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Saudi Arabian Entrepreneurship Ecosystem and Microfinance

Abstract

Microfinance is an important component of the entrepreneurship ecosystem (Iansiti and Levien 2004b). This research explores prominent microfinance models and introduce leading microfinance institutions, on certain format, practicing these models across the globe. Using primary qualitative methods of investigation, it then identifies the use of microfinance by different organizations in Saudi Arabia. Study contributes a model of microfinance in Saudi Arabia upon the contemporary conventions, procedures and practices (SAMFIM). It would assist the microfinance landscape and practices of leading institutions. Eventually the study would ascertain and pinpoint the challenges and opportunities for the Saudi Arabian Entrepreneurship Ecosystem stakeholders to introduce the changes and additions required to make the Saudi Microfinance landscape more dynamic, vibrant, and contributing to and satisfying the community needs. Also provided is a brief impact for the Saudi Vision 2030. This work would offer guidance and learning for the practitioners, lenders, borrowers and academics alike both in and outside the country. It can be concluded that the loan limit in Saudi Arabia is substantially high and equals \$2666; the microfinance in Saudi Arabia is evolving and the differences identified and discussed above also imply that the SAMFIN and global models are quite different in approach and modalities.

1 - Introduction

An ecosystem in business context is a set of interdependent, interconnected and interacting coevolving stakeholders also including agents and channels, sellers of complementary products and services, suppliers, and the firm itself (Gossain & Kandiah, 1998; Moore, 1996; Rahatullah, 2013). Microfinance plays important role in bringing sustainability to the livelihoods of millions of households across the globe. This study identifies the microfinance landscape of the Kingdom in its entrepreneurship ecosystem.

The paper has been divided in seven sections. After the introduction in section 1, the following section reviews the literature and in sub-sections 2.1 and 2.2 Microfinance and its benefits

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And The prominent Micro Financing Models are studied. The section 3 is dedicated to methodology which discusses the methods of investigation to answer research questions are applied. Results and Discussion is section 4 which is further separated into two sections, i.e. Contrasting the Major international Models and Saudi Microfinance Institutions in 4.1 and 4.2 deals with Charting Saudi Arabian Microfinance Model (SAMFIN). The conclusions, recommendations and limitations are in section 5, 6 and 7 respectively.

Paper discusses microfinance from several ways that are linked to the main topic starting with the history of microfinance and the big impact that Dr. Muhammad Younus did when innovating the small loan that help a lot of poor to improve their way of living and to reach the financial sustainability.

This resulted in observing how microfinance works in Saudi Arabia and how it was beneficial to improve the SMEs by providing these loans, showing its effect on society and economic growth. The problems faced by SMEs were discussed and three problems as enumerated by Naidu and Chand (2012) were financing, operational, administrative problems; and sales and debtor's problem. Provided in the end is a view on the impact of SMEs on job creation and its benefits for the community.

The paper is structured and grouped into five sections. After the introduction a literature review section has been added. Based on the review of scholarly work and research questions posed the section three identifies the appropriate research methodology. The subsequent segment four discusses in detail the findings and results. It then leads to conclusions and recommendations. In the end a bibliographic section is included.

The literature below shows prominent models of micro financing in practice providing a tailor-made recipe in a particular country or a community. The models cater to specific needs and geographic regions and its replication is difficult because of the diversity of culture, traditions, norms and business practices.

This clearly provides a need to identify current microfinance lending practices in the middle-eastern settings and amalgamate these into one common lending model. Saudi Arabia is one the largest economy of the Middle East and normally the practices are alike as in the region.

However, we can clearly identify that the information is scarce and, in most cases, unavailable. Therefore, in this study we will endeavor to explore the micro funding available, bring these to perspective and enumerate their characteristics to the available models discussed above. This will provide a thorough understanding of the status-quo of the micro funding in the Kingdom in particular and in Middle East in general.

Therefore, we would explore:

- Which institutions are providing micro funding in Saudi Arabia? And what are the characteristics of these institutions?
- Is there a microfinance lending model in Saudi Arabia? And if does exist what are its characteristics?

