



Global  
Entrepreneurship  
Monitor

# Kingdom of Saudi Arabia

## National Report 2020–2021



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## Foreword

# H.E. Fahd Al-Rasheed, Vice Chairman of the MBSC Board of Trustees

**2021 marks a milestone for Saudi Arabia in the Global Entrepreneurship Monitor (GEM), which charts levels of entrepreneurial motivation and activity across the globe. We are so proud that Saudi Arabia now ranks sixth in global entrepreneurial competitiveness.**

Our ambition, stated in our national plan called Vision 2030, is for Saudi Arabia to be a world-leading entrepreneurial nation. We knew that for a nation to be great, it must have entrepreneurs who challenge and create. All of us in Saudi Arabia, inspired and emboldened by Vision 2030, sought to do more and be more. From our government to our non-profits, universities, companies, and youth, our country is being energized by an entrepreneurial spirit and mindset.

Our shared effort and confidence now ranks us among the most elite entrepreneurial nations. 90% of Saudis agree or strongly agree that

it is easy to start a business, the top position among GEM economies. We are honored that experts rated both our government's response to the pandemic and the response of entrepreneurs first among GEM economies.

Across the globe, entrepreneurs reported a worsening of income due to the pandemic, and this was also true in Saudi Arabia. Yet, in these turbulent times, Saudi Arabia's total rate of startup activity increased from 14% of the population in 2019 to 17% in 2020. Coupled with this, Saudi Arabia reported the highest rate of market confidence, with 80% seeing opportunities

to start a business as a result of the pandemic.

We are particularly proud of Saudi Arabia's women. We are now the only nation of 23 high-income GEM economies with higher startup rates for women than men. Vision 2030 has empowered women across the country, and women are supercharging government, industry, civil-society, and startups.

I want to take this opportunity to recognize and celebrate the entrepreneurs who stepped up in 2020, a year that bonded every human in a common destiny. Their resilience is not only impressive, but also a source of boundless energy.





## Foreword

# Eng. Saleh Ibrahim Alrasheed, Governor of Monsha'at

**The rapid progress of the Kingdom of Saudi Arabia reflected in the Global Entrepreneurship Monitor (GEM) report over the past few years is a clear translation of Vision 2030 launched by His Royal Highness Prince Mohammed bin Salman, where the vision and government have paid great attention to the small and medium enterprise (SME) sector and entrepreneurs.**

According to the 2020-2021 GEM KSA National Report, the Kingdom has achieved continuous improvement over the past 5 years in the National Entrepreneurship Context Index (NECI), showing a remarkable improvement in a number of criteria, including government entrepreneurship programs, government policies, and financial support for entrepreneurs.

Total entrepreneurial activity in the Kingdom has increased by 24% compared to last year, despite the COVID-19 pandemic, and the Kingdom recorded a 65% increase in business ownership over the past 3 years. Indicators also show that gender equality has been

maintained, thus helping women entrepreneurs to ensure the success of their businesses.

During the COVID-19 pandemic, which was a major challenge for male and female entrepreneurs alike, the government played a pivotal role by providing economic support to mitigate the economic effects of the pandemic through several programs. This aided recovery and made it easier to establish many SMEs during the pandemic.

Our role in the Small and Medium Enterprises General Authority (Monsha'at) is to provide quality programs, services, and initiatives

that meet the basic needs of SMEs—which represent around 99.6% of all private sector establishments and more than 60% of all private sector employees in Saudi Arabia—with the aim of increasing their contribution to GDP to 35% by 2030.

At Monsha'at, our aim is also to organize, support, and develop the SME sector in the Kingdom in accordance with international best practices, boost SMEs' productivity, increase their contribution to GDP, and boost the absorptive capacity of the Saudi economy, leading to job creation, job opportunities for the national workforce, and localization of technology.



#### Note from the Dean

**Prof. Zeger Degraeve,  
Executive Dean,  
MBSC**

**The fifth annual GEM Saudi Arabia Report comes at a time when—just over a year into the global COVID-19 outbreak—people, organizations, and changemakers have started to adapt to the new normal, with Saudi entrepreneurs and business owners demonstrating great faith in government-led efforts. And with over 90% of adults lauding entrepreneurship as a favorable career choice and a third of Saudis intent on launching a business within the next 3 years, the Prince Mohammed Bin Salman College (MBSC) of Business & Entrepreneurship is optimally positioned to amplify its catalytic role and drive the entrepreneurial arm of Vision 2030.**

I would like to thank Babson Global, Emaar Knowledge Company, Emaar, The Economic City, Misk, Lockheed Martin, the team of faculty and researchers, and our partners and stakeholders, without whose generosity, unwavering support, and intellectual contributions the timely completion, compilation, and publication of this report would not have been possible.

As mentioned in the report, two factors that could haply dampen the momentum of this thriving economic engine for Saudi Arabia is the fear of failure and

reticence on the part of potential entrepreneurs, the second inhibited by not just entry into the entrepreneurial field but also in terms of expansive thinking. While academic institutions have played an instrumental role in thriving development over the last few years, now is the time for them to rally behind aspiring, nascent, and established entrepreneurs.

MBSC offers a wide range of curated value propositions and complementary offerings that include the first Venture Lab in a private Saudi educational institution, a world-class

international faculty body, and an engaged angel network. Collectively, this allows the School to offer a safe, risk-free learning environment where students and entrepreneurs can experiment in controlled settings while remaining insulated against the consequences of setbacks that are ubiquitous in the real world. And by encouraging them to recognize that failure within tolerable limits is key to stimulating a developmental culture rife with boldness, MBSC is primed to promote the Vision 2030 entrepreneurial agenda as it successfully navigates the potential obstacles in its path.





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### **Disclaimers**

Although GEM data were used in the preparation of this report, their interpretation and use are the sole responsibility of the authors. The authors would like to express their gratitude to all participating GEM 2020 national teams for their crucial role in conducting the GEM survey in their respective economies. The authors would like to extend special thanks to Jonathan Carmona, Alicia Coduras, and Forrest Wright for their contribution to data collection procedures and data analysis.

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# Funding and sponsoring institutions



## Mohammed Bin Salman College (MBSC)

MBSC is a private higher education institution for both men and women, located in King Abdullah Economic City. It was established in 2015 through an international partnership between Emaar, The Economic City, Babson Global (a wholly owned subsidiary of Babson College, United States), Lockheed Martin, and the Prince Mohammed bin Salman bin Abdulaziz Foundation (Misk).

Through an educational program focused on hands-on experiential learning that is practical and pragmatic, MBSC is developing a new generation of transformative leaders who think creatively and act boldly. As the Kingdom experiences a great socioeconomic transformation, it needs leaders who can recognize and shape opportunities. MBSC programs are designed to meet this need by creating managers and Entrepreneurs of All Kinds®.



## Babson Global Center for Entrepreneurial Leadership (BGCEL)

The BGCEL, located at MBSC, was established with a mission to promote a sustainable entrepreneurial leadership culture and ecosystem in the Kingdom and the surrounding region. To advance its mission, BGCEL facilitates entrepreneurship research, education, and outreach initiatives serving the business, education, and public sectors. In addition, BGCEL supports experiential learning opportunities for MBSC students.



**LOCKHEED MARTIN**

## Lockheed Martin

Lockheed Martin Corporation is a United-States-based multinational corporation operating in the aerospace, defense, security, and advanced technologies industries worldwide. As part of its offset program in the Kingdom of Saudi Arabia, Lockheed Martin generously supports BGCEL's activities.



## King Abdullah Economic City (KAEC)

KAEC's vision is to become a great enabler of socioeconomic development in the Kingdom of Saudi Arabia. Strategically located for maximum impact on the local economy, KAEC aspires to become one of the most important cities in the Arab world, serving and benefiting from global trade. It is focused on becoming a vibrant, 185 million square meter integrated city located on the Red Sea north of Jeddah.

KAEC is one of the largest and most significant privately run economic projects in the world. Emaar, The Economic City (EEC) is the master developer of KAEC. EEC is a Tadawul-listed public joint stock Saudi company established in 2006.

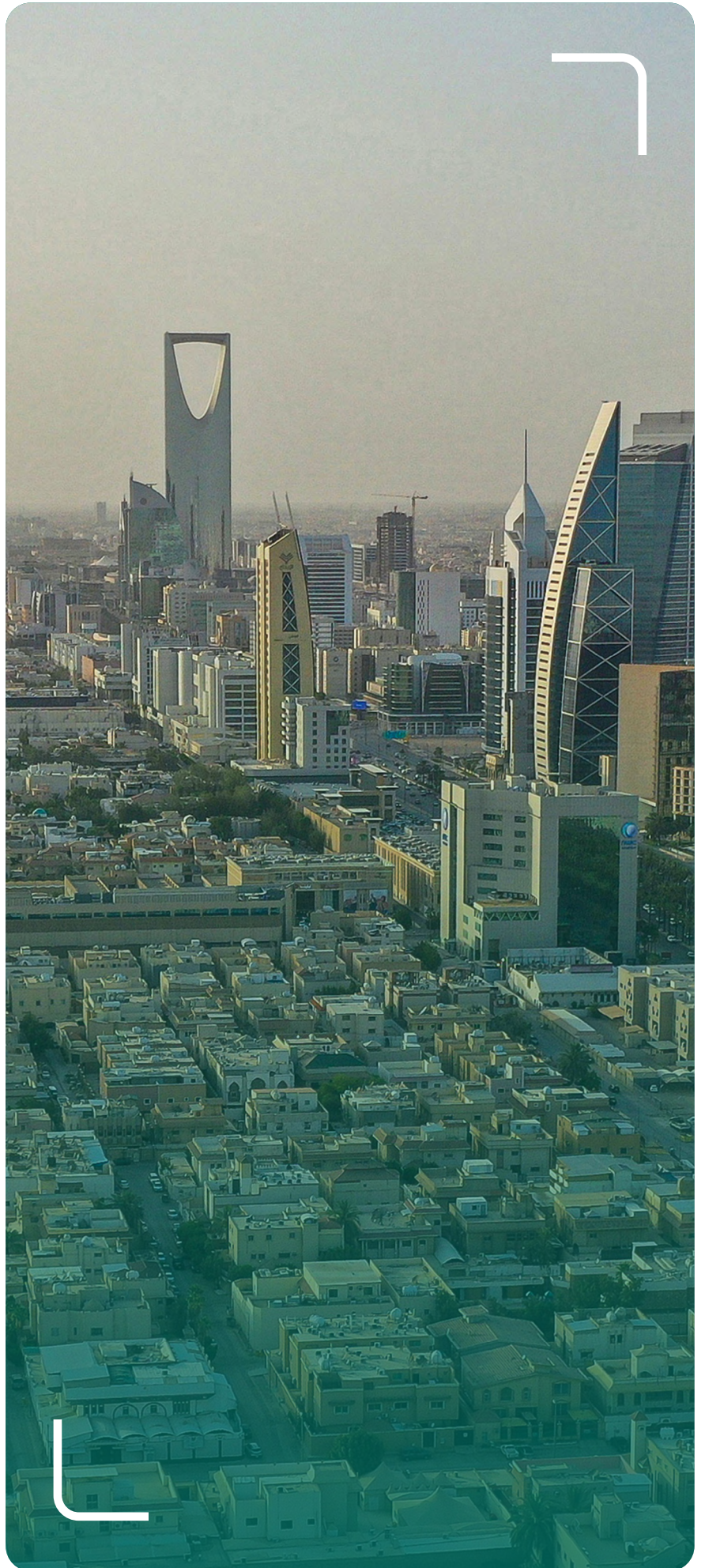


مؤسسة محمد بن سلمان الخيرية  
Mohammed bin Salman Foundation  
ميسك الخيرية Misk Foundation

## Misk

Misk is a non-profit philanthropic foundation established in 2011 by HRH Crown Prince Mohammed bin Salman bin Abdulaziz. Its goal is to foster a knowledge-centered society, encouraging and developing young people's talent and potential by creating opportunities for them. The foundation invests in educating young people in three broad fields: education, media, and culture.





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# Executive summary

In 2020, the Global Entrepreneurship Monitor (GEM) conducted its 22nd annual survey of entrepreneurship, generating an extensive and detailed look at entrepreneurship around the world. This survey represents the fifth consecutive year in which GEM has tracked rates of entrepreneurship across multiple phases and assessed the characteristics, motivations, and ambitions of entrepreneurs as well as societal attitudes in Saudi Arabia. Additional questions were added to the Adult Population Survey and the National Expert Survey (NES) in 2020 to assess the impact of the COVID-19 pandemic on entrepreneurship in the Kingdom.

