to deepen capital markets, with a particular focus on SAR-denominated transactions to keep liquidity onshore. Supporting licensed or soon-to-be-licensed managers to build credibility and grow the ecosystem is also important.

International managers shared how global frameworks including cash-flow modelling, stress testing, and payback analysis can be adapted to local conditions. To reduce the need for courts, market participants prefer asset-backed, ring-fenced structures and self-liquidating deals with separate collateral. Technology-enabled data monitoring also makes oversight stronger.

Proprietary systems that link directly to borrower data can make it possible to track performance in real time and calculate borrowing bases, which means that lessons from around the world can be adapted to local situations. So far, regional execution has shown that it works, with few defaults in areas like logistics and consumer finance.

New entrants often consider the lack of historical data in an emerging market as a challenge. Smaller managers who don't have their own systems would benefit greatly from industry-wide data repositories. This kind of infrastructure would make it easier to access accurate credit information.

Over time, the set-up of a Private-Credit Data Repository, which tracks loan-level & fund-level data from managers, lenders, trustees and administrators collected in a secure facility managed by the regulator can make markets more transparent & resilient in a downturn.

Key Takeaways



Gaps left by bank lending create opportunities for private credit, particularly in the "middle ground" of mispriced risk.



Regulators are strengthening enforcement and supporting securitization. Anchor institutions are expected to back more domestic managers as the ecosystem matures.



Robust risk assessment requires adapting global practices to local realities, with asset-backed and self-liquidating structures offering the strongest protections.



Technology-enabled data systems improve monitoring discipline and could be complemented by industry-wide credit repositories.

Building the Foundations: Regulation, Legal Certainty & Market Enablement

Private credit was almost non-existent in Saudi Arabia until recently. The limited scale of private equity buyouts which typically generate demand for private credit in developed markets, meant the ecosystem had little room to grow. Today, strong economic momentum, Vision 2030 growth sectors, and strong credit growth are creating the perfect conditions for private credit. Since 2020, the growth of bank loans has outpaced the growth of deposits. The loan-to-deposit ratio has risen from around 90% to more than 110%, showing a great opportunity for private credit to grow.

Private credit can complement commercial banks by expanding the breadth of the capital stack, offering non-dilutive options to equity owners and giving borrowers solutions that are tailored to their needs.

Small and medium-sized enterprises (SMEs) will benefit the most from this. They account for only 11% of total bank lending in Saudi Arabia compared with 20–30% in the US and EU. Flexible structures such as mezzanine, venture debt, asset-backed lending, and securitization could broaden access for companies without extensive credit histories or fixed assets. Beyond SMEs, private credit also has the potential to support private equity-backed companies and giga- and mega-projects seeking last-mile financing.

The rules and regulations have come a long way. Some important changes include the 2018 Bankruptcy Law, the 2020 Private Investment Funds Regulation, the efforts by CMA and SAMA to make fintech easier to use, as well as Monshaat's support for non-bank financial institutions. Tools like bank account pledges, digital promissory notes, and share pledges have made enforcement stronger. There are also talks about setting up arbitration centers and specialized investment courts. These changes are critical to deepen the trust of investors.

Scalability, however, depends on factors like predictable enforcement and a competitive tax regime. International investors will only scale their commitments once legal outcomes are tested and precedents established. Flexible options for structuring, like funds and direct financing, will impact how capital flows between onshore and offshore markets.

Key Takeaways



Vision 2030 growth sectors are fuelling demand for private credit.



Private credit can broaden access for SMEs, private equity-backed firms, and large-scale projects, offering flexible, non-dilutive financing alternatives.



Regulatory reforms have advanced significantly, but enforcement predictability and legal precedents remain critical to attract global investors.



Predictable enforcement and competitive taxation are important factors in determining scalability and attracting sustained international capital.



Discussion Debrief: Insights from Attendees

Further topics were brought up during the informal talks that followed the official roundtable:

Insurance and reinsurance capital could change the game for this asset class. With global reinsurers looking to deploy tens of billions annually, their entry into private credit will very much influence both scale and pricing. The fact that these kinds of players can pay for multi-billion-dollar deals outright shows how powerful they are. Of course, the fact that MENA credit spreads are generally higher, albeit the heterogeneity among countries, than Western benchmarks makes the region a good place to put money to work.

Participants also stressed the role of private credit in growing the private equity and buyout market. Private credit can help reduce overreliance on equity and open up more complicated strategies by providing acquisition and growth finance directly onshore.

The underutilization of credit ratings emerged as a constraint. (Underusing credit ratings emerged as a limiting factor.) Although local rating models for key industries have been in place since 2015, many investors continue to focus on yield rather than risk-adjusted returns. So far, the use of ratings is not widely adopted, but they are gradually becoming more common, which is an important change in how the market works.

Key Takeaways



Insurance and reinsurance capital could transform market scale and pricing, exploiting spread premiums in MENA credit.



Private credit can expand the private equity universe by offering alternatives to bank financing for acquisitions and roll-ups.



Credit ratings remain underused despite local models; broader adoption will be key to developing a disciplined market culture.

Conclusion

The Roundtable discussions highlighted that Saudi Arabia has the fundamentals to become a leading hub for private credit in the region. Vision 2030, strong macroeconomic conditions, and a supportive regulatory agenda provide a rare opportunity to build a market that combines global best practice with local relevance while avoiding some of the pitfalls seen in more mature markets.

Private credit already shows promise as a flexible, non-dilutive financing tool for SMEs, private equity-backed firms, and giga-projects. For investors, the Kingdom offers attractive risk-return opportunities, diversification, and partnerships anchored in a robust and growing economy. Early experience with asset-backed and self-liquidating structures confirms that disciplined risk management can be successfully adapted to local conditions.

To scale further, the market will benefit from continued regulatory clarity, predictable enforcement, and stronger transparency through standardized documentation and data sharing. Building long-term partnerships between domestic and global players will be key to establishing trust and credibility.

With these elements in place, private credit can evolve into a cornerstone of Saudi Arabia's financial ecosystem, broadening access to capital, fostering entrepreneurship, and contributing to the Kingdom's long-term economic transformation.