- What are the similarities and differences in money lending and recovery models of Saudi and international institutions?

Answering these questions is pertinent both time and need wise. It will also provide an understanding of the shortfalls and make recommendations for KSA model adaptability to the already available models and help the government realize its coveted vision 2030.

2 - Literature Review

This section discusses the literature on microfinance institutions, models and benefits of this lending process.

Entrepreneurship ecosystem is defined as "loose networks of suppliers, distributors, outsourcing firms, incubators, accelerators, financial institutions, coaches, consultants, research institutions, related governmental bodies, makers of related products or services, technology providers, and a host of other organizations affecting and affected by, the creation and delivery of a company's own offerings" (Wiklund et al. 2003 pp. 5; Peltoniemi. M., and Vuori. E., 2004;). Micro financing is a major activity in an entrepreneurial ecosystem and contributes to development of businesses like franchising (Rahatullah 2014; Wu et. al. 2009).

According to 2013 issue of Microfinance handbook of the World Bank, there are innumerable microfinance NGOs and institutions working in the field and mostly provide more than one service. However, few have gained a huge reputation owing to their excellent work performance and results achieved in poverty (Toindepi 2016) reduction and skill enhancement of the microfinance target market. Therefore, the following countries and the microfinance models that are operational are added.

Table 1 – Literature summary on operational models of selected microfinance institutions

Institution / NGO	Country	Summary
MC2	Cameroon	MC2 is micro-bank owned and managed by the members incorporating socio cultural, traditions, and religious habits of the community. It functions on the principle of one man, one vote. In other words, building from the bottom
Grameen	Bangladesh	Centrally managed, dedicated microfinance institution, groups of five, highly disciplined organizational structure. The focus is primarily on lending, but every group member must save a certain amount.
Palli karma		It is an autonomous microcredit fund facilitating the channeling of funds to micro credit institutions from both government and non-government sources.
SKS	India	Investors driven centrally managed credit company, with resources from lenders and investors. A mega structure that recruits and trains loan officers in charge of disbursing loans to villages. Scheduled banks and investors provide loans to SKS institutions. The

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		microfinance institution gives out the money through loan officers to beneficiaries at a very high interest rate. Focus primarily on credit and investors profit maximization objective.
NABRAD		Savings led, Self-help group program of National Bank for Agriculture and Rural Development (NABRAD). It operates with more than 17, 000 rural and semi urban branches, 750 NGOs, 462, 000 self-help groups (SHG) with average of 17 members each. NABRAD works with in excess of 7.8 million borrowers with 85% women. It has lent more than \$94 million. On time repayment rate is 95% and it is a Public-Private-SHG strategy successful.
WEP	Nepal	WEP operates with two groups ‘Savings’ and ‘Credit’ categorize and organize the clients with average size of 20 members) with no access to external loan fund. 45, 000 group members benefitted and loans for various purposes.
CBDIBA	Benin	For destitute women, less than 10 members in a group, small loans, motivation created for savings, Weekly deposits of 10Cents, Members meeting savings plan get loans, after one year of successful savings and loan repayment behavior, members are then graduated into normal village banking system.
MATA MASU DUBARA	Niger	Women centered 6, 000 self-help groups (SHGs). Around a million dollars generated each year in savings and 3 million in aggregate lending. Self-managed individual groups in 8 months with the help of the technical assistance provided. More than 85% of the groups assisted are able to function autonomously. Remote outreach approach is used.
Pro Mujer	Bolivia	It is a women development organization serving more than quarter of a million poor women in Latin America. It provides financial services, life-saving preventative healthcare, education and business training.
Akhuwat	Pakistan	Akhuwat derives its name from ‘mwakhaat’ or brotherhood, taken from example seen in the fraternity formed by citizens of Medina and the immigrants of Makkah who had migrated to Medina to escape religious persecution. it charges no interest rates and operates on the principle of Qarz-e-Hassn (an Islamic tradition to help someone in need with interest free loans). With initial success, the Akhuwat model began to feature into curriculum of renowned international and national universities.
FINCA	Nigeria / Pakistan	FINCA works with groups of 30- 60 members, usually all women. As soon as the village bank inaugurated, it receives its first loan from the implementing agency (the local headquarters of FINCA or its affiliate) for lending to the individual members of the village bank.
UNRWA	United Nations	The UNRWA microfinance department provides sustainable income-generation opportunities for Palestine refugees, as well as other poor or marginalized groups who live and work near them. It extends credit and complementary financial services to households,