Select findings from the report are highlighted below.<sup>1</sup>



## Impact of COVID-19 on entrepreneurship

- Well over half (57%) of respondents reported knowing at least one person who had stopped owning and managing a business due to the coronavirus pandemic. On the other hand, 42% had met at least one person who had started a business as a result of COVID-19.
- Around a fifth (21%) of households suffered a significant reduction in their household income during the pandemic, with an additional 51% reporting a moderate decrease.
- Half of the entrepreneurs surveyed perceived starting a business to be more difficult than it was a year ago, and this impression was even more widespread among established business owners (69%).
- Job growth was predicted to be lower because of the pandemic by 52% of entrepreneurs and 63% of established business owners.
- A high percentage (85%) of new or established business owners stated that the coronavirus pandemic had put an end to some of their core business activities.
- Over half of established business owners and entrepreneurs (56% and 52%, respectively) have identified, and want to pursue, new opportunities for doing business because of the pandemic.
- Of those exiting or closing businesses during the past year (9% of the total sample), 62% cited the pandemic as the main reason.
- The majority of entrepreneurs (91%) and established business owners (92%) stated that the government's response to the economic impact of the coronavirus pandemic had been effective.
- An international comparison of expert ratings for the Middle East and North Africa (MENA) region on the response of both entrepreneurs and governments to COVID-19 shows that Saudi Arabia is rated more highly than other countries in the region on both counts.

<sup>1</sup> The statistics cited in the executive summary have been rounded to the nearest percentage point for readability.



## Societal attitudes, affiliations, and self-perceptions

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- Over 90% of adults in Saudi Arabia reported believing that entrepreneurship is a good career choice, that entrepreneurs receive high social status and recognition, that entrepreneurs receive positive media attention, and that it is easy to start a new business in the Kingdom. These percentages are higher than those found in any of the other MENA countries participating in GEM in 2020.
- The percentage of the adult population reporting that they personally know an entrepreneur declined from 83% in 2019 to 57% in 2020.
- A high share (90%) of the adult population perceived good opportunities for starting a business, and 86% stated they have the capabilities to do so. The results for both indicators are higher than those reported in the other MENA countries.
- However, nearly half (49%) of those seeing opportunities stated they would be deterred from acting on them because of fear of failure. This is one of the highest percentages reported in the MENA region.

## Phases of entrepreneurship

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- A third (33%) of adults in Saudi Arabia stated they intend to start a business in the next 3 years.
- Around one in six (17%) adults in Saudi Arabia reported being an entrepreneur who is starting or running a new business, representing a 24% increase from 2019. Among the MENA countries in GEM, only Kuwait reports a higher rate (19%).
- The main motivations for starting a business in Saudi Arabia are related to income: 90% of entrepreneurs pointed to job scarcity and the need to earn a living, while 87% wanted to build great wealth. Making a difference in the world was cited by 61% of entrepreneurs, and continuing a family tradition was a motivator for 53%.
- Finally, 1 in 20 (5%) of the adult population stated that they are established business owners. This is similar to the 2019 results, and represents a 65% increase from the levels reported in 2017 and 2018.

## Impact characteristics

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- The majority of entrepreneurs (82%) said they operate in the consumer-oriented sector, up from 72% in 2019. Fewer were starting up in the transforming sector (13%) and in business services (4%) than in 2019.
- Just under a fifth (18%) of both entrepreneurs and established business owners expected to create 20 or more new jobs in the next 5 years.
- In terms of market scope, 26% of entrepreneurs reported that they sell nationally, while an additional 10% said they are international in scope.
- With regard to the scope of innovation, 22% of entrepreneurs said they are introducing products and services that are new to local customers, while an additional 5% reported they have offerings that are new on a national level.



## Gender characteristics

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- Societal attitudes show virtually no differences between the genders, but women were slightly less likely than men to report knowing entrepreneurs personally (55% vs 59%), to perceive opportunities (89% vs 92%), and to state they have the capabilities for starting a business (84% vs 88%). Fear of failure, however, is nearly equal for the genders.
- Women were slightly less likely than men to report having entrepreneurial intentions (31% vs 35%), but they were starting businesses at a slightly higher rate (17.7% vs 17%). Rates of established business ownership were slightly lower for women than for men (4% vs 6%).
- Industry sector profiles were similar for women and men entrepreneurs. However, among established business owners, women were more likely than men to start consumer-oriented businesses (82% vs 65%) and were not participating in the business-oriented sector (0% vs 10%). Among both entrepreneurs and established business owners, women were more likely than men to be selling only locally, but were also more likely to offer innovative products or services.



## Age characteristics

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- In Saudi society, few differences are found among age groups in terms of attitudes, affiliations with entrepreneurs, and self-perceptions about entrepreneurship. However, intentions and entrepreneurship rates were highest in the 25-34 and 35-44 age groups, while established business activity was highest among the oldest age group assessed (those aged 55-64).
- Entrepreneurs in the youngest (18-24 years) and the oldest (55-64 years) age groups were the most likely to be motivated to start a business to make a difference in the world. The oldest age group was also the most likely to be motivated to build wealth and to continue a family tradition.

## Informal investors

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- Around one in six (16%) of the adult population in Saudi Arabia invested in an entrepreneur during the previous 3 years, representing a 62% increase since 2016.
- The median investment amount fell from 40,000 SAR in 2016 to 25,000 SAR in 2020.
- Over three fourths (76%) of investors provided funds to close family members or other relatives. Very few (1%) invested in people they did not already know.

## National context for entrepreneurship

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- Results of the NES indicate that nearly all ratings on the nine entrepreneurship framework conditions improved in 2020, reaching their highest levels in a 5-year period.
- The highest rating was for physical infrastructure, followed by internal market dynamics, which refers to the extent to which there is a free and open market where shifts in demand are met with changes in supply. Also receiving high ratings were government policies and programs, and entrepreneurial finance.

# Introduction

**The Global Entrepreneurship Monitor (GEM) is the most ambitious global entrepreneurship research program. It focuses on primary data collection and analysis of the levels and characteristics of entrepreneurship around the world. Co-founded by scholars at London Business School and Babson College, GEM launched its first survey in 1999. Since then, research teams in 116 economies from all regions of the world have administered GEM's Adult Population Survey (APS) and National Expert Survey (NES). This report covers results from the 2020 survey, which marks GEM's 22nd year and Saudi Arabia's fifth consecutive year of participation since re-entering GEM in 2016.**

GEM produces primary data on the rates of entrepreneurship across multiple phases of the process and on the demographics, motivations, and ambitions of entrepreneurs as well as the characteristics of their businesses, such as levels of innovativeness and industry participation. GEM also uncovers a range of insights into the attitudes, self-perceptions, and affiliations relative to entrepreneurship in society.



GEM is unique in providing globally comparable data that capture both informal and formal entrepreneurial activity. Its focus on entrepreneurs provides a lens to examine those who start and run businesses and those in society who might support their efforts. Countries that participate in GEM on an ongoing basis, like Saudi Arabia, provide longitudinal data that can track the evolution and cycles of entrepreneurship over time.

In academic publications, GEM is the most frequently used source of data on entrepreneurship. It helps governments, the private sector, higher education, and other audiences develop policies, programs, research, and lessons that advance understanding and support for entrepreneurship. GEM also offers a diagnostic tool to gauge the average state of national entrepreneurship framework conditions—information that plays a significant role in assessment

and policy design for national governments and international organizations such as the World Bank, the United Nations, the European Commission, the Organisation for Economic Co-operation and Development, and other entities.

The purpose of GEM reports is to provide a range of stakeholders with results on a wide set of indicators covering the level and nature of entrepreneurial activity, and entrepreneurial attitudes and perceptions, in the adult population of each participating economy. The year 2020 was particularly noteworthy, as the COVID-19 pandemic triggered a rapid and wholesale social and economic impact in every region of the world. Aware of the need for data to analyze the effects of this unprecedented crisis on the economy in general and on entrepreneurship in particular, 45 economies of all sizes, income

levels, and stages of development participated in the GEM survey.

## The GEM methodology

GEM analyses and reports are based on information provided by two surveys: the APS and the NES. All national teams participating in GEM apply the same methodology and use standard questionnaires; some opt to add questions relevant to their national context.

The APS surveyed a random, representative sample of 4,027 working-age adults (18–64 years of age) in Saudi Arabia. The NES surveyed 43 experts, all carefully selected for their experience and knowledge of the conditions considered to be most representative of the context for entrepreneurship.



## What is new this year?

Along with the social and economic impacts of COVID-19, the pandemic accelerated technological development—especially in healthcare—and it also facilitated new forms of work and everyday life. Entrepreneurship, often associated with innovation, is playing a prominent role in this transformation. During the pandemic, entrepreneurs created new opportunities, and business owners have adapted or pivoted/repurposed their products or services to meet the needs of a changed society in order to ensure the viability of their businesses during the economic downturn and social restrictions. During the same period, many businesses failed.

For its 2020 survey, GEM inserted blocks of questions designed to capture the impact of COVID-19 on the entrepreneurship sector. The 2020 APS included questions that explored the effect of the pandemic, including: new activities pursued, new initiatives delayed, opinions about government responses to the pandemic, financial support offered to business owners because of the pandemic, and business closures caused by the pandemic. The NES assessed opinions on businesses' reactions and adjustments to the pandemic, as well as opinions about government measures to help entrepreneurs and established business owners overcome

hardships caused by the health crisis and accompanying lockdowns.

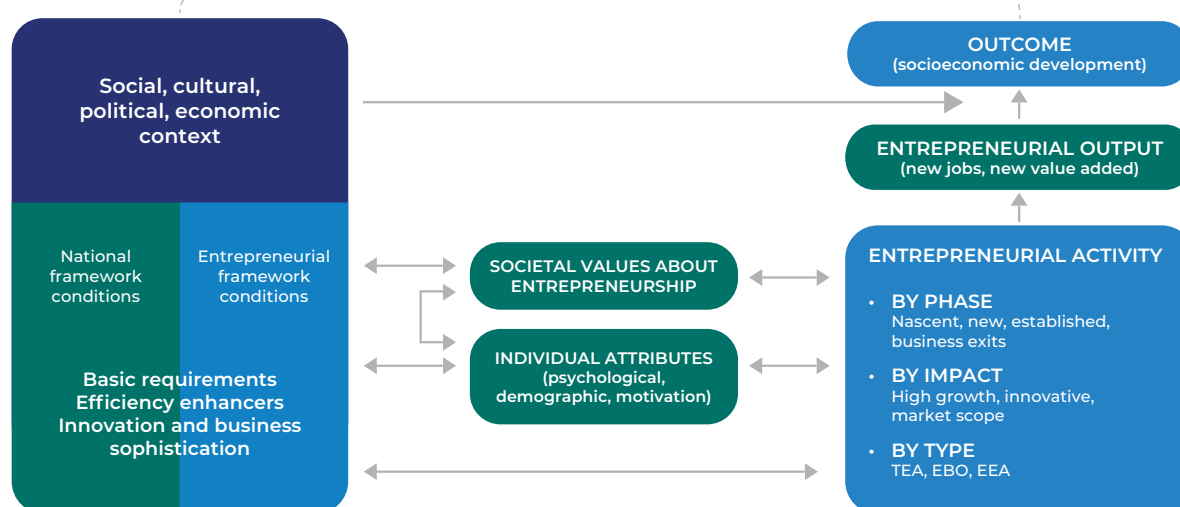
The survey results provide information for policymakers and other stakeholders to understand the early effects of the pandemic on an economy's entrepreneurship and business activities. For Saudi Arabia, these results can be assessed relative to changes in GEM's traditional indicators and, in the future, they could be used to track patterns in the entrepreneurship sector as the country and the world emerge from this unprecedented situation.

## The GEM conceptual framework

GEM's conceptual framework, shown in Figure 1, illustrates the relationship between entrepreneurship and its environment. The framework guides data collection activities and research that contribute to GEM's key aims, which are to:

- Uncover factors that encourage or hinder entrepreneurial activity, especially those related to societal values, personal attributes, and the entrepreneurship framework conditions
- Provide a platform for assessing the extent to which entrepreneurial activity influences economic and social growth within individual economies
- Uncover the policy implications of enhancing entrepreneurial capacity in an economy
- Provide a platform for the progressive incorporation of new developments in areas related to entrepreneurship

Figure 1. The GEM framework



Note: TEA refers to total entrepreneurial activity, EBO refers to established business ownership, and EEA refers to employee entrepreneurial activity.

Source: GEM Global Report, 2018–2019

The GEM framework shows how the social, cultural, political, and economic context influences entrepreneurship directly, as well as indirectly, through its impact on societal values and individual attributes. These influences can be positive or negative. Entrepreneurship, in turn, creates added value and jobs, which then contribute to socioeconomic development.

The entrepreneurship framework conditions are: entrepreneurial finance; government policies, taxes, and bureaucracy; government programs for entrepreneurs; entrepreneurship education and training at school and post-school stages; research and development (R&D) transfer; commercial and professional infrastructure; internal market dynamics and entry regulation; physical infrastructure and services; and cultural and social norms.

Societal values related to entrepreneurship include: the extent to which entrepreneurship is considered a good career choice; whether or not entrepreneurs have high social status; and the extent to which the media represent entrepreneurs positively.

Individual attributes include: demographic characteristics (gender, age, etc.); self-perceptions (perceived capabilities, perceived opportunities, fear of failure); motivations for starting a business; reasons for discontinuing a business; and involvement in entrepreneurship as an informal investor.

