The Rise of GCC Private Credit

Why Direct Lending Is Reshaping Mid-Market Financing in the Gulf

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Abstract

Private credit has grown from a niche to a structural pillar of mid-market financing in the Gulf Cooperation Council (GCC), as direct-lending funds, family offices and specialist platforms have moved into the space that conservative bank lending has left underserved. This paper examines the rise of GCC private credit and what it means for borrowers, investors and the wider financing system. Using an indicative dataset calibrated to 2026 conditions, it sets out the drivers of the growth, principally bank retrenchment, the speed and structuring flexibility that private credit offers, and the attractive yield it provides to investors, and it compares private credit with bank lending across cost, speed, flexibility, leverage and covenant intensity. The analysis maps the spectrum of private credit from senior direct lending and unitranche through mezzanine to special situations, develops a framework for when a borrower should choose private credit over a bank, and examines the perspective of the private credit investor whose capital funds the market. It finds that private credit is not simply more expensive bank debt but a distinct product offering speed, certainty and tailoring that justify its premium for many borrowers, that its growth is structural rather than cyclical, and that it has become an essential complement to bank lending in the GCC mid-market. Three indicative case studies, a sensitivity analysis, an international comparison and an implementation roadmap support the analysis, which is intended for borrowers weighing their financing options and investors considering the asset class.

Keywords: Direct lending, GCC, mid-market, private credit, structured finance, unitranche, yield

1. Introduction

A decade ago, a mid-market company in the Gulf seeking debt had essentially one option: its relationship bank. Today it has many. Direct-lending funds, family offices investing through credit structures, and specialist private credit platforms now compete actively to lend to the GCC mid-market, offering capital that is more expensive than bank debt but faster, more flexible and more certain. This shift, from a bank-dominated to a diversified financing market, is one of the most consequential developments in regional finance, and it is the subject of this paper.

Private credit, the provision of debt by non-bank lenders directly to borrowers, has grown from a niche to a structural pillar of the GCC mid-market in a remarkably short time. The growth reflects forces on both the demand and the supply side: borrowers underserved by conservative bank lending have sought alternatives, and investors seeking yield have provided the capital to meet that demand. The result is a market that has expanded rapidly and that shows every sign of continuing to grow, reshaping how mid-market companies in the Gulf finance themselves.

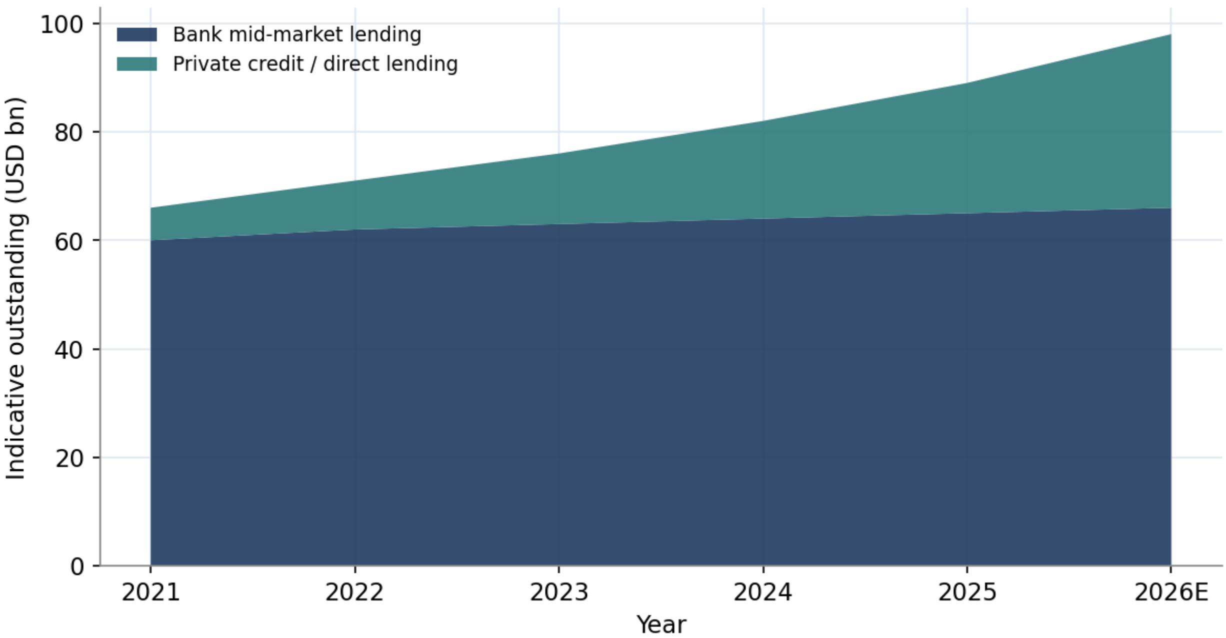
The central argument of this paper is that private credit is not simply more expensive bank debt but a distinct product, offering speed, certainty, flexibility and tailoring that justify its premium for many borrowers and many situations. A borrower that understands private credit as a different product, suited to different needs, rather than as a costly substitute for bank debt, can use it well, deploying it where its advantages are worth paying for and using cheaper bank debt where they are not. The paper develops a framework for this choice and examines the market from the perspectives of both the borrower and the investor.

The figures used throughout are indicative, calibrated to observable GCC conditions in early 2026 but not drawn from any specific transaction. The paper proceeds from the growth of the market (Section 2), through its drivers (Section 3), the spectrum of private credit products (Section 4), the comparison with bank lending (Section 5), the borrower decision framework (Section 6), pricing and structuring (Section 7), the investor perspective (Section 8), risk (Section 9), GCC-specific considerations (Section 10), three case studies (Section 11), sensitivity analysis (Section 12), an international comparison (Section 13), the outlook for the market (Section 14), common errors (Section 15), an implementation roadmap (Section 16), a strategic perspective (Section 17), a conclusion (Section 18) and limitations (Section 19).

2. The Growth of GCC Private Credit

The growth of private credit in the GCC has been rapid and is illustrated in Figure 1. Where bank lending to the mid-market has grown only modestly, constrained by the banks conservative approach to mid-market and development risk, private credit has expanded several-fold, taking a growing share of the financing of mid-market companies. This is not a temporary phenomenon driven by a passing dislocation but a structural shift in the composition of the financing market, as a new class of lender establishes itself alongside the banks.

