ITMAM Reports





Development Finance in KSA: Overview of the Ecosystem and a Review of the Role of the Social Development Bank



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Overview of Development Finance in KSA

defined **Development** finance is the organized deployment of financial instruments designed from the outset to achieve measurable social and economic impact, such as raising income, creating jobs, promoting financial inclusion, and improving quality of life. This approach relies on a combination of concessional loans, guarantees, and grants, in addition to blended finance, whereby development finance is used strategically to mobilize additional private-sector funding toward the Sustainable Development ensuring that existing commercial financing is not replaced but rather that new capital is stimulated toward sectors or groups not reached by the market.



Development finance is distinguished from commercial finance in its purpose and design; it balances financial sustainability with social justice, and is typically accompanied by non-financial services before, during, and after financing (administrative and financial preparation, operational and marketing guidance, and market linkage) so that resources are transformed into lasting outcomes. International experience shows that development finance tools help build infrastructure, improve education and health, and stimulate private sector growth as a direct means of creating economic opportunities and reducing poverty. They also support the financing of policies and institutional reforms that lead to inclusive and sustainable growth.

To achieve these goals in practice, international guiding frameworks stress that the design of development finance instruments must clarify the logic of financial leverage and risk reduction mechanisms (such as concessional support or guarantees), and that each intervention be tied to impact indicators that can be monitored and evaluated.



In the context of the Kingdom of Saudi Arabia, development financing intersects directly with the goals of Vision 2030 in empowering individuals and small and medium enterprises, enhancing local content, and raising efficiency and transparency.

The National Development Fund was established to enhance the performance of development funds and banks, and enable them to meet the priorities associated with the Vision, through coordination, governance, and improving productivity and impact. Within this ecosystem, specialized development banks, including the Social Development Bank, work to provide concessional financing and development services close to the end beneficiary, thereby translating the principles of development finance into measurable programs.

Agencies Providing Development Finance



Non-profit Organizations

The non-profit sector plays a pivotal role in financing initiatives with measurable social impact through grants, empowerment programs, provision of productive assets, and close follow-up and mentoring services tailored to the needs of target groups and regions. The National Center for the Development of the Non-Profit Sector was established to regulate this sector, activate its role, and expand its presence in development fields. This is achieved through licensing, financial and administrative supervision, and aligning and integrating government efforts so as to reduce duplication and enhance governance and performance. This organizational structure gives charities, civil society organizations, and endowments a clear framework for sustainable operation and expansion.

National platforms act as a practical lever to aggregate and channel funds with reliability and transparency. The Ehsan platform provides a model for digitally empowering the non-profit and development sector through official donation channels overseen by the relevant government agencies, with a vision and mission focused on maximizing and sustaining impact. The Joud Housing platform (Eskan) offers a specialized path to mobilize housing contributions for the neediest families as an initiative of the National Developmental Housing Foundation (Sakan), using digital mechanisms to ensure reliability and tracking. This digital transformation helps reduce access costs, speed up the response cycle, and enhance donor confidence.



Individual Financiers

Individuals constitute a flexible and fast source for mobilizing developmental resources, particularly in bridging gaps before or after formal financing, and in funding specific social cases and initiatives via official digital channels. The National Platform for Charitable Work (Ehsan) enables individuals to select from various donation fields and channel their contributions through reliable means with no minimum or maximum limit, offering a simple donation experience with full tracking. The National Donations

Platform (Tabarru), under the Ministry of Human Resources and Social Development, also provides streamlined donation journeys that ensure contributions reach trusted charities. This boosts individuals' ability to inject "small, recurring funds" in line with their incomes and financial preferences.

The latest figures reflect the scale of individual participation and breadth of impact:

Ehsan's total donations exceeded

12.5 Billion SAR

benefiting millions of people

Seasonal campaigns in 2024 contributed

over **1.8** Billion SAR

through 15 million donations

and the momentum continued in **2025** with high-impact initiatives that supported tens of thousands of students. These indicators demonstrate how reliable digital channels can mobilize individual giving and turn it into tangible development results at scale.