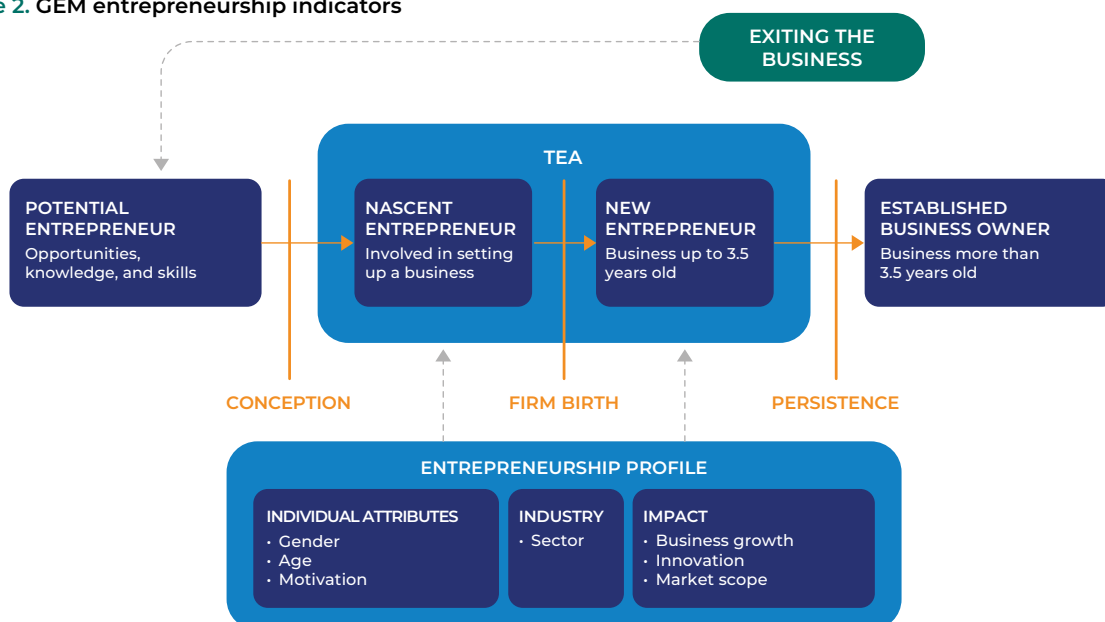
Figure 2 shows GEM's key entrepreneurship indicators, which include participation in various phases of business development—its conception, the starting and running of a new business, and the mature phase of established business ownership. Figure 2 also shows business exits, after which an entrepreneur might start another business or continue to be involved in entrepreneurial activity in other ways. For the individuals involved, exiting a business can provide valuable experience and lessons that can be applied to future efforts and shared with other potential and actual entrepreneurs.

Total entrepreneurial activity (TEA) is a key GEM indicator. It represents the proportion of the working-age adult population actively engaged in starting or running a new business. Specifically, TEA is



the sum of those actively starting a new business (the “nascent entrepreneurs,” who have not yet paid salaries for 3 months) and those who are already running a new business (new business owners, who have paid wages for more than 3 months but less than 3.5 years) *minus* any double-counting (that is, entrepreneurs who are doing both). Individuals who are running a business and have paid wages for 3.5 years or more are categorized as established business owners.

Figure 2. GEM entrepreneurship indicators



Source: GEM Global Report, 2019





## Structure of the report

The GEM 2020 Kingdom of Saudi Arabia report highlights results for the 2020 GEM survey in the Kingdom of Saudi Arabia and offers a detailed picture of the country's entrepreneurship profile. Comparisons are made with results from the previous 4 years and with other countries in the region. The report begins with results related to the impact of COVID-19, in Chapter 1. Chapter 2 highlights societal attitudes, affiliations, and self-perceptions. Chapter 3 covers rates of TEA and other phases of business

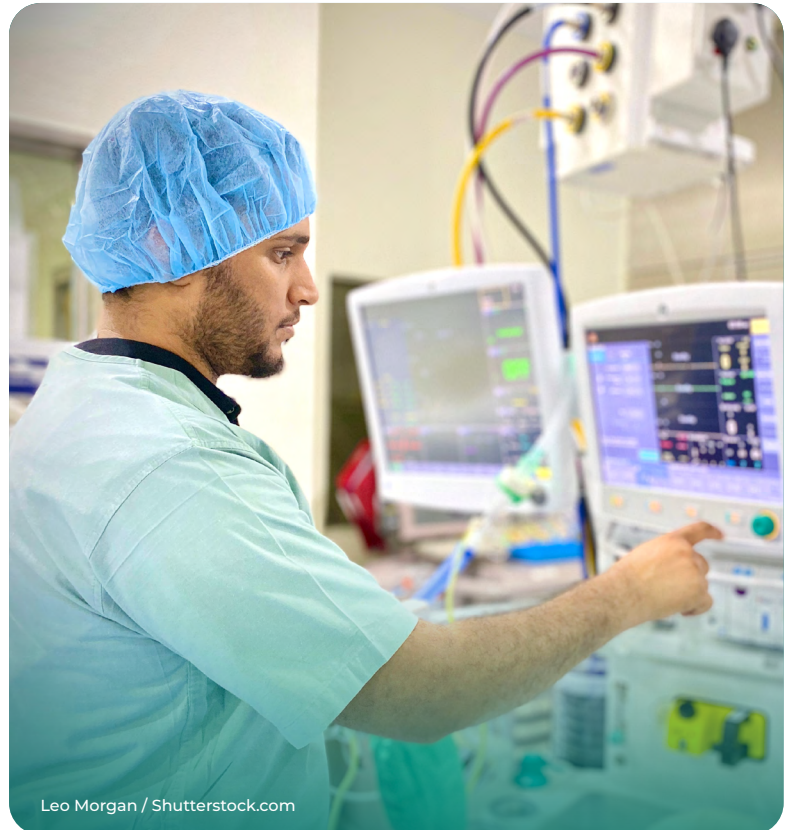
activity, while Chapter 4 delves into greater detail on the characteristics of TEA and established business activity. Chapter 5 compares Saudi Arabia with other economies in the region on key indicators. Chapters 6 and 7 cover two key demographic characteristics: gender and age. Chapter 8 assesses the investor side, presenting results on personal investment in entrepreneurs. Finally, Chapter 9 examines the context for entrepreneurship, through the National Entrepreneurship Context Index (NECI).



# Chapter 1

## Impact of COVID-19 on entrepreneurship

The results from the GEM 2020 survey indicate substantial effects of the pandemic on household income in Saudi Arabia, with 20.5% of households reporting they had suffered a considerable reduction in their income and 50.5% reporting a moderate decrease. There was no change for 27% of the respondents, and only 2% reported an increase in their household income. Entrepreneurs and established business owners were somewhat more likely to report a strong or moderate income decline: 75% vs 70% for the rest of the population.



### 1.1 Closures and startups

During the first months of the pandemic and lockdown, the business environment in Saudi Arabia underwent rapid change, both in terms of the birth of new businesses and the closure of existing ones. Like entrepreneurs in the rest of the world, those operating in the travel and tourism, food and beverages, and entertainment sectors suffered severely in the Kingdom of Saudi Arabia. The pandemic affected demand in the market, reducing profitability for most businesses but with greater adverse effects on small and medium enterprises (SMEs), which typically suffer from limited cash reserves and a consequent inability to meet expenses beyond the next few months.





The decrease in the rate of commercial activity, coupled with high uncertainty, caused companies to reduce spending, creating a downward spiral of demand in the market.<sup>2</sup> The situation prompted the Saudi Arabian government to launch an emergency economic assistance program during 2020, which included the following measures:

- A stimulus package was announced on March 14, including 50 billion SAR (13.3 billion USD) for SMEs. Under this package, 30 billion SAR was allocated directly to banks and financing companies to enhance their liquidity, given the delay in loan payments from SMEs. The package also provided 13.2 billion SAR to SMEs through bank loans to allow them to continue operations and support growth. Additionally, 6 billion SAR was allocated to a loan guarantee program for SMEs.<sup>3</sup>
- A government pledge was announced on March 29 to help companies struggling with wage payments to Saudi employees. Businesses could request monthly compensation amounting to 60% of the employee's salary for three months.<sup>4</sup>
- The government decided (as announced on May 2) to allow private sector companies to reduce salaries by up to 40% and to terminate contracts due to the economic crisis. Guidelines published on May 4 linked salary cuts to a proportional reduction in working hours and clarified that the employer had no right to invoke the principle of force majeure if it had previously received a government subsidy to fight the crisis and could show that particular conditions had been met.<sup>5</sup>
- The government announced on May 7 that it would allow entrepreneurs and established business owners to defer and restructure loan payments, to reduce the payment of business fees, fines, or taxes or even obtain an exemption from these, to renew industrial licenses and customs exemptions automatically, and to receive a 30% discount on electricity bills, with the possibility to defer payments.<sup>6</sup>

GEM results show that the Saudi population believes that COVID-19 has led to more cessation of business activity than new startups. With regard to the former, 57% reported knowing at least one person who had stopped owning and managing a business due to the coronavirus pandemic. Furthermore, 11% of the respondents knew five or more people who had closed a business as a result of COVID-19. This compares to 42% (certainly not a negligible share) who knew at least one person who had started a business.

<sup>2</sup> David Havrlant, Abdulelah Darandary, and Abdelrahman Muhsen, "Early Estimates of the Impact of the COVID-19 Pandemic on GDP: A Case Study of Saudi Arabia," *Applied Economics* 53, no. 12 (2021): 1317-25, <https://doi.org/10.1080/00036846.2020.1828809>.

<sup>3</sup> "Kingdom of Saudi Arabia: Government and Institution Measures in Response to COVID-19," KPMG, last modified November 18, 2020, <https://home.kpmg/xx/en/home/insights/2020/04/saudi-arabia-government-and-institution-measures-in-response-to-covid.html>.

<sup>4</sup> "Coronavirus (COVID-19): SME Policy Responses," Organisation for Economic Co-operation and Development, last modified July 15, 2020, <http://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/#section-d1e16022>.

<sup>5</sup> "Kingdom of Saudi Arabia: Government and Institution Measures in Response to COVID-19," KPMG, last modified November 18, 2020, <https://home.kpmg/xx/en/home/insights/2020/04/saudi-arabia-government-and-institution-measures-in-response-to-covid.html>.

<sup>6</sup> "Coronavirus (COVID-19): SME Policy Responses," Organisation for Economic Co-operation and Development, last modified July 15, 2020, <http://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/#section-d1e16022>.



## 1.2 Challenges and opportunities

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Half (50%) of the entrepreneurs surveyed thought that it was more difficult to start a business in 2020 compared with a year ago, and an even higher share of established business owners (69%) felt this was the case. These are both substantial percentages (especially since entrepreneurs often demonstrate optimism), but the higher share of established business owners perceiving greater difficulty might reflect a combination of their experience and their views of the current climate. The implication is that, given the situation, fewer people might venture into entrepreneurship. This has ramifications for jobs and the benefits customers receive from the products and services businesses can provide them.

A similar explanation might hold true for the projections of these two groups in relation to growth. Both groups projected lower job growth than they anticipated in the previous year (52% of entrepreneurs and 63% of established business owners). This finding suggests a negative impact on jobs and on the contribution of new and small businesses to the economy. Even in the group of entrepreneurs who did not close their businesses, 85% of new or established business owners agreed or strongly agreed that the coronavirus pandemic had put an end to some of their core business activities.

It is interesting to note that more than half of entrepreneurs and established business owners have identified, and want to pursue, new opportunities for doing business—a positive among the negative aspects of the pandemic. This reflects the fact that change, even if negative or detrimental for society, can provide opportunities for entrepreneurs to introduce new solutions. Although established business owners were only a little more optimistic than entrepreneurs (56% vs 52%) in wanting to pursue new opportunities, it is encouraging that they can find ways to pivot or pursue something new in their business.

It should be noted that as COVID-19 encouraged consumers to access services and order products online, entrepreneurs who already had an online presence or were able to adapt to online business have shown improved performance during these tumultuous times. For example, Saudi e-commerce solution platforms, such as Salla and Zid, reported a huge jump in revenue. Saudi EdTech platforms, such as the Classera e-learning company, collaborated with the Ministry of Education to develop solutions for teaching students online during periods of lockdown and curfews. With regard to logistics, the Communications & Information Technology Commission, a Saudi company, reported delivering 12 million orders during the lockdown—a 200% increase from the previous year.<sup>7</sup>

Those who indicated they intended to start a business in the next 3 years were asked whether their intentions had been influenced by COVID-19. Interestingly, almost 45% of them were influenced, at least to some extent, by the coronavirus pandemic, and 33% stated they were influenced to a high extent. It is not quite clear whether this was because they saw opportunities (which would be in line with the above-mentioned finding on new opportunities) or due to necessity (job loss, economic crisis, and the need to generate income). However, it does indicate the potentially positive effect of COVID-19 on entrepreneurship.