Figure 1. Indicative Growth of GCC Private Credit Relative to Bank Mid-Market Lending



Private credit grows rapidly while bank lending grows modestly. Not official statistics.

The growth reflects the maturation of the regional capital market and the arrival of both global and local private credit providers. Global direct-lending funds, having built large businesses in the United States and Europe, have extended into the GCC to access its growth and its yield; local family offices and institutions have established credit strategies to deploy their capital; and specialist platforms have emerged to originate and manage private credit in the region. The result is a deepening pool of private credit capital that gives mid-market borrowers genuine alternatives to bank debt for the first time.

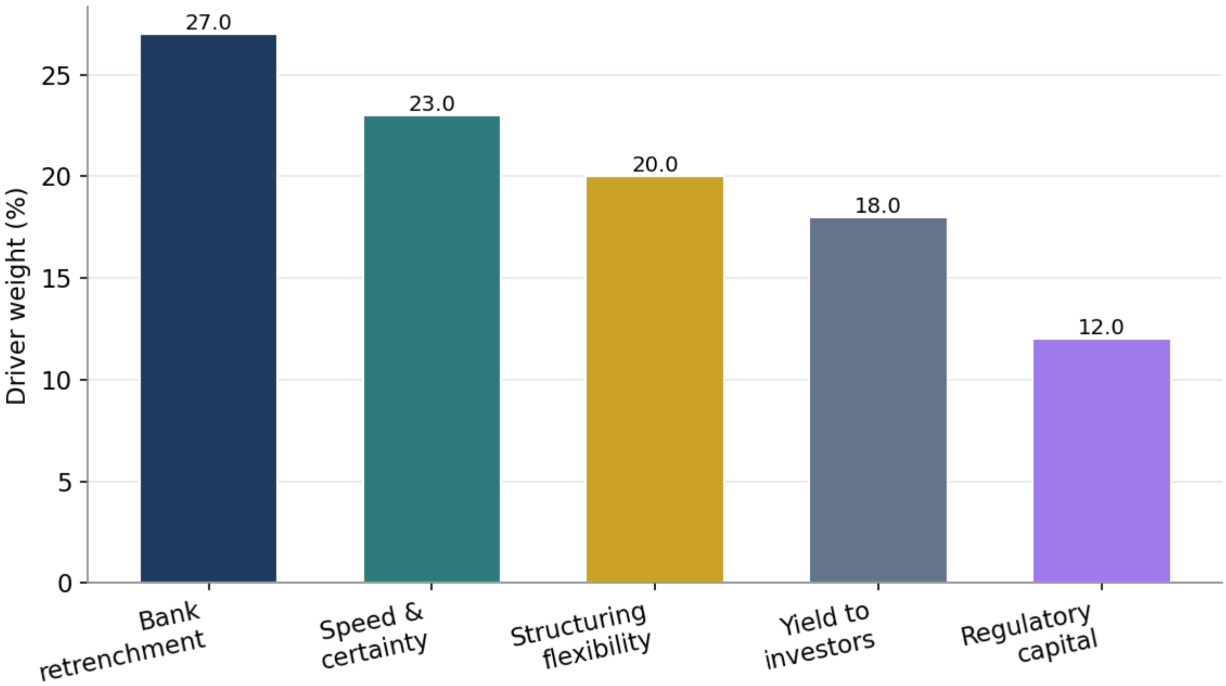
The significance of this growth extends beyond the borrowers it directly serves. As private credit establishes itself, it changes the competitive dynamics of the whole financing market, pressuring banks to respond, giving borrowers leverage they did not previously have, and creating a new asset class for regional investors. The rise of private credit is therefore reshaping the GCC financing system as a whole, and understanding it is essential for any participant in that system, whether borrower, investor, bank or adviser.

The growth also reflects a change in borrower attitudes. A generation of mid-market owners and managers that once regarded any borrowing outside the relationship bank as a sign of weakness has given way to a more sophisticated cohort that treats financing as a competitive market to be navigated for the best terms. This cultural shift, from loyalty to a single bank toward an active management of financing sources, is both a cause and a consequence of the rise of private credit, and it is accelerating as borrowers observe peers using the diversified market to their advantage.

3. The Drivers of the Growth

The growth of GCC private credit is driven by several reinforcing forces, illustrated in Figure 2. The foremost is bank retrenchment: regional banks, constrained by capital requirements and a conservative approach to mid-market and development risk, have left a financing gap that private credit has filled. Where a bank declines to lend, or lends only on conservative terms, a private credit fund will often lend, accepting the risk that the bank avoids in exchange for a higher return, and this gap-filling is the foundational driver of the market.

Figure 2. Drivers of GCC Private Credit Growth (Indicative Weights)



The second driver is the speed and certainty that private credit offers. A private credit fund can underwrite, commit and fund far faster than a bank, because it has a simpler decision process and a single decision-maker, and it can provide a borrower with the certainty of funding that a bank, with its committees and conditions, often cannot. For a borrower facing a time-critical need, an acquisition, a refinancing, an opportunity, this speed and certainty is worth a premium, and it is a principal reason borrowers choose private credit even when bank debt is available. The third driver is structuring flexibility: a private credit fund can tailor its facility to the borrower situation in ways a bank, constrained by standardised products, cannot.

The fourth driver operates on the supply side: the attractive yield that private credit offers investors. In a market where investors seek yield, private credit provides a return well above bank deposits and benchmark rates, secured against real assets and cash flows, which has drawn substantial investor capital into the asset class. This investor demand provides the capital that funds the market growth, and it is as essential to the rise of private credit as the borrower demand. The fifth driver, the regulatory capital treatment that makes some lending more efficient for non-banks than for banks, completes the picture. Together these forces, on both the demand and the supply side, have driven and continue to drive the growth of the market.

It is worth dwelling on why investor demand has been so strong, because it is the supply-side engine of the market. In an environment where investors have struggled to find yield commensurate with their return targets, private credit has offered a combination that few other asset classes match: a floating-rate return well above benchmark, secured against real assets and cash flows, with relatively low reported volatility. For family offices and institutions in the region seeking to put capital to work at an attractive risk-adjusted return, private credit has been a natural destination, and the weight of this capital seeking deployment has been a powerful force pulling the market into existence.

4. The Spectrum of Private Credit Products

Private credit is not a single product but a spectrum, ranging from senior direct lending at the lower-risk, lower-cost end through unitranche and mezzanine to special situations at the higher-risk, higher-cost end. Table 1 sets out the principal products, and Figure 3 their indicative cost.