		entrepreneurs and small-business owners. These investments create and sustain jobs, reduce poverty and empower our clients, particularly women. Many of the microfinance program's clients operate small, often informal businesses on the margins of the economy. They include anglers and garage-owners, at-home tailors and vegetable stall-owners.
WEEC	Kenya	Women Economic Empowerment Consort (WEEC) is a non-governmental organization targeting grassroots women providing financial service that empowers economically active women in Kenya through savings mobilization and training with credit and information, dissemination to enable women meet their social economic.
SEND-Ghana	Ghana	The organization identifies need for the poor, especially, women to have a strong and consistent voice informed by evidence during policy discussion. The budgetary decision making at national and district levels is its primary agenda.

The above summary of the major microfinance institutions with service delivery models are identified summarizing their activities.

Countries across the world practice a number of micro-financing models including Associations / Bank Credits, including the green credits (when banks consider both economic benefit and also environmental factors in the credit issuance process, to arrive at appropriate loan decisions (Zhou et al., 2022 and Yao, F., Qin, Z., & Wang, X. (2023) Cooperatives, Group, Individual, Peer Pressure, ROSCAs, Village Banking and Philanthropic (Hoda and Gupta 2015). Hoda and Gupta 2015 compared different microfinance models. All the models aim to provide sustainability to financially deserving and offer financial and accounting services to borrowers and productive families except the SKS. SKS main objective is to maximize profits for the investors in short time through increased outreach and serving more customers.

The modality of programs offered are different among almost all but with focus to alleviate poverty through financial assistance (Bracker et. al. 2006; Misbah et al. 2022). MC2 is a rural micro development bank, Grameen is a micro-credit institution, FINCA and SKS are a village bank and Microcredit institution. FINCA targets villagers of both genders (Eriksson et. al. 2009) with preference to women (Hulten 2012). SKS targets economically active poor with tangible collateral to support with the loan request. MC2, Grammen and FINCA Model offer similar financial services by providing savings accounts, micro insurance and credits.

SKS performs door-to-door loan collection services. The average loan size varies from organization to organization. MC2 average loan size \$150 with 10-15% interest. Grameen-Model allows less than \$100 with above 30% interest. FINCA lends \$75 with above 46% interest. Whereas, SKS provides \$160 with above 45% interest. This shows that the interest charged is very high for loan terms of 6 months to 1 year, except MC2 where the borrower is give 18 months to repay and FINCA asks for money back in 16 to 24 weeks. The Grameen borrower would pay \$130 in one year; however, the FINCA loaned would pay back \$110 in one year for \$75 borrowed. This shows that the business models of all these organizations allow reasonable

profits. The loan repayment guarantee at different organizations varies from social to asset collaterals. MC2 depends on culture and tradition and in order to ensure loan repayment, the organizations have developed a number of models of operations to ensure the timely repayments. The loan is lent to a small community and not an individual and the group takes the loan and allows a certain person to pay back to MC2, Grameen and FINCA through peer pressure.

2.1 Microfinance and its benefits

Access to financial services has become an important element of social fund and community-driven development projects because the poor must have continuous and permanent access to strong, stable financial systems in order to build their family's economic security. Grameen Bank established in 1976 and a couple of decades' later its microfinance started attracting attention of the financial world (Shane 2003). The guiding principle of Grameen bank is that loan is better for poor than charity and recognizes that 'poor' have specific skills to utilize with loans and would alleviate poverty (Duong, HA & Nghiem 2002 and Syuhailah and Zuraimi 2021).