## 1.3 Business discontinuation

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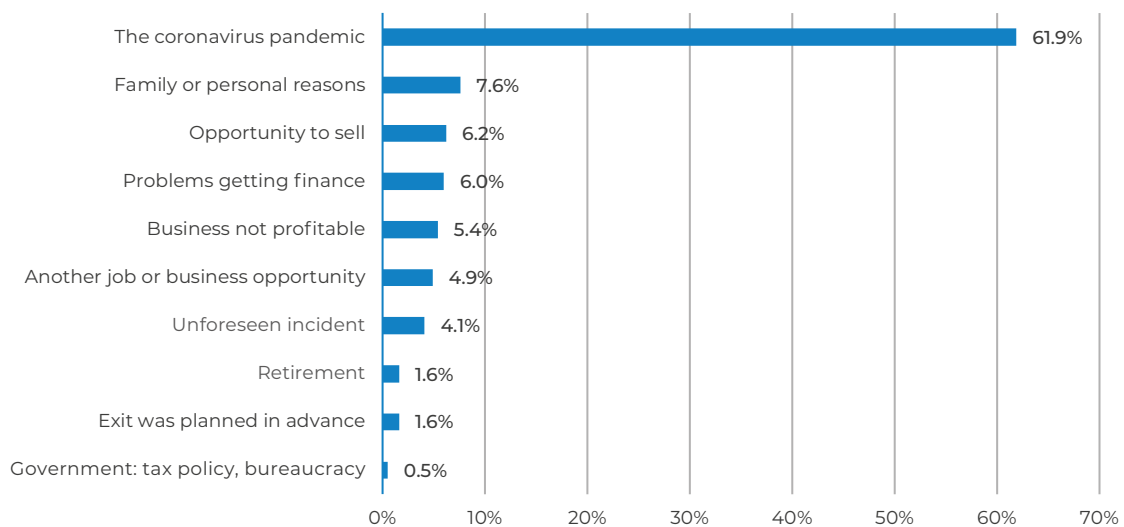
Based on the methodology GEM uses every year to estimate business exit and business closure, in 2020 it was found that 9% of the adult population had either exited or closed a business in the past year: 4% of adults had exited businesses that then continued in other hands, and 5% had closed a business. Figure 4 shows the main reasons for exiting or closing a business. The coronavirus pandemic was cited as the main reason by 62% of those who exited or closed a business.

<sup>7</sup> "500% Rise in Number of Saudi Delivery Representatives since March," *Saudi Gazette*, June 1, 2020, <https://saudigazette.com.sa/article/593725>.



Leo Morgan / Shutterstock.com

**Figure 4. Main reasons for business exit or closure in Saudi Arabia, 2020**



Source: GEM Kingdom of Saudi Arabia, 2020



## 1.4 Initial reaction of businesses and the government

GEM's NES evaluates conditions in the national environment for entrepreneurship from the perspective of entrepreneurs and other experts. The 2020 NES obtained the opinions of these groups on the initial actions of the government in the Kingdom, specifically with regard to the effects on the business sector of the first COVID-19 lockdown. Both groups saw the government's response as positive; 91% of entrepreneurs and 92% of established business owners stated that the government had responded effectively to the economic impact of the coronavirus pandemic. Additionally, almost 19% of entrepreneurs reported that their businesses had either received or expected to receive financial support from the government because of COVID-19.

The experts also evaluated the initial reaction of new and growing firms to the first lockdown. This evaluation was done by scoring relevant statements on a scale of 0 to 10 (Figure 5). The experts' scores indicated a strong view that new and growing firms, faced with the effects of COVID-19, were making adjustments to their current products and services, adopting new ways of doing business, and promoting working from home. The experts also believed that these firms were identifying new opportunities and

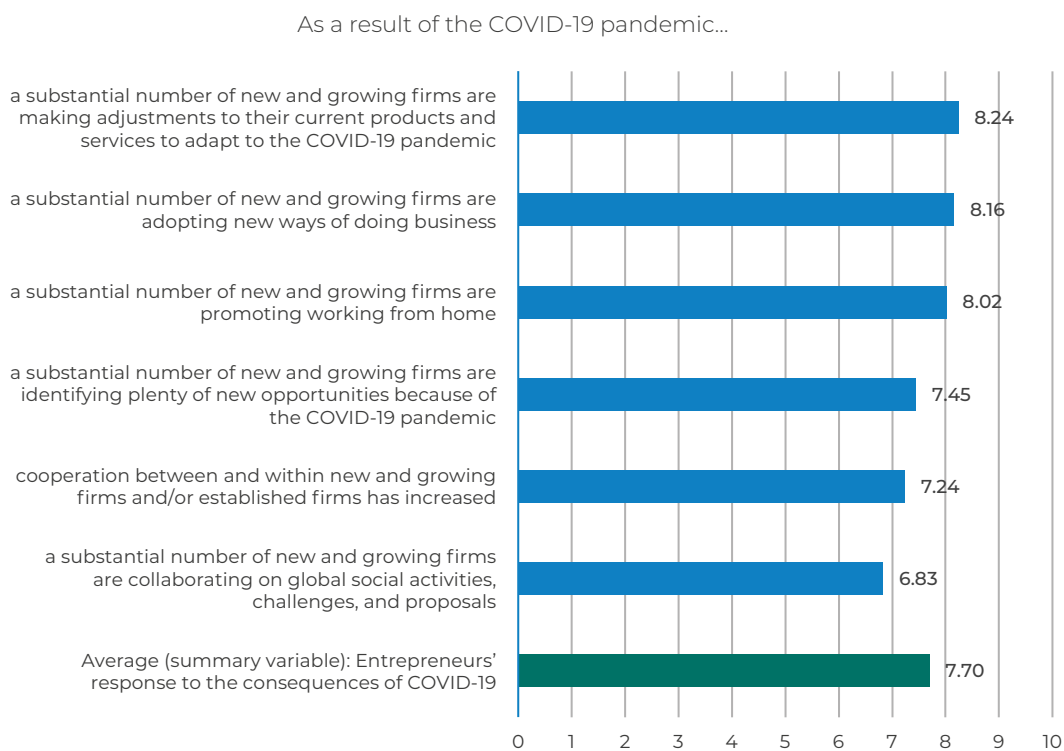
that cooperation between, and within, new and growing firms and/or established firms had increased. Finally, although with a comparatively lower rating, experts generally agreed that new and growing firms were collaborating on global social activities, challenges, and proposals. Taking all of these variables into account, the overall average score was 7.7 out of 10, indicating experts' belief that new and growing firms have responded well to the challenges of COVID-19.







**Figure 5. National experts' evaluation of the responses of new and growing firms to the COVID-19 pandemic in Saudi Arabia, 2020**



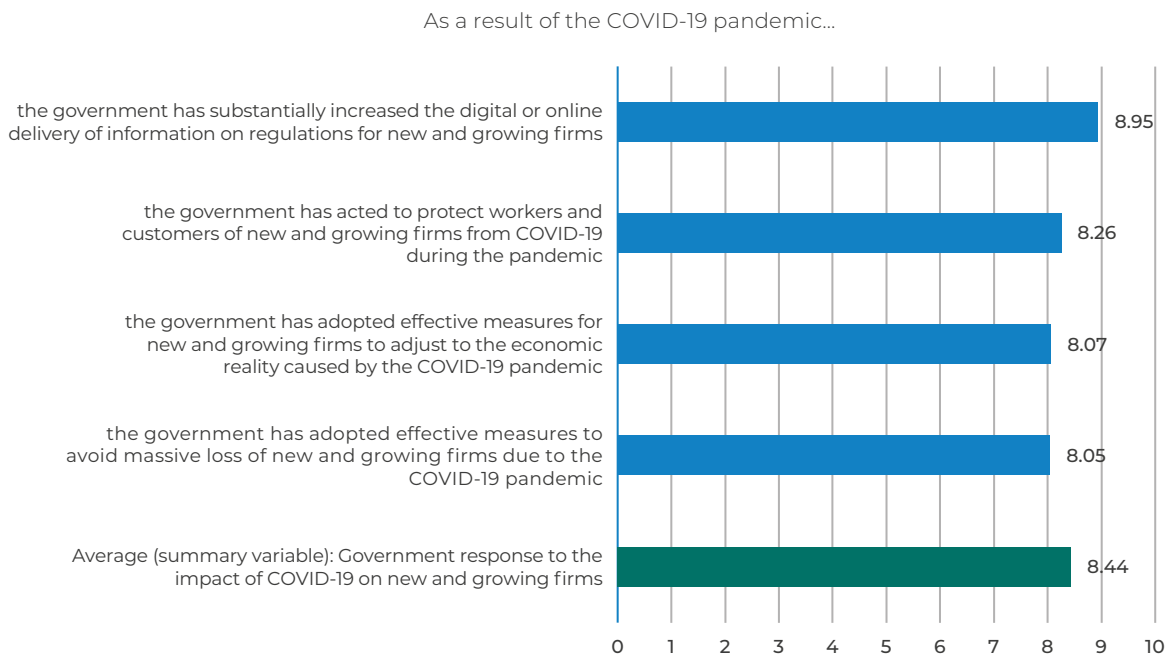
Source: GEM Kingdom of Saudi Arabia, 2020

Experts' views of the measures adopted by the Saudi government to help new and growing firms during the first stages of the pandemic were also measured in the NES. With average scores above 8 on a 10-point scale assessing various government measures (see Figure 6), it is clear that the experts had a very positive view of the response. They overwhelmingly agree that the government has substantially increased the digital or online delivery of information on regulations for

new and growing firms and that it has acted to protect their workers and customers. Furthermore, the experts perceive that the government has adopted effective measures both for new and growing firms to adjust to the economic reality caused by COVID-19 and to avoid a massive loss of new and growing firms due to the coronavirus pandemic. The average overall rating of the government response to COVID-19 for new and growing firms was 8.44 out of 10.



**Figure 6. National experts' evaluation of government measures to protect new and growing firms during the pandemic, 2020**

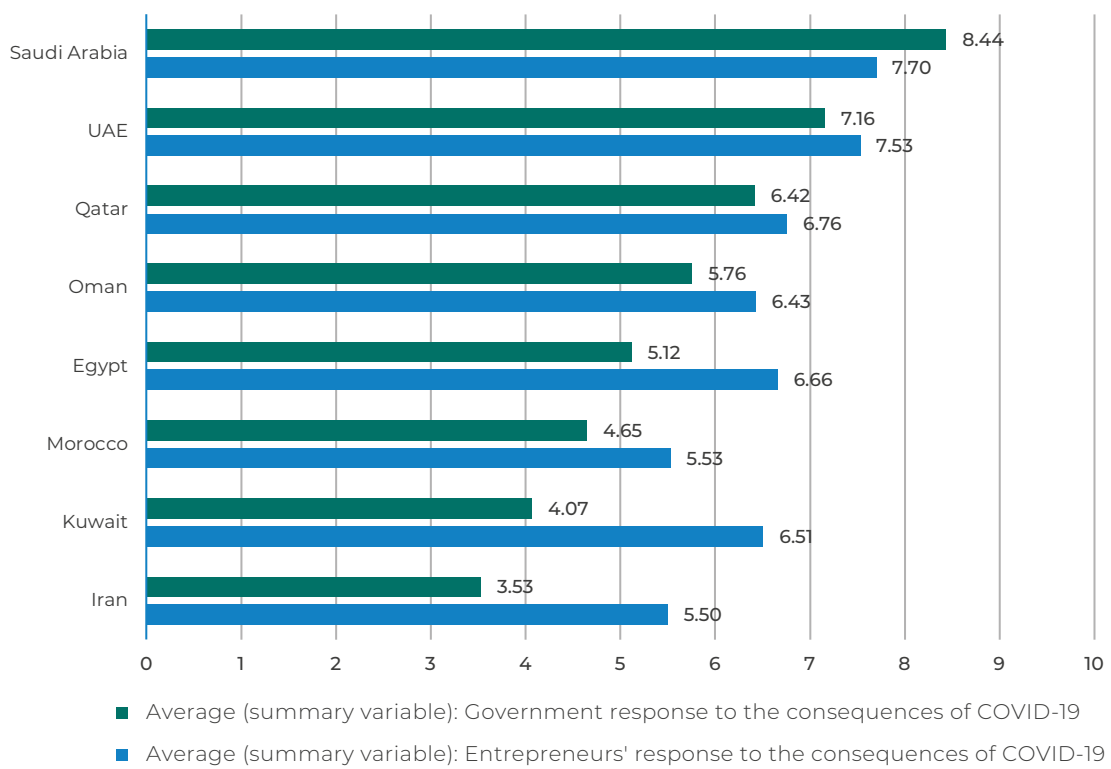


Source: GEM Kingdom of Saudi Arabia, 2020

In an international comparison of the results for countries in the MENA region on the response of new and growing firms and governments to COVID-19, Saudi Arabia stands out—particularly for government measures to support new and growing firms (Figure 7). It is interesting to note that for all other countries in the region, new and growing firms' response to the pandemic was rated more highly than the measures taken by respective governments. The results shown in Figure 7 suggest two types of behavior in the MENA countries. For countries such as Saudi Arabia, United Arab Emirates (UAE), and Qatar, governments were seen as being especially proactive in providing relief to businesses. In Egypt, Kuwait, and Iran, new

and growing firms were rated as being considerably more proactive than governments in adapting to the situation. The 2020-2021 GEM Global Report reflects a similar divide. Globally, in almost 50% of economies, experts rated business-friendly government policies and actions in response to the pandemic more highly than new and growing firms' responses. Alternatively, in almost 50% of the economies, new and growing firms were more likely to be viewed as proactive in devising strategies to save their businesses from the effects of COVID-19. These results illustrate differences nationally in the roles—or burdens—taken on by government and the private sector in responding to national and global crises.