Figure 3. Indicative Cost Across the Private Credit Spectrum

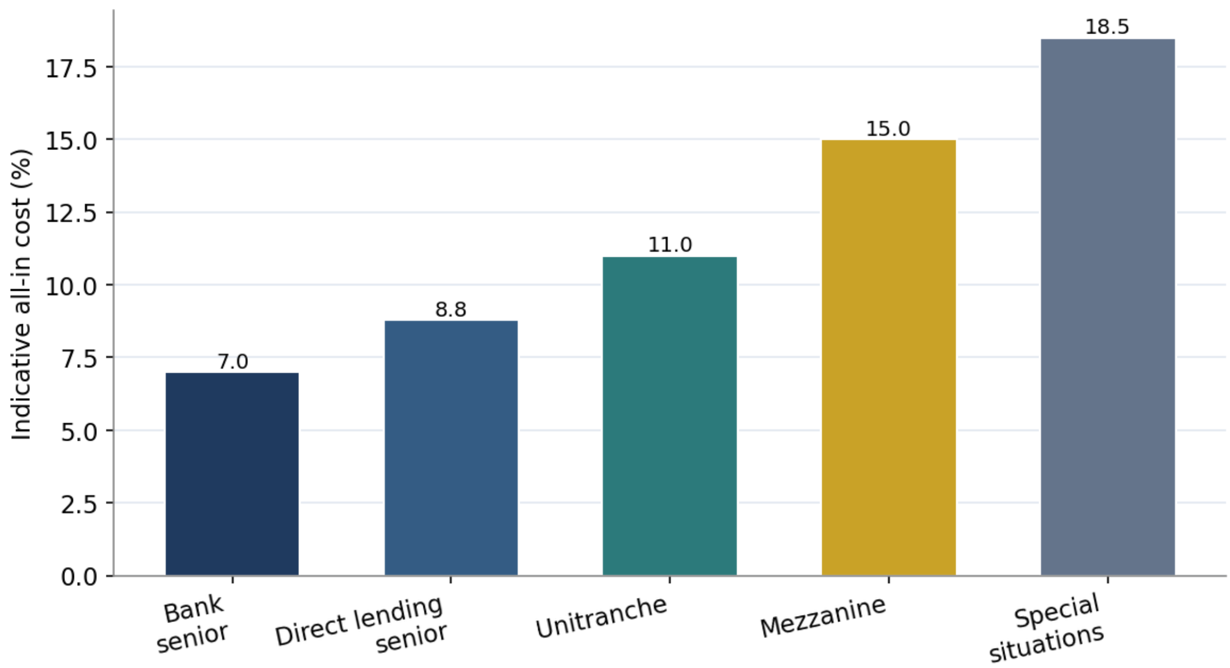


Table 1. The Private Credit Product Spectrum

Product	Risk	Indicative cost	Typical use
Senior direct lending	Lower	~8.8%	Core mid-market debt
Unitranche	Moderate	~11.0%	Single blended facility
Mezzanine	Higher	~15.0%	Gap above senior
Special situations	Highest	~18.5%+	Complex, stressed, time-critical
Asset-based	Variable	~9-13%	Secured against assets

Indicative ranges calibrated to GCC conditions in early 2026. Not transaction-specific.

Senior direct lending is the core of the market, providing senior secured debt to mid-market companies at a cost above bank senior but with greater speed and flexibility. Unitranche, a single facility that blends senior and subordinated debt into one tranche at a blended rate, simplifies the capital structure for the borrower and is a popular private credit product, particularly for acquisition financing. Mezzanine fills the gap above senior debt at a higher cost, as examined in a companion paper, and special situations funds the complex, stressed or time-critical situations that other lenders avoid, at the highest cost.

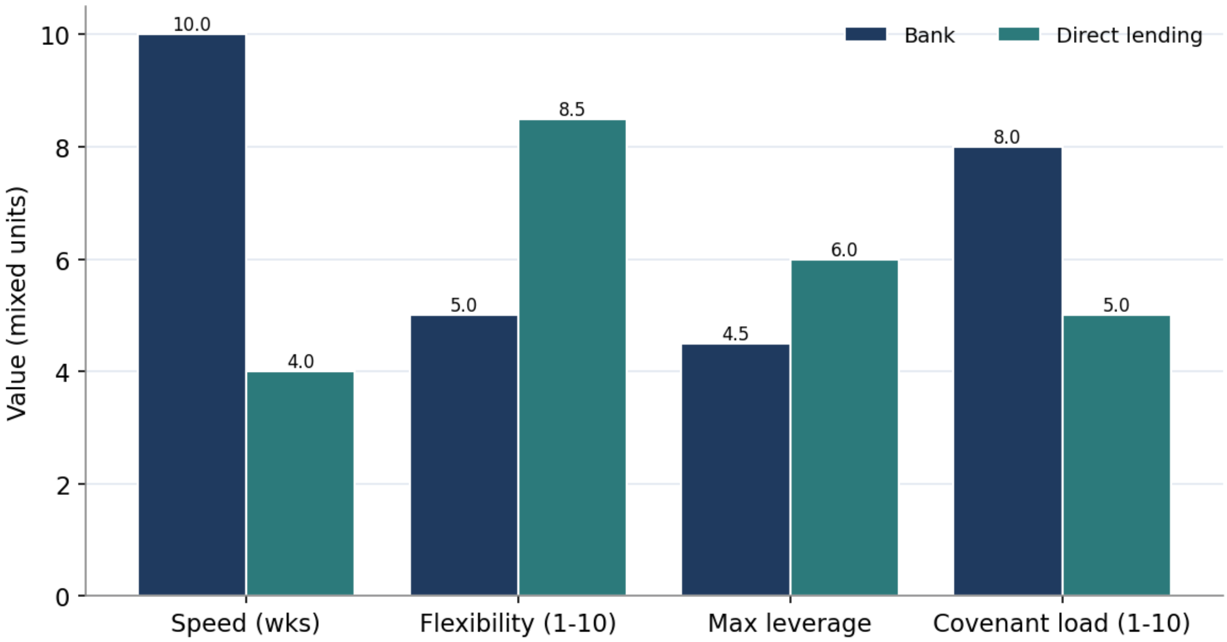
The breadth of the spectrum means that private credit can serve a wide range of borrower needs, from the mid-market company seeking core senior debt to the sponsor seeking acquisition financing to the company in a complex or stressed situation. A borrower should understand where on the spectrum its need sits, because the cost and the appropriate provider vary across it, and a borrower seeking core senior debt should not pay special-situations pricing, nor should a borrower in a complex situation expect senior-direct-lending terms. Matching the need to the right point on the spectrum is the first step in using private credit well.