Parker and Pearce (2001); Frisancho (2012) and Njtrijani et al 2022 regard microfinance as one of the best interventions for income generation. Between 1997 and 2002, the total number of Microfinance institutions (MFIs) grew from 618 to 2,572 Tripathi (2013). Khan 2019, argues that Microfinance assists needy to find new opportunities Hertog (2010) in the market to earn income by the investments in both farm and nonfarm activities (Sachs 2009). The evolution of microfinance in the 1970s provided access to capital by low-income individuals. Microfinance is the provision of financial services for low-income, poor and very poor self-employed people (Otero, 1999). Berger and Udell (1998) and Radovic (2007) suggest that SMEs are an important engine for economic growth. Iansiti, Levien (2004b) argue that women enterprise control about \$20 trillion global consumer spending and earn about \$18 trillion extending their circle of economic influence. Hulten (2012) suggest that women have an impact on sustainable economic growth, e.g. in Sub-Saharan Africa women comprise 50% of the population and produce more than 80% of the food for the continent.

Joanna et.al. (2013), state that women small farm holders drive less than 12% of agribusiness investments. According to Heino (2006), the micro financing has a greater effect on profitability, productivity (Emine 2012) and growth and expansion of women-owned enterprises when it come in sufficient quantities. The study would be important in reformulating women business, credit policies, for improving financial services to entrepreneurs. The women entrepreneurs lack training especially in developing countries. However, Nassuna et al., 2022 postulate that micro and small and medium enterprises (MSME) concede a vital source of developing human capital by learning and finding the opportunity that improves their skills, attitudes and abilities (Braná, 2008; Duong, HA & Nghiem, 2002; Shane, 2003). The institutional intervention provides a number of benefits other than financing as shown by a study of Grameen bank, i.e. women are more aware of their rights, able to resolve conflicts, and able to be decision-maker at the household and community levels after their participation in credit programs (Chen, 1992). Ekpe et.al. (2010) and Bamata & Phiri 2022 suggest that independent income, giving them more bargaining power in their relation with male family members.

2.2 The prominent Micro Financing Models:

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A comparative look at the models as shown below and adapted from the studies of Frisancho, (2013); Sharma, (2010); Wahid A, (1999); Fatima (2013); Hoda and Gupta (2015); Zada and Saba (2013); Bashraheel, (2008); Piot-Lepetit (2014) and Ibali et al. 2022 reveal that most of the microfinance institutions deal with individuals; however, association / credit union and “Self Help” groups are also commonly microfinancing frameworks.

However, it seems that these organizations utilize peer pressure (Evans and Jovanovic 1989), self-help group (Rahatullah & Raeside 2008) village banking and other models owing to geographic dynamics. Most of these organizations operate in more than one country or geographic location.

The table below also identifies salient features of the identified microfinance models practiced across globe. It compares and contrasts MC2, Grameen, FINCA and SKS-Models. It also identifies the objectives, targets and the services each model provide whether financial or non-financial.

Table 2 – Mapping the Leading Microfinance Models

Association / Credit Union	Cooperative	Group	Individual	Peer Pressure	Rotating Saving and Credit Association (ROSCA)	Village Banking	Self-Help Group	Philanthropic
Grammen		WEEC	MATA MASU DUBARA	FINCA	MATA MASU DUBARA	FINCA	Grammen	Bab Rizk Jameel
SKS		WEP	Pro Mujer	MC2	WEEC	Grammen		Nafisa Shams
SEND-Ghana	MATA MASU DUBARA		Bab Rizk Jameel	MATA MASU DUBARA	NABARD	SKS		Majid Society
CBDIBA			Nafisa Shams		WEP		MATA MASU	
MATA MASU			Majid Society		CBDIBA (When individual asks for loan more than his/her savings)		NABARD	
WEP			Riyadah				FINCA	
			UNRWA					
			Akhuwat					

The models have some similarity such as targeting poor people. another similarity is that they only provide financial services.