**Figure 7. National experts' evaluation of the response to COVID-19 by new and growing firms and government among economies in the MENA region, 2020**



Source: GEM Kingdom of Saudi Arabia, 2020





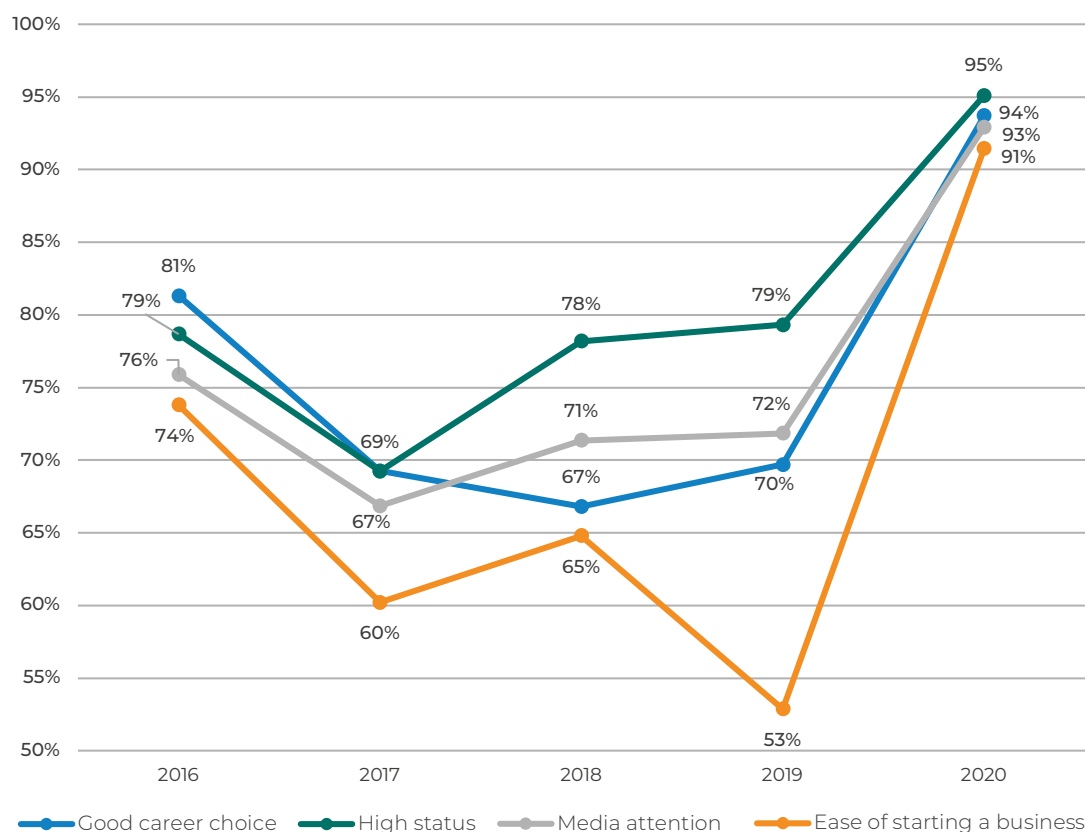
# Chapter 2

## Societal attitudes, affiliations, and self-perceptions

### 2.1 Societal attitudes

In Saudi Arabia in 2020, societal attitudes about entrepreneurship were remarkably positive—notably more so than in previous years. As Figure 8 illustrates, nearly all adults in Saudi Arabia consider entrepreneurship a good career choice, and a similar proportion believe that entrepreneurs achieve high social status and receive recognition and that the media give a lot of positive attention to entrepreneurship. In addition, most agree that it is easy to start a new business in the Kingdom.

Figure 8. Societal attitudes about entrepreneurship in Saudi Arabia, 2016–2020



Source: GEM Kingdom of Saudi Arabia, 2016–2020

It is interesting that even with the disruption of COVID-19, perceptions about the ease of starting a business have notably improved. This indicator reflected a less positive attitude than the others in previous years (particularly in 2019), but jumped up to nearly the same level as those other indicators in 2020. This positivity seems consistent with high expert ratings of government measures to support new and growing firms during the pandemic, as reported in the previous chapter.

## 2.2 Affiliations and self-perceptions

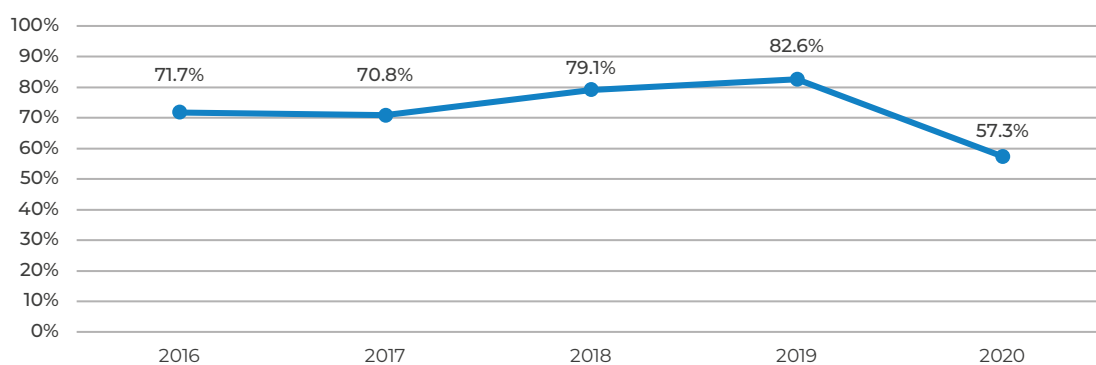
After a sustained positive trend over 4 years, the percentage of the adult population that know someone who has recently started a business fell markedly in 2020 (Figure 9). This finding conflicts with the finding that TEA has climbed steadily in the past few years (see Figure 13), which suggests that people would be more likely to

know a recent entrepreneur. However, the long period of lockdown, with less opportunity for direct interaction with those in physical markets and other businesses, could explain this drastic change.

Whether or not this result is due to the COVID-19 pandemic, it does

indicate that fewer people have had direct contact with entrepreneurs in 2020, despite still admiring them in the media. Perhaps there is a need, in the current context, to increase interactions between entrepreneurs and those who might benefit from their inspiration, their advice, and their capacity to be role models.

**Figure 9.** Share of the adult population in Saudi Arabia that knows someone who started a business in the past 2 years, 2016–2020



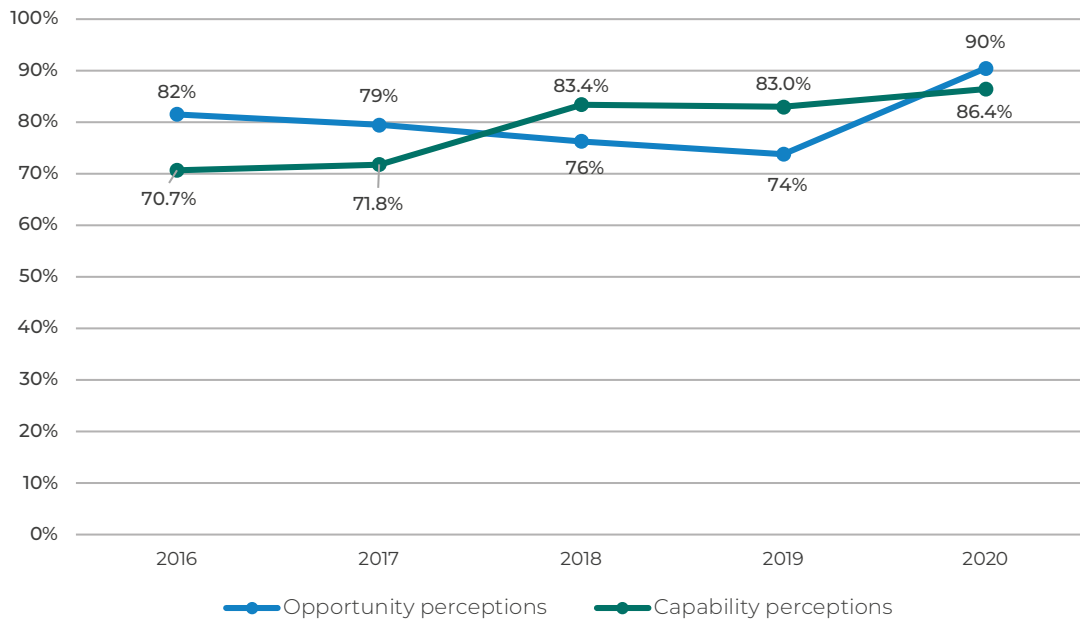
Source: GEM Kingdom of Saudi Arabia, 2016–2020



Perceptions about entrepreneurial opportunities were declining gradually up to 2019, but then increased by 22% in 2020 (Figure 10). This result is consistent with the opinion of the experts, who indicate that a substantial number of new and growing firms are identifying plenty of new opportunities during the pandemic, especially those linked to digital technology.

Perceptions about entrepreneurial capability are very high and were fairly stable from 2018 to 2020, in spite of the upward spike in other indicators. These two sets of perceptions were closely balanced in 2020, suggesting that people see plenty of opportunities around them to start a business and also believe they have the capability to do so.

**Figure 10. Perceptions of entrepreneurial opportunity and capability in the adult population of Saudi Arabia, 2016–2020**

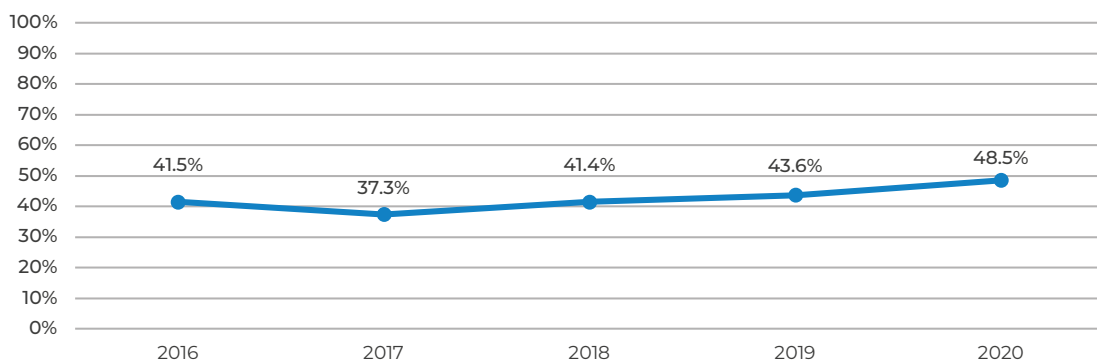


Source: GEM Kingdom of Saudi Arabia, 2016–2020

Among those who saw opportunities to pursue a new business in the current context, fear of failure was relatively high (just over 48% in 2020); this decreased slightly from 2016 to 2017 but rose steadily up to 2020 (Figure 11). This finding is perhaps a little curious given the positive attitudes discussed above—most people see opportunities and think they are capable of starting a business, but nearly half of those who see opportunities would not pursue them because of the risk.

It might be the case in some countries that people admire entrepreneurs and perceive starting a business to be easy; however, if such efforts end in failure, this might come at a high price socially (as well as financially). This finding could suggest a need to develop a culture that can accept failure and see it as a learning opportunity. High fear of failure might also indicate a need to re-examine policies that tend to increase risk aversion—for example, in relation to personal responsibility associated with shutting down a business. Additionally, education and training can reduce fear of failure by teaching entrepreneurs how to build more viable and sustainable businesses.