The spectrum is not static but is itself widening as the market matures. Early GCC private credit was concentrated in senior direct lending and asset-backed structures, the safer end of the spectrum, but as the market has deepened and managers have grown more confident, the unitranche, mezzanine and special-situations segments have developed, extending the spectrum toward higher risk and return. This widening is a sign of maturation, and it means a borrower can increasingly find a private credit product matched to almost any need, which further entrenches private credit as a complement to, and in places a substitute for, the banks.

5. Private Credit versus Bank Lending

The choice between private credit and bank lending is the central decision for a mid-market borrower, and Figure 4 compares the two across the dimensions that matter.

Figure 4. Private Credit versus Bank Lending Compared



Indicative scores across speed, flexibility, leverage and covenant load. Not transaction-specific.

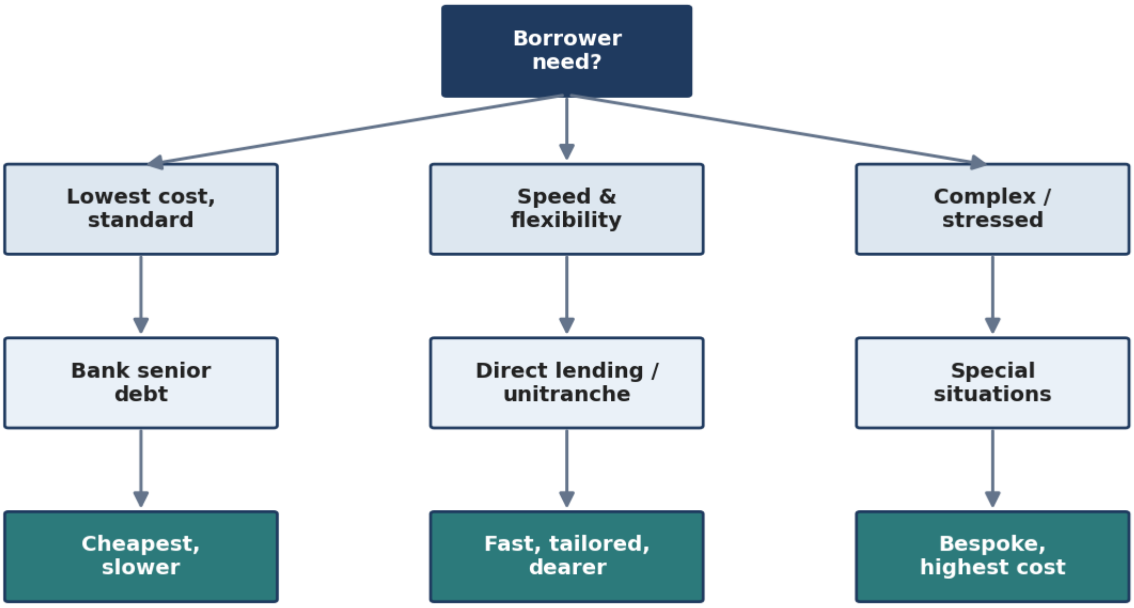
Bank lending wins decisively on cost: bank senior debt is materially cheaper than private credit, reflecting the banks low cost of funds and their conservative risk appetite. For a borrower whose need is standard, whose timeline is relaxed, and whose situation fits the banks criteria, bank debt is the cheaper and usually the better choice. The borrower that can satisfy a bank and is willing to accept its process and covenants should generally do so, because it will pay less.

Private credit wins on speed, flexibility and, often, leverage and covenant intensity. It can fund faster, tailor its facility to the borrower situation, provide higher leverage than a conservative bank, and impose a lighter or more bespoke covenant package. For a borrower whose need is time-critical, complex or larger than a bank will accommodate, these advantages justify the higher cost. The choice between the two is therefore not simply about price but about which set of attributes the borrower needs, and the framework in the next section formalises it.

6. The Borrower Decision Framework

The decision framework matches the borrower need to the appropriate financing, and Figure 5 presents it as a decision tree.

Figure 5. Financing Choice by Borrower Need



Indicative framework. The borrower need determines the appropriate source.

A borrower whose need is for the lowest-cost, standard financing, and who can satisfy a bank and accept its process and covenants, should choose bank senior debt, accepting the slower process and tighter covenants in exchange for the lower cost. A borrower whose need is for speed and flexibility, perhaps for a time-critical acquisition or a situation a bank cannot accommodate quickly, should choose direct lending or unitranche, paying the premium for the speed and tailoring. A borrower in a complex or stressed situation that no conventional lender will fund should turn to special situations capital, accepting the highest cost for the only capital available.

The framework also points to combining the sources. A sophisticated borrower may use bank debt for the cheap, standard core of its financing and private credit for the part that requires speed, flexibility or leverage beyond what the bank will provide, assembling a capital structure that draws on each source for what it does best. This combination, using each lender for the purpose it serves most cheaply, is the most efficient approach for a borrower with varied needs, and it is increasingly common as borrowers grow sophisticated in their use of the diversified financing market.

7. Pricing and Structuring

Private credit pricing reflects the risk the lender takes, the cost of its capital, and the competitive conditions of the market. A private credit fund prices to deliver its investors a target return after expected losses, which sets its pricing above bank lending, but competition among the growing number of private credit providers disciplines the pricing, preventing it from rising as far above bank debt as the lenders might wish. The borrower benefits from this competition, and a borrower that runs a competitive process among private credit providers can secure keener pricing than one that approaches a single fund.

The structuring of private credit is where its flexibility is realised. A private credit facility can be tailored in its drawdown schedule, its amortisation, its covenants, its security and its other terms to fit the borrower situation, in ways that a standardised bank facility cannot. This flexibility is valuable to a borrower with a non-standard situation, and it is part of what the borrower pays for. A borrower should engage with the structuring actively, shaping the facility to its needs rather than accepting a standard structure, because the ability to tailor the facility is one of the principal advantages of private credit over a bank.