3 - Methodology

Saudi Arabia is fast growing economically and has made strides in the academia. However, challenges remain in exploring and securing research / survey responses. As Dimmock and Walker 2005 and Hamdan 2015 assert that in some countries and territories respondents' do not feel confident of the anonymity of the responses and fear that their information might be utilized for unwanted purposes. In Saudi Arabia, it is a challenge to reach respondents especially the senior executives. We tried to find out information on the websites of the government, chambers of commerce and other institutions like banks to know about the microfinance practices and procedures but it was extremely difficult.

Therefore, we decided to identify the key lenders from studies like Rahatullah 2013 and 2014. These studies map the entrepreneurship ecosystem and its evolution in Saudi Arabia. Since there are five organizations in Saudi Arabia providing microfinance to start-ups, these formed the sample size. Requests to conduct interviews from these organizations resulted in affirmative response. It was decided that a limit on our questions be imposed to the elements of existing models available in literature. Interview time was from March and April 2021. Organizations including Bab Rizq Jameel, Riyadah, Nafisa Shams and Majid Society obliged for an interview and these meetings helped understand that these institutions support people who have a good idea but lack of finance or they might need training to improve their business skills. Nafisa Shams is providing different type of support not by money but by providing a training in crafts. Majid society is providing both help either financial or providing a training.

After conducting the interviews, the answers' recording on the elements commenced for the identified and researched for renowned models. Mapping of similarities in the lending process of each of the lender helped create an excel sheet record.

After the information from all lenders were recorded on the elements and style of the models identified in literature, a cautious and meticulous approach was adopted to place the summarized common information of each lender in one element in one table. Upon completion of this step, Saudi Arabian Microfinance Model takes its shape. The discussion regarding the by comparing to other models is carried out comparing and contrasting all the models.

Extensive literature review assisted to identify the methodologies employed by different microfinance models, trade press and magazines. In completing this study, company's websites, company's review were quite useful. Thus, the project used a wide range of academic literature that incorporates the institutional design, operations, successes and failures of different microfinance models in the world. Drawing from existing comprehensive literature, the author was able to form the core of the research methodology that yielded relevant data. In addition, the methodological design of this research project tapped into the wealth of practical experience that exists in the MC2 micro-bank model, the Credit Union and followers of the Grameen bank philosophy in Cameroon. This includes a wide range of providers that vary in their legal structure, mission, methodology, and sustainability but share the common characteristic of providing financial services to a clientele poorer and more vulnerable than bank clients provide. An organization-credit union, downscaled commercial bank, financial cooperatives that provide

financial services to the poor is another way of defining it. This section examines popular models of microfinance.

I will use the mix method approach to investigate the role of microfinance to achieve sustainable growth and investigate how this mode of financing can help develop entrepreneurs. The secondary sources assisted to gather data and used as primary quantitative method to secure information from microfinance lenders and micro and small entrepreneurs. Senior academics and experts verified findings and conclusions.

Since the number of organizations providing microfinance in Saudi Arabia is only five, therefore, conducting data through interviews was considered best as for most of the other sources the sample size has to be large. Hence, alternative sources were not considered.

4 - Results and Discussion:

The research showed six institutions actively performing in Saudi Arabian microfinance landscape. These include the following:

Bab Rizk Jameel (Male)	Bab Rizk Jameel (Female)
Riyadah	Nafisa Shams Academy
Majid Society (Kick Off)	Majid Society (Skills)

The ‘Bab Rizk Jameel’ has two sections, i.e. male and female sections where its men section offers to young people who have good ideas but lack of finance. It aims to support individuals who want to start their own business and have a financial problem. The female side assists productive family lacking finance to start their business.

Similarly, ‘Riyadah’ is a nonprofit organization and an initiative of the Ministry of Petroleum and Mineral Resources and the General Organization for Technical and Vocational Training under the name of (leadership of the National Business Institute). Its objective is to develop and implement a program for startups and small / micro enterprises.