**Figure 11. Fear of failure among those seeing opportunities in the adult population of Saudi Arabia, 2016–2020**



Source: GEM Kingdom of Saudi Arabia, 2016–2020



# Chapter 3

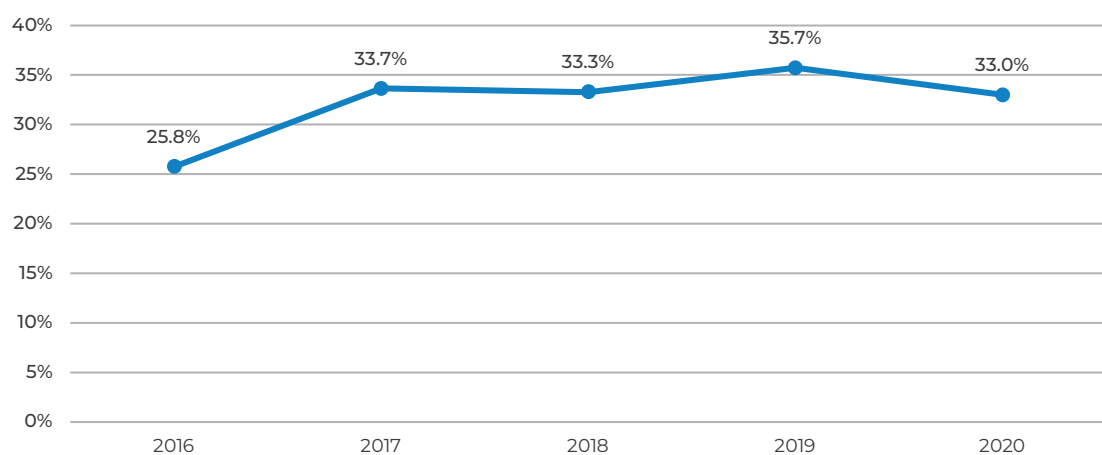
## Phases of entrepreneurship



### 3.1 Intentions

The entrepreneurial intentions variable represents the first stage of the entrepreneurship process and shows the potential for new business creation in the near future. It is measured as the share of the population aged 18–64 years who expect to start a new business in the next 3 years. Figure 12 presents a longitudinal analysis of entrepreneurial intentions in Saudi Arabia. It is interesting that even though the share of the adult population with entrepreneurial intentions has not changed much since 2017, attitudes have become more favorable and nascent activity doubled between 2019 and 2020 (see Figure 13). It might be the case that entrepreneurship is seen so favorably right now that those who might otherwise have planned to start a business in the near future simply jumped in immediately rather than waiting.

Figure 12. Entrepreneurial intentions in the adult population of Saudi Arabia, 2016–2020



Source: GEM Kingdom of Saudi Arabia, 2016–2020

## 3.2 TEA rate

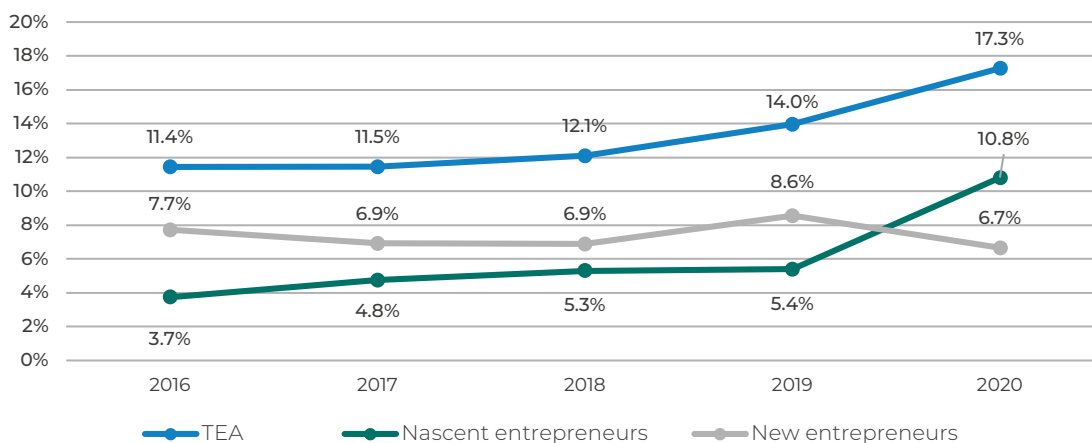
Nascent and new entrepreneurial activity make up the TEA rate: the percentage of the population aged 18–64 years who are involved in any entrepreneurial business operation in the market for up to 3.5 years. Nascent entrepreneurs are those who started a new business but have not yet paid salaries for 3 months, while new business owners have been operational in their markets for between 3 months and 3.5 years.

Figure 13 shows the results of a longitudinal analysis of the total TEA rate and its two components. Since 2016, the TEA rate has grown steadily in Saudi Arabia, reaching 17% in 2020, representing an increase of 52% in this 5-year period. This increase reflects the effective

policies devised and implemented by the government combined with the interventions by the private and public sectors to promote and encourage the entrepreneurship ecosystem in the Kingdom.

With regard to the components of the TEA, from 2016 to 2019, the rate of new business ownership exceeded that of nascent entrepreneurs. However, in 2020, nascent activity doubled from the rate reported in 2019 and overtook the level of new business owners. This is perhaps an indication of the extent to which people saw new opportunities and a good environment (or greater necessity) for starting up businesses, even during the pandemic.

**Figure 13. Nascent entrepreneurs, new entrepreneurs, and TEA in Saudi Arabia, 2016–2020**



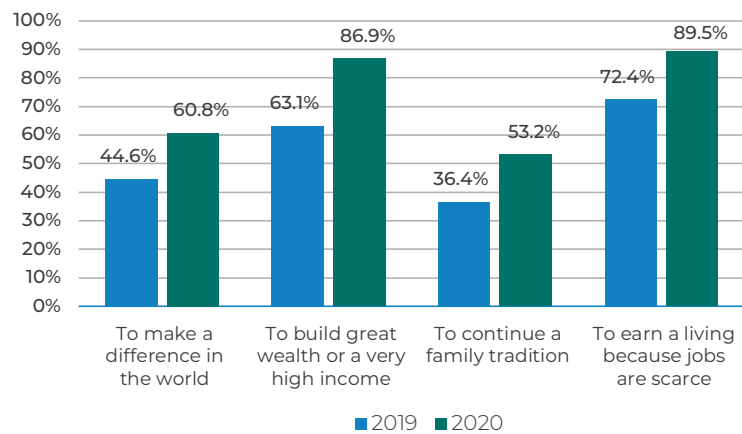
Source: GEM Kingdom of Saudi Arabia, 2016–2020



### 3.3 Motivations

GEM assesses four motivations for starting a business, and respondents can indicate multiple motives. In Saudi Arabia, respondents were more likely to cite each of the four motivations in 2020 compared to survey participants in 2019 (Figure 14). The most commonly given motives were financial in origin: on the one hand, to build great income and, on the other, to generate income because jobs are scarce. Although cited less often as a motive, making a difference in the world nonetheless inspired over 60% of entrepreneurs. The biggest change from 2019 was for the motive of continuing a family tradition, with the share of respondents mentioning this nearly one and a half times more than in the previous year. This could reflect the greater amount of time spent with family during the pandemic.

**Figure 14. Entrepreneurial motivations among entrepreneurs in Saudi Arabia, 2019–2020**



Source: GEM Kingdom of Saudi Arabia, 2019–2020

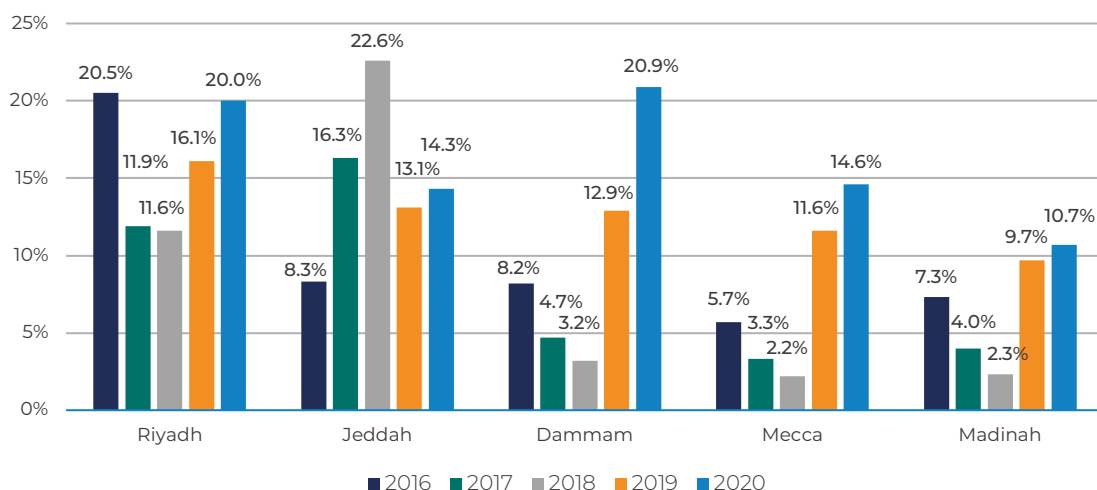
### 3.4 TEA rate in the main regions of Saudi Arabia

A longitudinal analysis of the rate of entrepreneurial activity in the largest regions of Saudi Arabia shows two interesting results (see Figure 15). During 2017 and 2018, Jeddah exhibited higher rates than the capital, Riyadh. However, the rate increased in Riyadh in both

2019 and 2020, while in Jeddah it dropped and was lower than in the capital. The increase in TEA in Riyadh during 2019 and 2020 could be attributed to the development of the region’s entrepreneurship ecosystem, which is a result of joint efforts by the public and private

sectors. Similarly, the survey found growth in entrepreneurial activity in the regions of Dammam, Mecca, and Madinah, especially in the last 2 years (2019 and 2020), reflecting a broader reach of government policies and interventions in these regions.

**Figure 15. Rate of entrepreneurship in the main regions of Saudi Arabia, 2016–2020**



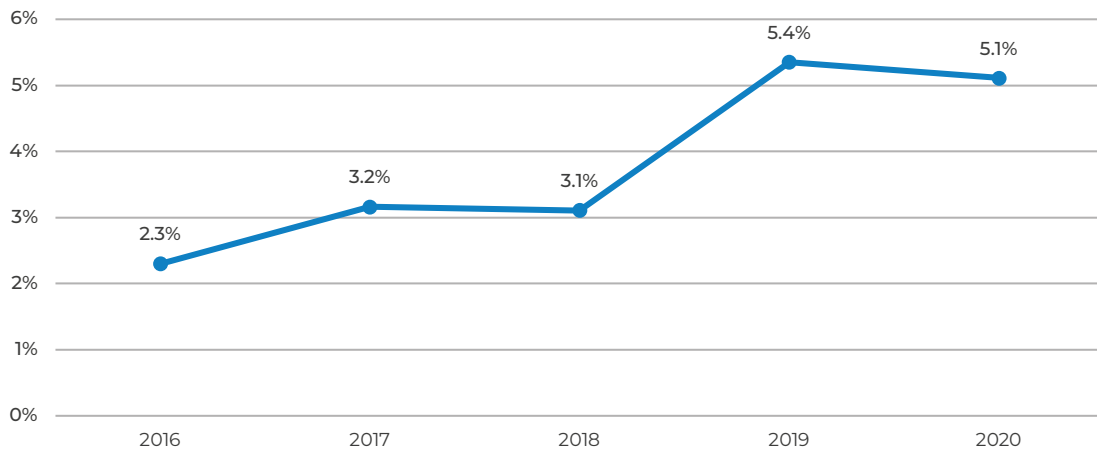
Source: GEM Kingdom of Saudi Arabia, 2016–2020



### 3.5 Established business ownership

Figure 16 shows longitudinal results for the rate of established business ownership (those operating businesses more than 3.5 years old). The rate increased in 2019 and stayed relatively stable in 2020. This differs from TEA, which rose in 2019 and did so again in 2020. The important point for Saudi Arabia is that established business activity, after languishing at a low level, has shown promise in the 2 most recent years of the survey, reflecting high prior startup activity and business sustainability.

Figure 16. Rate of established business ownership in Saudi Arabia, 2016–2020



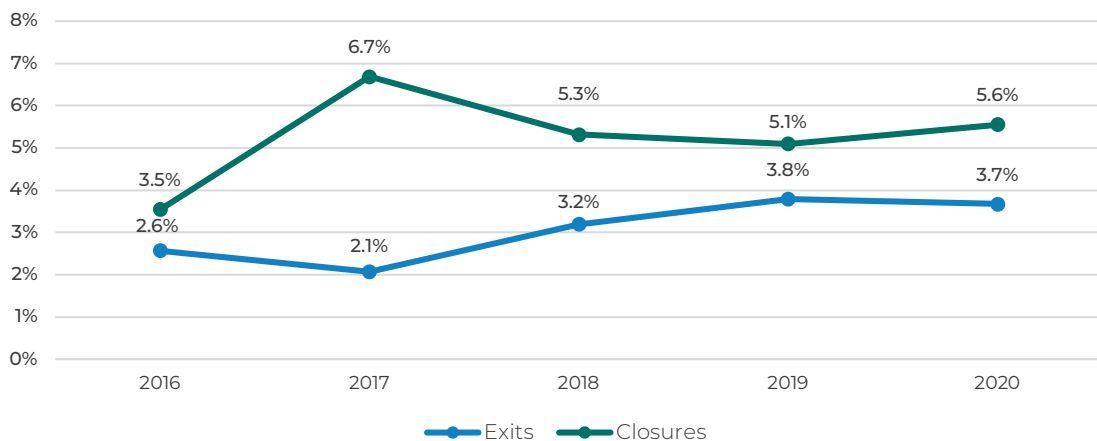
Source: GEM Kingdom of Saudi Arabia, 2016–2020

### 3.6 Exits and closures

To analyze the discontinuation of entrepreneurship, GEM distinguishes between exit, where an entrepreneur leaves a business and places it in the hands of others to continue the operation, and closure, where the entrepreneur completely shuts down the business. Figure 17 presents a longitudinal analysis of these two indicators. Business closures are more prevalent than

exits, with both at fairly stable levels in the 3 years from 2018 to 2020. The 2020 data were collected only several months into the pandemic, so it was still too early to determine the effect on the rate of exits and closures. However, as mentioned in Chapter 1 of this report, 62% of those exiting or closing a business cited the pandemic as the main reason for this decision.