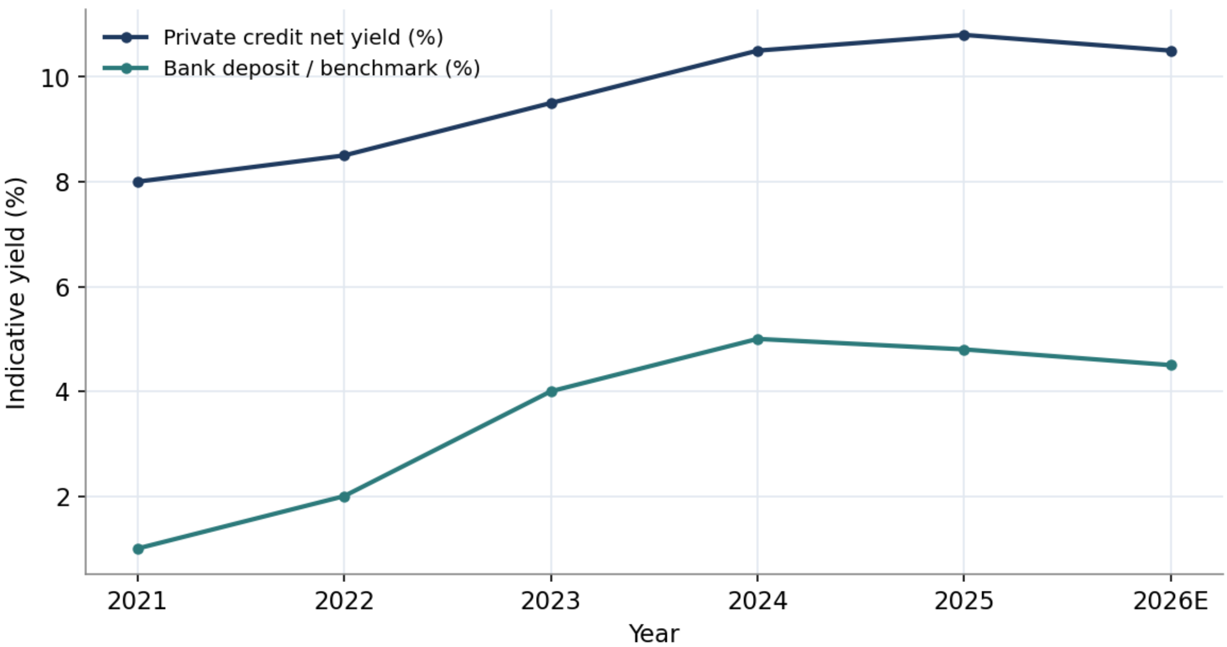
The covenant package is a particular point of structuring. Private credit covenants are often lighter or more bespoke than bank covenants, with some facilities offering covenant-lite or covenant-loose structures that give the borrower more operational freedom. This lighter covenant load is attractive to borrowers, but it comes at a cost in pricing and it should be weighed against the discipline that covenants provide. A borrower should negotiate a covenant package that gives it the freedom it needs while accepting the monitoring the lender reasonably requires, and it should understand that a lighter covenant package is paid for in the pricing.

A practical implication of the bank-versus-private-credit comparison is that the two are often best used together rather than as alternatives. A borrower can place the cheap, standard core of its financing with a bank and layer private credit on top for the incremental leverage, the speed, or the flexibility that the bank will not provide, achieving a blended cost lower than an all-private-credit structure while capturing the advantages the bank cannot offer. The most sophisticated borrowers think in exactly these terms, treating banks and private credit as complementary instruments in a single capital structure rather than as competing answers to the same question.

8. The Investor Perspective

The growth of private credit is funded by investors seeking yield, and understanding their perspective is essential to understanding the market. Figure 6 illustrates the yield premium that private credit offers over benchmark rates.

Figure 6. Private Credit Yield Premium Over Benchmark



Private credit offers a substantial premium over deposits and benchmark rates. Not a forecast.

The private credit investor underwrites a portfolio of loans, seeking a net return after expected losses that compensates for the risk and the illiquidity of the asset class. The yield premium over bank deposits and benchmark rates, illustrated in the figure, is the attraction, and it has drawn substantial investor capital into the asset class. The investor relies on the origination and underwriting discipline of the private credit manager to select good loans and manage losses, which is why the quality of the manager is the central consideration for an investor in the asset class.

For the investor, private credit offers an attractive combination of yield, security and relatively low volatility, but it carries genuine risks: credit losses if borrowers default, illiquidity since the loans cannot be readily sold, and the dependence on the manager skill. An investor considering the asset class must assess the manager origination and underwriting capability, its track record through a cycle, and the diversification and quality of its portfolio, because these determine whether the attractive headline yield translates into an attractive net return after losses. The growth of the asset class has attracted many managers, and the dispersion among them in quality is wide, which makes manager selection the investor most important decision.

9. Risk Considerations

The risks of private credit, for both borrowers and investors, deserve careful attention as the market grows. For the borrower, the principal risk is the higher cost, which must be justified by the speed, flexibility or access that private credit provides; a borrower that pays the private credit premium for a need that a bank could have met more cheaply has overpaid. The borrower also faces the risk of a less relationship-based lender that may be less accommodating in difficulty than a long-standing relationship bank, though this varies by provider.

For the investor and the market as a whole, the principal risk is credit losses, particularly through a downturn that the rapidly grown market has not yet been fully tested by. A private credit market that has grown quickly in benign conditions may face elevated losses in a downturn, and the quality of the origination and underwriting through the growth phase will determine how well it weathers the test. The dependence on manager skill, the illiquidity of the asset class, and the potential for losses to cluster in a downturn are the genuine risks that investors and observers of the market should weigh against its attractive growth and yield.

A systemic consideration is whether the growth of private credit, by moving lending outside the regulated banking system, creates risks that are less visible and less regulated than bank lending. This is a live question in global private credit, and it applies to the GCC as the market grows. The market resilience through its first genuine downturn will be an important test, and participants should not assume that the benign conditions of the growth phase will persist. A prudent borrower, investor or observer treats the rapidly grown market with appropriate caution, recognising that its quality will be revealed only when conditions turn.

The manager-selection problem for investors is sharpened in a young market like the GCC, where many managers lack a track record through a full cycle and where the dispersion in origination quality is therefore hard to observe. An investor cannot rely on a long record of realised losses to distinguish the disciplined manager from the undisciplined, and must instead assess the underwriting process, the alignment of the manager with its investors, and the experience of the team, often gained in more mature markets. This difficulty makes diversification across managers, and a preference for managers with cycle-tested experience, particularly valuable for an investor entering the GCC private credit market.