The table 3 below provides details on a number of attributes of these organizations which are discuss below for each organization.

Table 3 – Microfinance Institutions in Saudi Arabia

Institution	Summary	Objectives	Type	Target Clients	Services		Funding Details			
					Financial	Non Financial	Loan Size	Savings Method	Eligibility	Type
Majid Society	Microbusiness development initiative	Develop microbusiness in the kingdom.	Microbusiness development	Saudi Men and Women	Less	All kinds of assistance	None, but training and mentoring provided for the skills development			
Majid Society	Non Profit organization that provide different type of program such as Kick off program and skills program which aim to help community member who have lack in finance to start their own business to reach self-sufficiency		Credit institution, Microbusiness development	Saudi Men and Women	Microfinance	Training for crafts sector	<ul style="list-style-type: none"> • 30,000 SR for Home based • 80,000 SR for Microbusiness 	None	<ul style="list-style-type: none"> • Saudi citizen • Age between 21-65 	Microfinance
Bab Rizk Jameel (Men)	A program that Offered to family (male and female) and young people who have good ideas but lack of finance.	To support productive community member who have lack of finance to start or improve their own business	Credit institution, Microbusiness development	Productive family and individuals	Microfinance	None	3,000 – 10,000 SAR	None	Saudi citizen	Microfinance
Bab Rizk Jameel (Women)										
Nafisa Shams Academy	Its a part of Bab Rizk aim of qualifying Saudi women through training leading to increase their job opportunities in arts and crafts	Support Saudi women by providing them with suitable training and skills building to increase their chances of employment.	Microbusiness development	Saudi Women	No Financial Services	Training for crafts sector, Business MGT	None	None	Saudi citizen	Provides materials, tools and assistance to produce handicrafts.
Riyadah	Nonprofit organization, an initiative of the Ministry of Petroleum and Mineral Resources and the General Organization for Technical and Vocational Training under the name of (Leadership of the National Business Institute)	<ol style="list-style-type: none"> 1. Deployment of self-employment and build a culture of positive behavior. 2. Develop a national program for entrepreneurship and development of small and medium enterprises. 3. Developing field of entrepreneurship and SME. 	Microbusiness development and Microfinance	Saudi Women	Microfinance	<ul style="list-style-type: none"> • Training • Consulting • Incubation • Facilitating access to finance • Facilitating access to licenses 	<ul style="list-style-type: none"> • Riyadh program 300,000 SAR • Graduated 500,000 SAR 	None	<ul style="list-style-type: none"> • Saudi Citizen • Age between 21-60 	

The ‘Nafisa Shams’ is also a part of ‘Bab Rizk Jameel’ aiming to qualify Saudi women through training leading to increase their job opportunities in arts and crafts. It aids in the form of raw materials and training to develop skills of artisan women. The Majid Society also has two main programs, i.e. ‘Kick off’ and ‘skills’. Through its kick off program individuals are supported to start own small – micro enterprises and attain self-sufficiency through different programs. Whereas, the ‘skills’ program contributes to raise the crafts sector and professional level through intensive developer training curriculum to suit the character and requirements of the market needs. It supports Saudi women by delivering crafts training and bringing sustainability.

4.1 Contrasting the Major international Models and Saudi Microfinance Institutions

The microfinance is relatively new to the kingdom; comparing and contrasting it with famous models practiced around the world would provide an opportunity for the ‘strategic stakeholders’ in the Saudi entrepreneurship ecosystem to understand and develop policies and laws for further effectiveness of micro financing and helping thousands of families to be more productive and sustainable. It would reduce the pressure of financial assistance provided by the government.