Government efforts play a coordinating and enabling role for the ecosystem as a whole, at the heart of which is the National Development Fund established by Royal Decree to strengthen the performance of development funds and banks and enable them to fulfill the priorities of Vision 2030. This includes adopting and aligning the financing strategies, regulations, and instruments of development funds and banks to improve efficiency and increase developmental impact, while enabling planning at the ecosystem level rather than at the level of individual entities. This positioning ensures that interventions are consistent with the Kingdom's economic and development goals.

This enabling role supports the governance and digitization ecosystem through entities such as the National Center for Non-Profit Sector Development, which expands the scope of regulation, licensing, and supervision, and integrates government efforts related to the services of associations and institutions. This enables partners and organizations to perform their roles more efficiently, and establishes a data and operational integration environment that reduces service costs, accelerates the demand cycle, and improves follow-up transparency.

Within the context of financial and digital policy enablers, the Saudi Central Bank (SAMA) adopted an Open Banking Framework that enables customers to securely share their financial data with licensed service providers. In practice, this grants financiers programmatic access to transaction history and the ability to verify income and liabilities, which improves pricing and risk management and reduces credit underwriting time. This initiative supports financial inclusion objectives and helps bridge the information gap in development finance.



Moreover, the government is working to open sustainable demand channels for SMEs through the procurement ecosystem and enablers. The Etimad platform digitally manages budgeting, contracting, tendering, and government procurement processes, enhancing efficiency. The Small and Medium Enterprises General Authority (Monsha'at) likewise implements programs to foster a culture of entrepreneurship and broaden sources of financing and support, thus linking finance to market opportunities and improving project viability.

Within this coordination framework, the Social Development Bank (SDB) presents itself as an executive arm close to the end beneficiary, combining concessional financing, non-financial services, and savings pathways to enhance the financial sustainability of individuals and micro and small enterprises. SDB's official documents outline its vision for enabling social development tools and enhancing the financial independence of individuals and households, and a mission based on combining financial and non-financial services, targeted savings programs, building partnerships, and spreading financial awareness and the culture of self-employment. This positioning makes the SDB an effective channel for transforming development resources into tangible, measurable results.

SDB was initially established under the name "Saudi Credit and Savings Bank," with a primary focus on supporting low-income citizens and providing social loans. SDB's role then evolved in tandem with the Kingdom's economic transformations—particularly following the launch of Saudi Vision 2030—to become a developmental financial institution aimed at increasing financial inclusion and turning finance into a tool for sustainable empowerment.



Role of the Social Development Bank

SDB works to enhance citizens' financial independence and help build a vibrant, productive society through social loan products (such as marriage loans, family loans, and home renovation loans), financing micro-enterprises and startups, and programs aimed at empowering civil society associations and institutions. SDB targets segments that typically fall outside the scope of commercial finance, such as productive households, self-employed individuals, and young entrepreneurs.

SDB's role is not limited to cash financing alone, but extends to technical and administrative services that enhance beneficiaries' ability to sustain their businesses, such as management consulting and project management training programs, in addition to savings programs for individuals and institutions. This expansion positions the Bank as a unique link between financial support and institutional and individual development, such that its role does not end once financing is granted, but rather continues until the beneficiary's success and income sustainability are secured.