10. Considerations Specific to the GCC

The GCC private credit market has distinctive features. The dirham and other pegged currencies allow dollar-denominated international private credit to participate without currency friction, deepening the pool of capital. The depth of regional family-office and institutional capital provides a local investor base for the asset class alongside the global funds. And the conservative posture of the regional banks, which creates the financing gap, is a structural feature that supports the private credit market growth, since the gap private credit fills is unlikely to close quickly.

The regulatory and legal frameworks for private credit in the region are developing, and the enforceability of security and the predictability of recovery, which underpin the lenders willingness to lend, are improving as the frameworks mature. A private credit lender in the region assesses the enforceability of its security and its recovery prospects, and the maturation of the frameworks supports the market growth by giving lenders greater confidence. The development of these frameworks, alongside the deepening of the capital and the persistence of the bank financing gap, supports the continued growth of the GCC private credit market.

The compliant dimension is also relevant: a portion of the regional capital and a portion of the borrower demand is for Shariah-compliant structures, and private credit can be provided in compliant form, widening the market. A private credit provider able to offer compliant structures accesses the compliant capital and serves the compliant borrowers that conventional structures cannot, which is an advantage in the region. The compliant private credit market is a growing segment of the broader market, and it benefits from the same drivers, the bank gap, the speed and flexibility, the investor yield, that drive the conventional market.

11. Indicative Case Studies

Three indicative cases show private credit in action. The figures are synthetic and constructed for analytical clarity, not drawn from any specific transaction.

11.1 Case A: mid-market unitranche

Case A is a mid-market company seeking debt to fund its growth, which secures a unitranche facility from a direct-lending fund. The unitranche blends senior and subordinated debt into a single facility at a blended rate, providing the company with the leverage it needs in a simple structure, funded quickly and tailored to its situation. The company pays more than bank senior debt would cost, but it obtains higher leverage, a simpler structure and faster funding than a bank would provide, which suits its growth need.

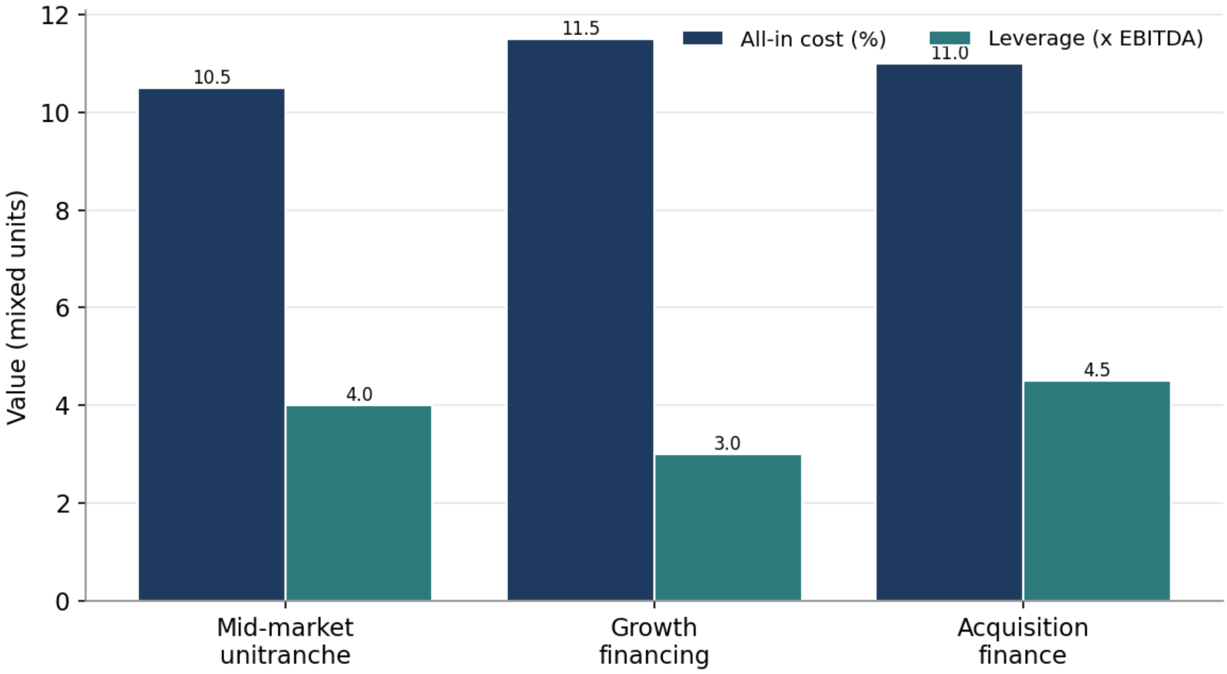
11.2 Case B: growth financing

Case B is a growth company that a bank will not fund because its cash flow is still building, which secures growth financing from a private credit fund willing to lend against its prospects and its assets. The fund provides the capital that the bank declined, accepting the risk in exchange for a higher return and appropriate security, and the company obtains the capital it needs to grow. The case illustrates private credit filling the gap that bank retrenchment leaves, funding a viable borrower that the conservative bank market will not.

11.3 Case C: acquisition finance

Case C is a sponsor making a time-critical acquisition that requires fast, certain financing, which a private credit fund provides as acquisition finance with the speed and certainty the bank process cannot match. The fund commits and funds quickly, allowing the sponsor to complete the acquisition against a deadline, and the sponsor pays the premium for the speed and certainty that secured the deal. The case illustrates the speed and certainty advantage of private credit, which justifies its premium for a time-critical need.

Figure 7. Cost and Leverage by Case



Synthetic figures for analytical comparison. Not a forecast.