Four microfinance models practiced internationally provide a source of comparison. ‘MC2’, ‘Grameen’, ‘SKS-Microcredit’ and ‘FINCA’ are widely used and famous for their effectiveness. MC2 a micro credit bank owned and managed by the members incorporating socio cultural, traditions, and religious habits of the community. It aims to bring economic and financial sustainability to the individuals and group members. Its work also has social dimension and involves targeting the poor, micro and small-scale activities and consequently restoring dignity to target beneficiaries to see the importance of being masters of their destiny. It emphasizes on savings and credits. Grameen on the other hand operates on a centrally managed formula. It is a Conceptualization - RUMK.; Methodology - RUMK; Writing – RUMK; Investigation – RUMK; Funding – None.; Resources - RUMK; Supervision – RMUK

dedicated microfinance institution functioning with a highly disciplined organizational structure. The focus is primarily on lending, but every group member must save a certain amount. The banks aim is to assist the economically active but poor people who cannot benefit from official lending sources due to various reasons including non-availability of collateral.

FINCA on the other hand works with groups of 30- 60 members, usually all women. Soon after the village bank commences functioning from a particular village it disburses first loan installment to the individual members of the village bank. It grants credit to rural communities to improve their livelihood through entrepreneurial activities. SKS-Microcredit is investors driven, centrally managed credit model with resources from lenders and investors. It recruits and trains loan officers in charge of disbursing loans to villages. Scheduled banks and investors provide the loans to SKS model institutions. The beneficiary microfinance institution gives out the money through loan officers to recipients at a very high interest rate. The focus is primarily on credit and investors profit maximization objective. The SKS-Microfinance model optimizes profit in short time through increased outreach.

4.2 Charting Saudi Arabian Microfinance Model (SAMFIN)

An effort to bring together features of all the microfinance and development institutions in Saudi Arabia to construct a model of microfinance provides interesting findings. The reason of combining the features of all the organizations is that their number is less (four and six programs) and the phenomenon is relatively new to the kingdom. Putting them all together, comparing, contrasting these features with models will offer insight into the future needs.

SAMFIN is combination of micro credit institutions supported by investors to help the Saudi community with finance, develop skills and start a business. The highlighting feature is lending and business development to achieve financial sustainability.

Its aims and objectives are similar to other models. The table 4 below provides further insight and contrasting data among SAMFIN and other identified models.

Table 4 – Comparing and Contrasting SAMFIN and Leading Models

Attributes	MC2	Grameen	FINCA	SKS- Microcredit
Program Type	Rural Micro development bank	Microcredit Institution	Village Bank	Credit institution
Target clients	The entire community, the under privilege and the poor	Poor rural women involved in an economic activity	Villagers of both sexes with preference to women	Economic active poor with tangible collateral to support the loan request
Financial service	Savings accounts Term Deposits Micro insurance	Savings Credits Micro insurance	Credits Little emphasis on savings Micro insurance	Door to door loan collection services are provides
Average Loan Size	\$150	Less than \$100	\$75	\$160
Non-financial services	• Financial training and workshops	• Social mobilization seminars group meetings	• Social mobilization seminars and group meetings	Enables group meeting and social mobilization when there is an MFI involved.
Savings Method	Savings is key to wealth creation. Flexible but must be able to save at least FCFA1500 quarterly. Depends on the community potentials	Compulsory weekly savings, door to door loan reimbursement collection Peer pressure	Peer pressure and compulsory weekly savings	It does not take deposits as institution
Eligibility Criteria	• Registration FCFA 2500 • Shares >=10 @ 1000 =10000 Savings >=FCFA1500 quarterly	Compulsory weekly savings, door to door loan reimbursement collection Peer pressure	Peer pressure and compulsory weekly savings	Be a member of an SHG, Be able and willing to pay the fees
Funding type	• Equity shares subscribed by members • Savings from local population • Savings from other men and women from the area living in other places • Loans from refinancing Programs from the link bank • Grants for capacity building from the local NGO ADAF Grants from international donors' agencies	External funds from donor agencies are disbursed. Savings and internally generated funds.	Funds and credits obtained from donor agencies	Members contribution. Credit from MFIs
Cost of Loans interest rates	10-15%	Above 30%	Above 46%	Above 45%
Loan terms	Negotiable, depends on members' cycle of activity and business in question. Some situations it runs up to 18months. Local and cultural securities	It has compulsory weekly reimbursement and savings. Maximum periods is 1year. 5% of any amount granted is set aside as savings.	16-24 compulsory weekly reimbursement	Maximum of equal 50weekly
Loan repayment schedule	Monthly, with possibility of period of grace	Weekly period of payment with compulsory weekly savings	Weekly period of loan repayment	Weekly
Ownership	The community	Investors of Grameen bank	Community members	Investors/shareholders
Loan Guarantee	Depends on culture and tradition, in some villages in Cameroon valuable items such as Panther skin serve as security.	Peer pressure and social collaterals. Credit is for groups.	Peer Pressure and accumulated group savings	Peer pressure, personal properties and assets