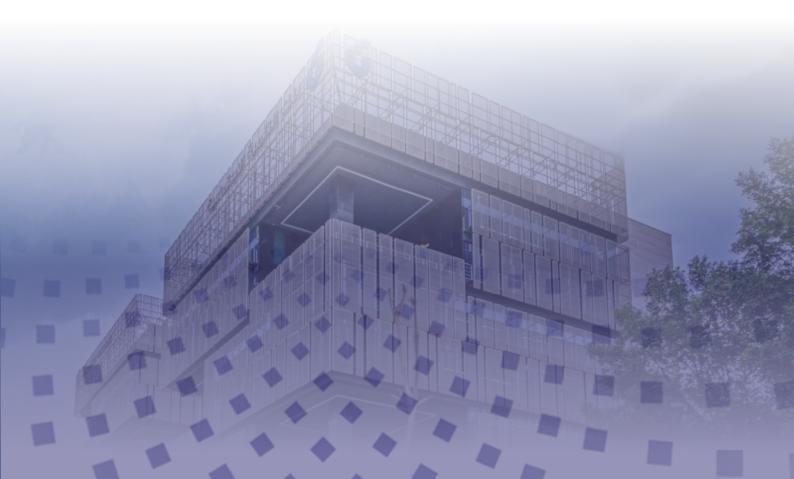


Alignment with Saudi Vision 2030

The role of the Social Development Bank closely reflects Saudi Vision 2030, as its strategies and programs are designed to empower individuals and micro and small enterprises, promote savings, and raise financial awareness, in line with the objectives of the Quality of Life Program and the Financial Sector Development Program.

SDB contributes to achieving key objectives such as increasing the contribution of small and medium-sized enterprises to GDP from 20% to 35%, raising household savings rates, and empowering women to participate economically by financing women-centric projects and productive households.

We conclude that the Social Development Bank offers a balanced model that combines financing with both institutional and individual development, maximizing impact through transparency and outcome measurement. With the expansion of innovative portfolios and the new sectoral focus, SDB is solidifying its position as the closest link to beneficiaries within the National Development Fund system, and as a key driver of comprehensive economic and social development.





Financial Results

In the first quarter of 2025, SDB recorded total financing of nearly SAR 1.7 billion, distributed across three main tracks. Social financing amounted to about SAR 504 million, benefiting more than 9,800 citizens through marriage, family, and home renovation loan products. Financing for entrepreneurs and startups reached roughly SAR 505 million for over 1,800 enterprises, while funding for self-employment programs and productive families exceeded SAR 670 million for about 8,500 beneficiaries. These results reflect an expanding beneficiary base, diversified products, and a shift from mere financing to tangible, sustainable empowerment of individuals and micro- and small enterprises.

Funding distribution tracks

- 1 Social financing marriage, family, and home renovation loan products
- 2 Entrepreneurs and startups
- 3 Self-employment programs and productive families

This remarkable growth represents a 329% leap compared to the previous quarter, which reflects growing demand and confidence in the Bank's services. Thus, the total number of beneficiaries during Q1 alone reached more than 20,000, rendering SDB as one of the largest development financiers in the region in terms of social financing and financing micro-projects.

SDB Performance Q1 2025

Total finance	1.7 Billion SAR
Total beneficiaries	+ 20,000
Growth rate	329%

SDB also offers a wide range of non-financial services, including:



Mentoring and business - development programs



Financial awareness to promote a culture of saving and financial planning



Designing incentivized savings programs for individuals and households



Supporting civil society organizations with technical and administrative services that help manage their projects efficiently

These instruments reduce income vulnerability and increase beneficiaries' ability to manage repayment obligations and expand their projects. They also contribute to enhancing individuals' financial awareness, which is one of Vision 2030's goals – aiming to raise the household savings rate from 6% to 10% of total income.

Digital Transformation and Improving Customer Experience

SDB has witnessed a boom in digital transformation, as all its services have become available through unified electronic channels, linked to the digital national identity system via NAFATH. This development significantly reduced the processing time for applications, increased verification accuracy and reliability, and decreased transaction costs, rendering the beneficiary's journey faster and smoother.

At the same time, SDB maintained the provision of traditional channels to serve groups that may not be able to deal with digital channels, which reflects the balance between digital inclusion and fair access. This approach is in line with the National Transformation Program and enhances the Kingdom's position in global e-government indicators.