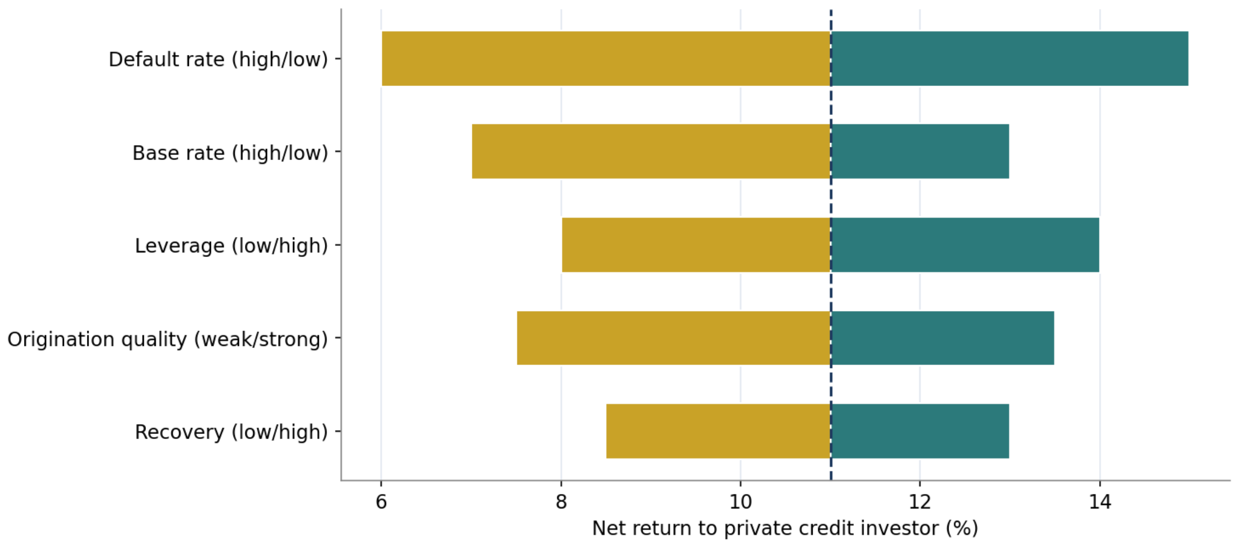
Figure 7 compares the three cases on cost and leverage. Each pays a private credit premium over bank debt, but each obtains something a bank would not provide: higher leverage and a simpler structure in Case A, capital the bank declined in Case B, and speed and certainty in Case C. The cases illustrate that the private credit premium buys genuine advantages, and that a borrower paying it is buying speed, flexibility, leverage or access rather than simply overpaying for debt a bank would have provided more cheaply.

These cases also illustrate a point about pricing that borrowers sometimes miss: the private credit premium is not a single number but varies sharply with the product and the situation. The senior unitranche premium over bank debt is modest, a few hundred basis points, and easily justified by the leverage and simplicity it provides; the special-situations premium is large, reflecting the genuine risk and the absence of alternatives. A borrower assessing whether the premium is worth paying must locate its specific need on the spectrum and compare the relevant premium, rather than reasoning about private credit as uniformly expensive.

12. Sensitivity and Scenario Analysis

A tornado analysis identifies the variables that most influence the net return to a private credit investor, which determines the sustainability of the market. Figure 8 presents the result.

Figure 8. Sensitivity of Investor Net Return to Key Variables



Each bar shows the net return when the labelled variable moves to its low or high case. Dashed line is the base case. Indicative.

The analysis shows that the default rate and the base rate environment dominate the investor net return, with the leverage, the origination quality and the recovery also significant. The prominence of the default rate underlines the central risk of the asset class: the attractive headline yield translates into an attractive net return only if losses are contained, and a rise in defaults, particularly in a downturn, can erode the return materially. The origination quality matters because it determines the default rate, which is why the manager underwriting discipline is so central. The base rate matters because much private credit is floating-rate, so the return moves with rates.

Table 2. Scenario Matrix for Investor Net Return

Scenario	Default rate	Base rate	Net return
Benign	Low	Elevated	~12%
Base	Moderate	Moderate	~10.5%
Downturn	Elevated	Falling	~7%
Severe	High	Falling	~4%

Indicative scenarios. Not a forecast.

The scenario matrix shows how the investor return varies with conditions, and it underlines the importance of the downturn test. In benign conditions the asset class delivers an attractive return; in a downturn, with rising defaults and falling rates, the return falls substantially. The managers and the market that have built their portfolios with discipline through the growth phase will weather the downturn better than those that have chased growth at the expense of quality, which is why the coming downturn, whenever it arrives, will be the real test of the GCC private credit market and will separate the disciplined from the undisciplined.

13. International Comparison

Private credit is a mature, large asset class in the United States and Europe, where it has grown over two decades to become a central part of mid-market financing, rivalling the banks in some segments. The GCC market is following the same trajectory, with a lag, and the international experience offers a guide to where the regional market is heading: continued growth, increasing institutionalisation, a widening spectrum of products, and an eventual test through a downturn that will separate the strong managers from the weak.

The international experience also offers lessons. It shows that private credit is a durable, structural part of the financing system rather than a passing phenomenon, that it complements rather than wholly replaces bank lending, and that the quality of origination and underwriting, revealed through cycles, is what distinguishes the managers that endure. The GCC market can learn from the mature markets, both in the opportunities the asset class offers and in the disciplines required to navigate it successfully. As regional managers absorb these lessons and the market institutionalises, the GCC private credit market is likely to mature toward the depth and sophistication of the international markets.

The international comparison also tempers expectations about the pace of the coming maturation. The United States and European private credit markets took two decades to reach their present depth, developing through several cycles that progressively tested and refined the managers and the structures. The GCC market, though it can learn from and compress some of that journey, will still need time and at least one genuine downturn to mature fully, and observers should expect the process to unfold over years rather than months.

14. The Outlook for the Market

The outlook for GCC private credit is for continued structural growth, driven by the persistence of the bank financing gap, the deepening of the investor capital, and the growing sophistication of borrowers in using the diversified financing market. The forces that have driven the growth show no sign of reversing, and the market is likely to continue taking a growing share of mid-market financing as it matures. The growth will bring increasing institutionalisation, a widening product spectrum, and the entry of more managers and more capital.

The principal uncertainty in the outlook is how the market will perform through its first genuine downturn, which it has not yet faced at its current scale. A downturn will test the quality of the origination and underwriting through the growth phase, and it may bring a shakeout that separates the disciplined managers from the undisciplined and that recalibrates the market growth. A prudent participant prepares for this test rather than assuming the benign conditions persist, and the managers and borrowers that have built with discipline will be best placed to weather it and to benefit from the consolidation that may follow. The long-term trajectory, however, is for private credit to remain a structural pillar of GCC mid-market financing.

15. Common Errors and How to Avoid Them

A recognisable set of errors recurs in the use of private credit.