Figure 17. Business exits and closures in Saudi Arabia, 2016–2020



Source: GEM Kingdom of Saudi Arabia, 2016–2020

# Chapter 4

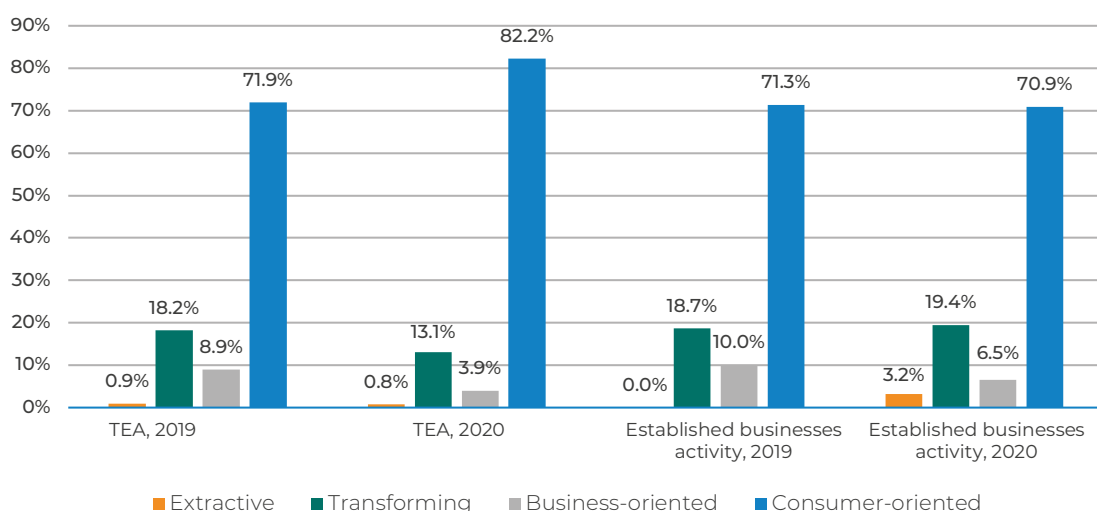
## Impact characteristics



### 4.1 Industries

Consumer-oriented activity dominates both the entrepreneurial and established business phases in Saudi Arabia (see Figure 18). The share of established businesses in the consumer-oriented sector was fairly stable from 2019 to 2020. However, it seems that the pandemic may have had an impact on the extent to which entrepreneurial activity favors the often low-barrier-to-entry consumer-oriented sector: the share of TEA in this sector increased by 14% between 2019 and 2020. This increase occurred at the expense of fewer startups in the typically capital-intensive transforming sector and the knowledge-intensive business services sector. While each of these may require greater financial resources to start, they have greater long-term potential for profitability and business sustainability compared with consumer-oriented businesses.

**Figure 18. Sector distribution of entrepreneurship and established business activity in Saudi Arabia, 2019–2020**



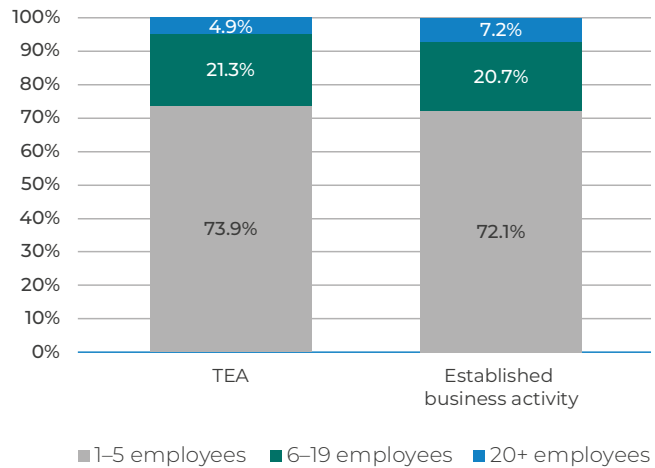
Source: GEM Kingdom of Saudi Arabia, 2019–2020

Entrepreneurship and established business activities in the Kingdom show low participation in medium- and high-technology sectors. The 2020 survey revealed that very few entrepreneurs—just over 1%—started in a medium- or high-technology sector and no established business owners were operating a medium- or high-technology business. An important focus for entrepreneurship initiatives can include building a technology sector in regions where the ecosystem can support it. Such a focus could lead to big wins for stakeholders, boost Saudi Arabia’s global competitiveness, and even position Saudi Arabia as a hub of innovation and technology.

# 4.2 Current and expected employment

The results show that entrepreneurs and established business owners typically have one other partner who co-owns and runs the business with them. As shown in Figure 19, with regard to employee numbers, more than 70% of entrepreneurs and established business owners have between one and five employees. Entrepreneurs with businesses in the early stages of development may not yet have built up their businesses sufficiently to employ others. However, it is also true that the majority of established business owners run microbusinesses. Just over 7% of established businesses provide 20 jobs or more. Overall, however, entrepreneurs and business owners contribute to job creation in Saudi Arabia by enabling self-employment or providing employment for others.

**Figure 19. Number of employees for entrepreneurship and established business activity in Saudi Arabia, 2020**



Source: GEM Kingdom of Saudi Arabia, 2020

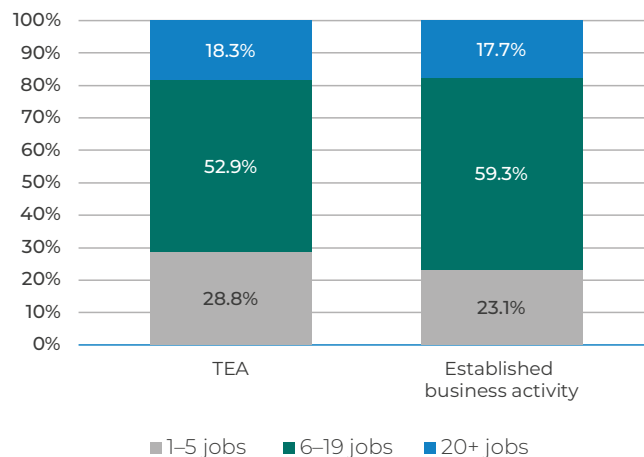
In 2020, expectations for job creation in the next 5 years were largely similar for TEA and established business activity (Figure 20). Usually, job expectations are higher among entrepreneurs because they have not yet done much hiring and they are optimistic about an

uncertain future in the early stages of their ventures. Established business owners are running mature businesses where growth is more likely to have leveled off, and they have past experience on which to base more reliable predictions and, thus, they typically project lower future growth.

However, Figure 20 suggests that entrepreneurs might be more cautious or less optimistic about future hires than established business owners; they were 25% more likely than established business owners to predict creating 1-5 jobs, but more than 10% less likely to project creating 6-19 jobs.



**Figure 20. Expectations regarding job creation in the next 5 years for entrepreneurship and established business activity in Saudi Arabia, 2020**



Source: GEM Kingdom of Saudi Arabia, 2020



It is interesting to note that the reverse was true in 2019, when entrepreneurs were more than twice as likely as established business owners to project hiring 6-19 new employees in the next 5 years (51% vs 23%). It seems that in 2020, entrepreneurs were a little less optimistic about the highest growth levels (20+ jobs), showing half the level reported in 2019 (18% vs 36%). On the other hand, established business owners were more optimistic about high growth ambitions in 2020, with around two and a half times the 2019 proportion projecting to hire 20 or more employees (18% vs 7%).

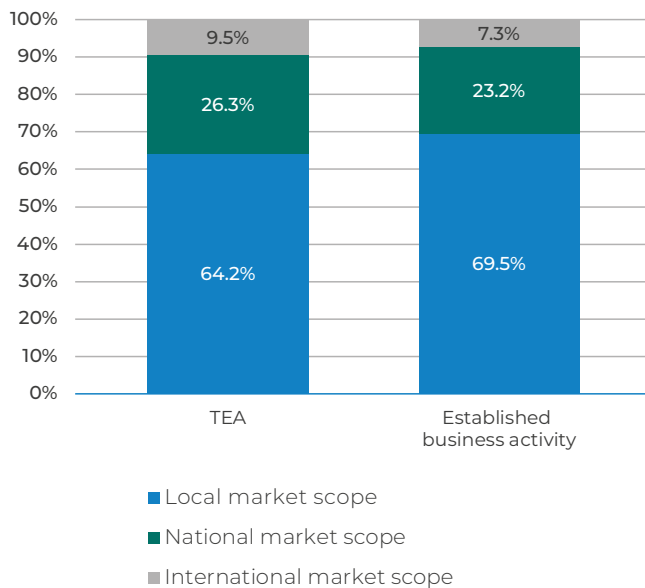
Given that COVID-19 was in its early stages in mid-2020, were entrepreneurs being cautious but still expecting a reasonable level of hiring? Did established business owners receive the most government funding, and was this tied to employees? Next year's results will show a clearer picture.



### 4.3 Market scope

Figure 21 shows that most entrepreneurs and established business owners sell locally. A little over one fourth of entrepreneurs also have national customers, and nearly 10% also sell internationally, which is lower than last year, when 26% were selling internationally. Established business owners are a little less likely to be either national or international.

**Figure 21. Market scope of entrepreneurship and established business activity in Saudi Arabia, 2020**



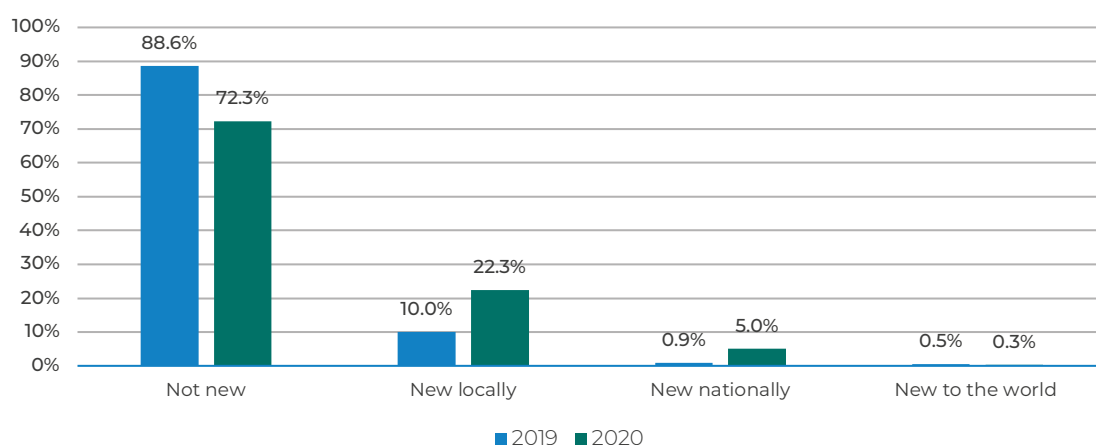
**Note:** Entrepreneurs and established business owners might have local, national, and/or international customers at the same time. The categories shown in Figure 21 are therefore not exclusive.

**Source:** GEM Kingdom of Saudi Arabia, 2020

## 4.4 Scope of innovation and scope of new technologies and processes

The rate of innovative entrepreneurship increased notably between 2019 and 2020 at the local and national levels (Figure 22). Compared to 2019, newness at the local level more than doubled. At the national level, the increase was more than five times the 2019 results. There was very little innovation that was new to the world in either year.

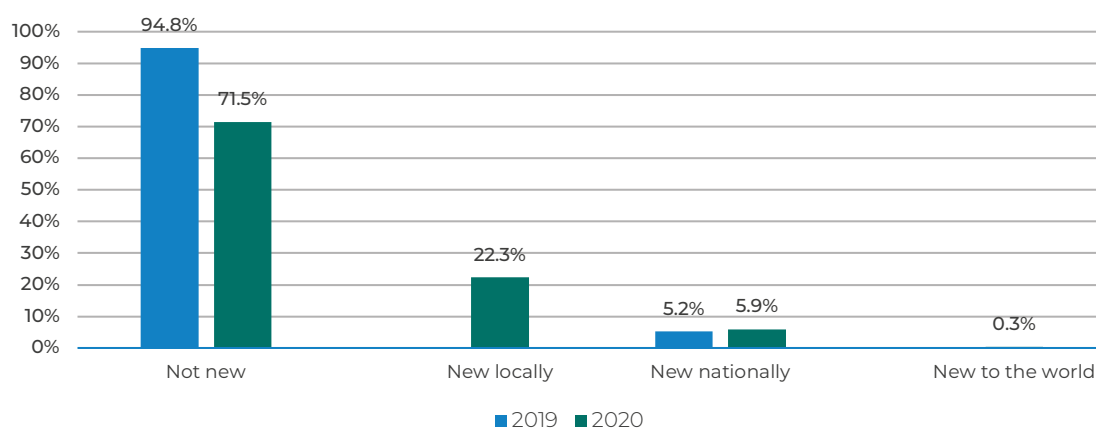
**Figure 22. Scope of product/service innovation for entrepreneurship in Saudi Arabia, 2019–2020**



Source: GEM Kingdom of Saudi Arabia, 2019–2020

Regarding the scope of technologies and processes used to develop products and services, Figure 23 shows that for 2020, almost one fourth were new in the area where the entrepreneurs operate. This is notable as in 2019 there were no technologies and processes that were new locally. Similar levels of newness at the national level were reported in 2019 and 2020, with a negligible proportion new to the world in 2020 compared with none in this category in 2019.