SDB supports a culture of transparency by making its data and statistics available through the electronic services portal and the Open Government Data Platform. This step enables researchers and policy makers to access accurate information about the size of funding, distribution of beneficiaries, and growth rates, which helps improve targeting and develop future products.

SDB also focuses on measuring the social and economic impact of its programs, so as not to limit itself to tracking outputs (such as number of loans), but instead extends to measuring outcomes (such as sustained income, business growth, and lower default rates). This approach ensures that financing is transformed into tangible, sustainable impact.





1. Innovative Financing Models: "Corporate Social Responsibility Portfolio"

In 2025, SDB activated a portfolio linking corporate contributions to entrepreneurship financing through accelerators and partnerships, including:

- Jahez Portfolio: Supported 20 projects worth 10 million SAR (with a ceiling of 500,000 SAR per project).
- the "Ahalina" agreement with the Saudi National Bank to launch a financing portfolio for entrepreneurs.
- Alinma Bank agreement to establish a portfolio worth
 5 million SAR.







2. New Sectoral Focus: Gaming, eSports and Technology

SDB increased its financing portfolios for the technology and gaming sectors to over 1.3 billion SAR (coinciding with LEAP 2025), as new financing agreements were signed and studio support initiatives expanded. The gaming and electronics portfolios also grew after the signing of additional agreements worth

approximately **70** million **SAR** to support the development of games and equipment.





3. Updated Non-Financial Services: "Dulani Business Center"

Dulani Business Center expands its consulting and capacity building programs and continues to publish its specialized reports and publications, with events such as "Dulani Compass" 2025, which included providing services to more than 650 beneficiaries and contributed to financing 1,200 small establishments and startups within the scope of the event.

National Funds



In addition to digital platforms, the Kingdom has established several specialized national funds, such as the Endowment Education Fund to finance research, scholarships, and educational projects, and the Human Resources Development Fund (HRDF), which supports training and employment programs to raise the efficiency of the national workforce.

Digital platforms and national funds represent a strategic tool for pooling financial resources and directing them towards priority sectors, whether through smart individual donations (Ehsan, Donations, Joud), or through specialized funds that support vital sectors such as health, education and employment. These efforts are thus integrated with the Social Development Bank and the National Development Fund to expand the scope of developmental impact and ensure the sustainability thereof.

Donors (endowments, civil society organizations, institutions) no longer operate separately, but have become part of a coordinated system with development funds and banks, which achieves:



Comprehensive financing that covers gaps before, during and after awarding the loan.



Diversifying funding sources between government, private, and non-profit.



Raising efficiency by linking grants to training and accreditation programs, thus increasing the chances of success for beneficiaries.

The Kingdom's experience highlights that organizations providing development financing or grants are no longer merely an extra source of funding, but have become a strategic element in enhancing the resilience of the development ecosystem. They contribute to opening innovative channels for mobilizing resources, expanding the scope of beneficiaries, and supporting national priorities through more efficient and transparent mechanisms, thereby ensuring sustainable development and underscoring the Kingdom's pioneering role in institutionalized charities.

Challenges

Despite the expansion of the development finance ecosystem, the most prominent challenge remains in transforming measurement from outputs to results, achieving stable income, expanding businesses, and increasing awareness regarding savings. There is also a need for unifying policies and increasing the adequacy of funding to avoid duplication and maximize impact. Precise targeting and risk management remain a natural challenge in terms of expanding financial inclusion to groups with less access, which necessitates deeper data and government integration to leverage digital identity and unified channels, thereby reducing transaction costs.



According to the 2020 Financial Sector Development Program report, the rate of bank account ownership among adults in the Kingdom reached about 74%, while the rate in developed markets exceeded 90%. In remote areas, the financial inclusion rate for women is lower

than that for men, which calls for broader efforts to financially empower women.