- **Overpaying for standard needs.** Paying the private credit premium for a standard need a bank could have met more cheaply wastes the premium. The remedy is to use bank debt where it suffices and private credit where its advantages are worth paying for.
- **Not creating competition.** Approaching a single private credit fund forfeits the competition that disciplines pricing. The remedy is to run a competitive process among providers.

- **Not using the flexibility.** Accepting a standard structure rather than tailoring the facility forgoes the flexibility that is a principal advantage of private credit. The remedy is to engage actively with the structuring.
- **Chasing yield over quality.** For investors, selecting a manager on headline yield rather than origination quality and track record risks losses that erode the return. The remedy is to assess the manager underwriting discipline.

Each of these errors is avoidable through the disciplined approach the framework encourages: match the source to the need, create competition, use the flexibility, and, for investors, select managers on quality. The participant that does so uses the diversified financing market well, while the one that does not overpays, misjudges or takes losses.

A final error worth naming is the failure to plan for the refinancing or maturity of private credit, which is typically shorter-dated and more expensive than the bank or capital-market debt a borrower may ultimately want. A borrower that takes private credit for its speed and flexibility should treat it, in many cases, as a bridge to a more permanent financing, and should plan that refinancing from the outset rather than allowing the expensive private credit to persist past the point at which cheaper capital becomes available.

16. Implementation Roadmap

1. Identify the nature of the financing need, standard or non-standard, relaxed or time-critical, simple or complex, to determine where on the bank-to-private-credit spectrum it sits.
2. Use bank debt for the cheap, standard core of the financing and private credit for the part requiring speed, flexibility, leverage or access beyond what the bank provides.
3. Run a competitive process among private credit providers to discipline the pricing.
4. Engage actively with the structuring to tailor the facility, including the covenant package, to the borrower needs.
5. For investors, assess the manager origination and underwriting discipline and track record through a cycle, not merely the headline yield.
6. Consider the compliant route where the capital or the borrower requires it, to access the compliant segment of the market.
7. Prepare for a downturn, recognising that the rapidly grown market has not yet been fully tested and that discipline through the growth phase determines resilience.

17. Strategic Perspective: A Diversified Financing Market

The rise of private credit has transformed the GCC mid-market from a bank-dependent to a diversified financing market, and the strategic implication for borrowers is that they should manage their financing as a portfolio of sources rather than a single bank relationship. A borrower that maintains relationships across banks and private credit providers, and that understands the strengths of each, can finance each need from the most appropriate and cheapest source, and can play the sources against each other to secure better terms. This diversified approach to financing is a source of resilience and of cost advantage, and it is available to borrowers for the first time because of the rise of private credit.

For the region as a whole, the diversification of the financing market is a healthy development, reducing the dependence on the banks, providing borrowers with alternatives, and creating a new asset class for investors. A diversified financing market is more resilient than a bank-dependent one, because a retrenchment by the banks does not leave borrowers without options, and it is more efficient, because competition among the sources disciplines pricing and improves terms. The rise of private credit, in this light, is not merely a new source of finance but an improvement in the structure of the regional financing market, and its continued growth is, on balance, a positive development for the regional economy.

The strategic prize for the participants that understand the diversified market is significant. Borrowers that use it well finance themselves more cheaply and resiliently; investors that select managers well earn an attractive return; and advisers and platforms that can navigate the diversified market add value to both. The participants that continue to think in terms of the old bank-dependent market, by contrast, miss the opportunities the diversified market offers. Understanding the rise of private credit and the diversified market it has created is therefore a strategic necessity for any serious participant in GCC mid-market finance.

18. Conclusion

Private credit has risen from a niche to a structural pillar of GCC mid-market financing, driven by bank retrenchment, the speed and flexibility it offers borrowers, and the attractive yield it offers investors. This paper has argued that private credit is a distinct product rather than expensive bank debt, offering speed, certainty, flexibility and access that justify its premium for many borrowers and situations, and that a borrower that understands it as such can use it well, deploying it where its advantages are worth paying for and using cheaper bank debt where they are not.

The rise of private credit has transformed the regional financing market from bank-dependent to diversified, with benefits for borrowers, investors and the resilience of the system as a whole. The principal uncertainty is how the rapidly grown market will perform through its first genuine downturn, which will test the quality of its origination and underwriting and separate the disciplined from the undisciplined. The borrowers, investors and advisers that understand the diversified market and approach it with discipline will benefit from it, while those that misjudge it will overpay or take losses. The frameworks in this paper are intended to help participants understand and use the diversified financing market that the rise of private credit has created.

19. Limitations and Directions for Further Research

This paper is framework-oriented and relies on indicative data, and its conclusions are directional rather than precise. The growth figures, costs, yields and default rates are calibrated to observable conditions but are not empirical estimates, and they vary with conditions and across segments of the market. The market has not yet been tested through a genuine downturn at its current scale, which limits the confidence with which its resilience can be assessed.

Several extensions would strengthen the analysis. An empirical study of the size, growth and composition of the GCC private credit market would replace the indicative figures with data. An analysis of realised default and recovery rates across the market would test the risk assumptions. And a study of how the market performs through a downturn, when it eventually arrives, would provide the test that the growth phase has not yet supplied. Each is a natural subject for a later paper in this series.

Appendix A. Base Case Assumptions

Table 3. Base Case Assumptions

Parameter	Value	Parameter	Value
Bank senior cost	~7.0%	Direct lending senior	~8.8%
Unitranche cost	~11.0%	Mezzanine cost	~15.0%
Special situations	~18.5%+	Investor net yield	~10.5%
Typical leverage	3-5x EBITDA	Speed (private credit)	3-6 weeks
Market growth	Structural	Currency	AED (USD peg)
Compliant segment	Growing	Downturn test	Pending

Indicative parameters used to generate the figures and case studies. Not transaction-specific.

Appendix B. Glossary of Terms

Table 4. Glossary of Key Terms

Term	Definition
Private credit	Debt provided by non-bank lenders directly to borrowers.
Direct lending	Senior secured lending by a private credit fund.
Unitranche	A single facility blending senior and subordinated debt.
Mezzanine	Subordinated debt ranking between senior and equity.
Special situations	Capital for complex, stressed or time-critical situations.
Covenant-lite	A facility with few maintenance covenants.
Origination	The sourcing and underwriting of loans by a manager.
Net return	The investor return after expected credit losses.
Bank retrenchment	The withdrawal of banks from segments of lending.
Asset class	A category of investment with shared characteristics.

Definitions provided for reference.

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About the Author

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