5 - Conclusions

The differences between the SAMFIN and other models are following and quite significant.

The loan limit in Saudi Arabia is substantially high and equals \$2666. Whereas, among other models the SKS-Microcredit model argues Rambaud, C, S.; Pascual, L, J., & Satandreu, E, M.; (2023) provides \$160 which is highest among all. Similarly, the Saudi lending institutions have put an age limit on borrowers between 21 and 65. The global models do not seem to have any

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age-related restrictions. The loans repayment period by Saudi institutions has longer-term orientation and entrepreneurs can pay back in a maximum of 5 years with minimum time as 2 years. The models in practice elsewhere limit the repayment period to a maximum of 1 year and it could be a few weeks in some cases. The sponsors of the Saudi microfinance organizations normally provide money as philanthropy; however, other models have investor support requiring a pay back with profit for them as well.

The microfinance in Saudi Arabia is evolving and two organizations have taken the lead, i.e. Bab Rizk Jameel, the philanthropy project of Abdul Lateef Jameel company, who own several businesses and most prominent being resellers of Toyota car manufacturers. The other prominent stakeholder is Majid society which is sponsored by Prince Mishaal bin Majed bin Abdulaziz.

‘Statistics Times’ (Nd), Saudi Arabia ranks among the top 20 economies in the world and ranks 48th in population. Existence of microfinance in a country that has per capita GDP of \$23491 and categorized as 18th largest is extraordinary. Normally microfinance attributes to relatively poorer economies. There could be several factors responsible to out including the unemployment rate and value-added skill gap. However, the study has suggested that there might not be any more institutions taking to the market as the number of borrowers could be less. The differences identified and discussed above also imply that the SAMFIN and global models are quite different in approach and modalities. Perhaps this explains the reason of the very existence of the microfinance. The SME authority (Nd) reports that the micro enterprise employs 1-2 people according to Saudi standards. According to International Finance Corporation IFC (Nd) the criteria for defining microenterprise differs country to country; however, the number of employees and annual turnover are main gauge. The UK’s Financial Conduct Authority (FCA) and European Commission’s define micro enterprise as a business employing fewer than 10 persons; and has a turnover or annual balance sheet that does not exceed €2 million.

This shows that the Saudi Arabian microfinance model (SAMFIN) dynamics would be different from those of numerous countries, especially the popular models identified and discussed in this study. These models are practiced in low income countries, hence is the criteria is different. This seems to hold true because the ‘Bab Rizk Jameel - BRJ’ has started functioning in another relatively high-income country, i.e. Turkey.

6 - Recommendations

The study provides an insight into micro financing in Saudi Arabia and draws the conclusion that the criteria of microenterprise could be different in particular economies. It is drawn on certain economic factors. It is recommended that the study may be used to learn the similar models being practiced in other higher income countries and a new dimension to microfinance be developed. This would help the poorest section of these societies to be benefitted. It is also recommended that the future study may encompass the whole of middle east or at-least GCC countries enabling a larger sample size.

7 – Limitations

Like any other study, this work also encountered a number of limitations and are identified below.

1. The respondents time had to be respected and they allowed very restricted time for the interviews.
2. Many a times during the interview the respondents would refer to events etc. in Arabic which needed the explanations.
3. The overall sample size is small, as the microfinance is a newer concept in the kingdom.

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