90%

Rate of bank account ownership in developed markets

74%

Rate of bank account ownership among adults in the Kingdom

There also exists the challenge of transparency and data availability in a manner that enables researchers and decision-makers to formulate evidence-based policies, which requires wider dissemination of data sets and periodic updates thereof. In addition, bridging pre- and post-financing gaps and value-chain gaps remains a fundamental challenge, which requires close coordination among members of the development finance ecosystem.

Risks Accompanying Financial Inclusion Expansion

The role of the Social Development Bank reflects a strong alignment with Saudi Vision 2030, as its strategies and programs are designed to empower individuals and micro and small enterprises, promote savings, and enhance financial awareness, in line with the objectives of the Quality of Life Program and the Financial Sector Development Program.

Excessive indebtedness and circular financing

Multiple financing entities for the same beneficiary, and loan recycling (taking out one loan to repay another).

Effects: Higher default, reduced household/project financial stability, and reputational risks to financiers.

Early warnings: Increased average installment-to-income ratio, frequent rescheduling requests, and a high number of credit inquiries within a short period.

Digital fraud/Identity Theft

Phishing and malicious codes, forged documents, opening fake accounts.

Effects: Direct losses, service disruption, and loss of credibility.

Early warnings: Requests from unfamiliar devices/addresses, frequent verification code failures, closely timed data changes.

Risks of mistargeting and crowding out of commercial financing

Long preferential financing terms that may create dependency, or crowd out, rather than incentivize commercial financiers.

Early warnings: Declining share of commercial lending in the target segment, a decrease in the rate of private capital mobilization per public riyal, and a widening risk-pricing gap.

O4 Sectoral/geographical concentration of portfolios

A large concentration in one sector (such as retail/restaurants/gaming) or a specific area susceptible to seasons/projects.

Effects: Hypersensitivity to periodic or local shocks.

Early warnings: A high concentration index and an inflated share of the three largest sectors or regions; unusual growth in issuances within a single sector or region compared to the historical rate; a simultaneous increase in long-term defaults; and rising rescheduling requests alongside declining collections in the same location.

Reputation and compliance risks due to lack of transparency/ varying criteria

Different approval criteria between channels/regions, poor overall cost disclosure, impressions of unintended discrimination.

Effects: Loss of confidence, regulatory scrutiny, and negative media coverage.

Indicators: Customer complaints per 1,000 transactions, compliance check results, and recurring dispute issues.

Operational risks and digital transformation

System failures, reliance on a single provider, data migration, and poor digital accessibility for people with disabilities.

Follow-up indicators: Availability ratio, average recovery time, incident rate per 1,000 transactions, interface error rate, response time to the top segment, backup and restore success rate, failure rate of changes postdeployment, recovery test passing rate, supplier concentration score, commitment to recovery point and time goals, digital journey completion rate, and compliance rate with access guidelines.

Opportunities

In contrast, digital integration, linking national identity, and exchanging data between entities allow for the expansion of access, reducing the demand cycle, and reducing costs, while raising the quality of credit decisions. This structure also enables the design of targeted products and financing alternatives appropriate to the targeted segments and sectors (self-employment, micro, productive households), coupled with support services that transform skills into income-generating projects.

The opportunity also emerges for maximizing partnerships with the non-profit and private sectors to direct grants, equipment and training as supplementary financing pre-/post-loan, and to stimulate private capital participation in accordance with the Fund's national strategy tthrough blended finance tools (co-financing and partial guarantees), ensuring that the development loan becomes a catalyst for additional commercial credit rather than crowding it out.

Finally, a culture of performance and transparency is a key lever for linking programs to trackable indicators (income sustainability, business growth, savings) through unified data governance, periodic updating of open data, publication of monthly dashboards, and enabling external impact assessment. This system is also complemented by the design of products specifically tailored for groups with less access, especially women in peripheral areas: a facilitated digital journey, clear language, and flexible payment options linked to seasonality and cash flows. This reduces the demand cycle, lowers costs, and transforms financing from temporary support into a track for sustainable income and effective business growth.



References



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