**Figure 23. Scope of technologies and processes for entrepreneurship in Saudi Arabia, 2019–2020**



Source: GEM Kingdom of Saudi Arabia, 2019–2020

# Chapter 5

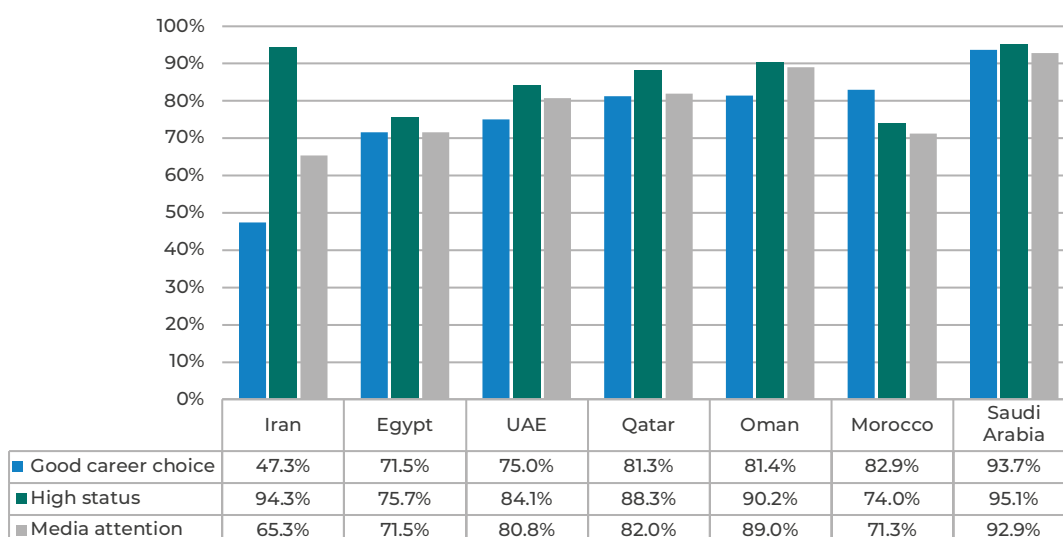
## MENA region comparisons



### 5.1 Societal attitudes

Social support for entrepreneurship is high in the MENA countries. High proportions of the populations in these countries consider entrepreneurship to be a good career choice, and that entrepreneurs achieve high status and social recognition and receive positive media attention. Figure 24 shows that Saudi Arabia stands out in the MENA region for highly positive societal attitudes toward entrepreneurship. One of the main reasons could be attributed to the country’s ambitious, young, entrepreneurial leadership, which has been instrumental in bringing social and economic changes through the implementation of Vision 2030 and the National Transformation Plan in the last 3–4 years.

Figure 24. Societal attitudes about entrepreneurship in the MENA region, 2020



Source: GEM, 2020

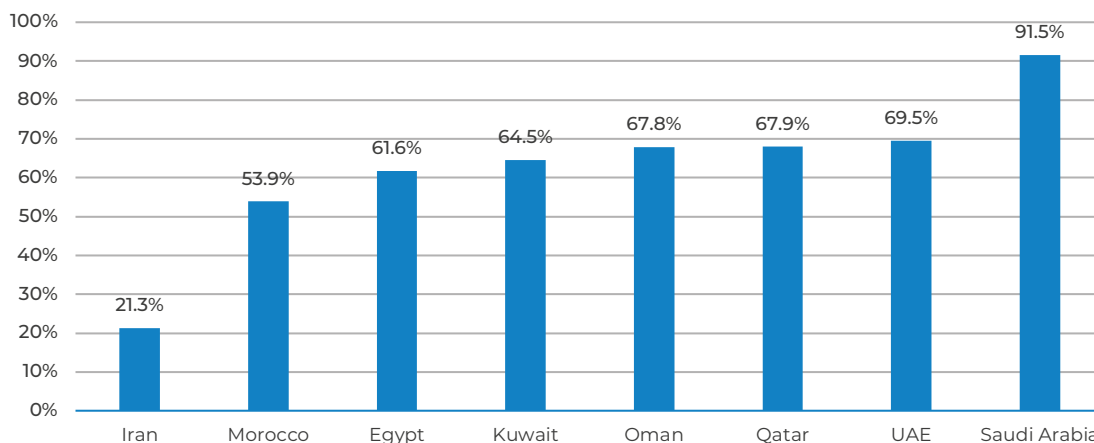
Perceptions in the MENA countries regarding the ease of launching new businesses are mostly positive, and Saudi Arabia stands well above the average (Figure 25). Iran falls far below the other countries in the MENA region, possibly because of the severity of COVID-19 in Iran at the time these indicators were measured.



As mentioned in Chapter 1, a proactive approach from both the entrepreneurial sector and the government to mitigate the effects of the crisis from the very beginning provided a big push to help entrepreneurs through the crisis. In addition, Saudi Arabia has been undergoing a major economic transformation with the implementation of the Vision 2030 program,

an instrument designed to promote businesses, modernize the country and its regulatory framework, and open the Kingdom's doors to the outside world. Entrepreneurship—seen as one of the most effective ways to create new businesses, grow companies, and generate employment—has been given top priority in the design and implementation of Vision 2030.

**Figure 25. Perception of the ease of starting businesses in the MENA region, 2020**



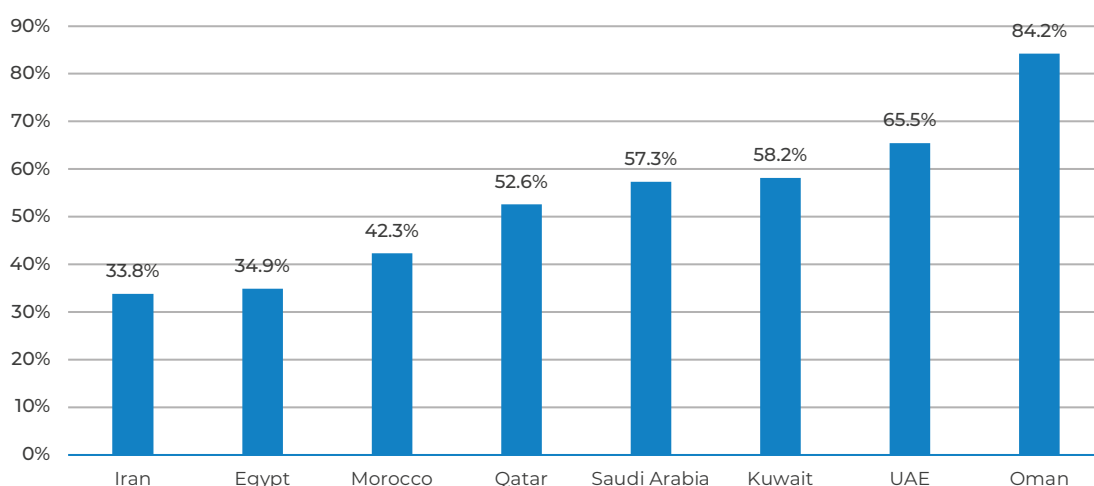
Source: GEM, 2020

## 5.2 Affiliations and self-perceptions

In terms of affiliation with entrepreneurs—that is, whether survey participants know any entrepreneurs personally—Oman stands out among the countries in the region, followed by the UAE and Kuwait (Figure 26). These latter two are small countries with a concentrated population, which increases the probability of meeting a recent entrepreneur. Saudi Arabia is in the middle of the group, not far behind Kuwait. In countries where

entrepreneurship is relatively new, we can expect this indicator to increase as entrepreneurship becomes more prevalent and people become more aware of others starting businesses. In addition, Kuwait, Qatar, Saudi Arabia, Oman, and the UAE reported TEA activity rates above 15% in 2020; the greater concentration of entrepreneurs makes it more likely that survey participants will know someone in this category.

**Figure 26. Entrepreneurial affiliations in the MENA region, 2020**

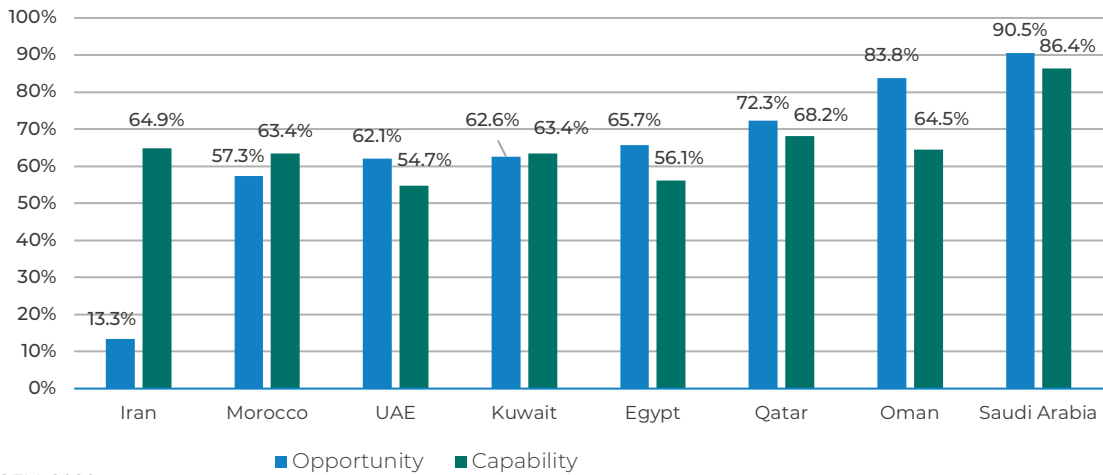


Source: GEM, 2020

Perceptions of opportunity relate to whether individuals believe there are interesting opportunities around them to start a business, while perceptions of capability indicate individuals' confidence in their own ability to start a business. Figure 27 suggests three patterns in the MENA region: countries in which the population perceives opportunities but not many have the

knowledge and abilities to implement them (Oman, Egypt, UAE); those in which, despite having many people with abilities, the population does not perceive enough opportunities (Iran, Morocco); and those where these two aspects are quite balanced (Kuwait, Qatar, Saudi Arabia). Saudi Arabia is notable in that results for both of these indicators are high and relatively similar.

**Figure 27. Perceptions of opportunity and capability in the MENA region, 2020**

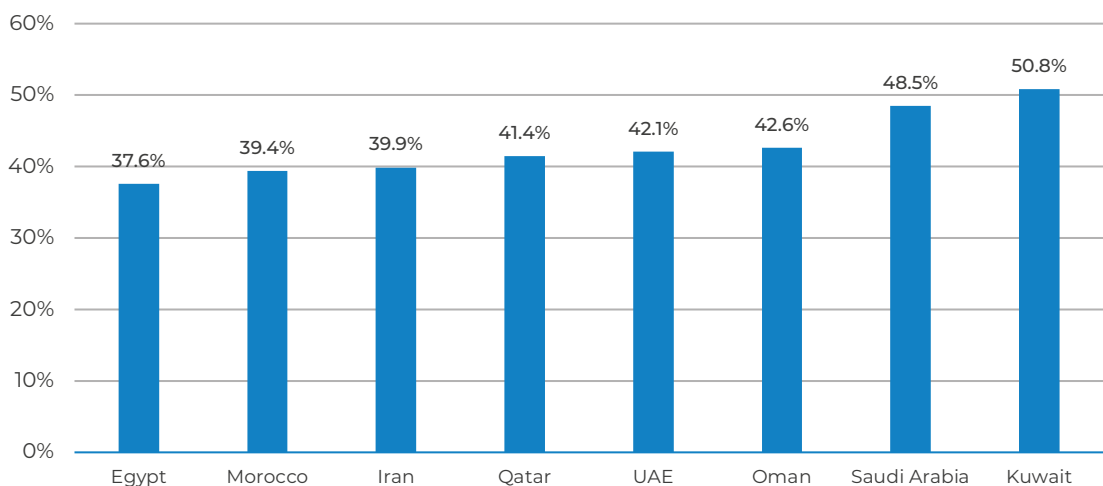


Source: GEM, 2020

Fear of failure in entrepreneurial ventures is generally high in the MENA region, but particularly so in Saudi Arabia (Figure 28). In general, fear of failure can be affected by policies like bankruptcy laws, social stigma about failure, or simply perceptions about the risk associated with starting a business.



**Figure 28. Fear of failure in the MENA region, 2020**



Source: GEM, 2020

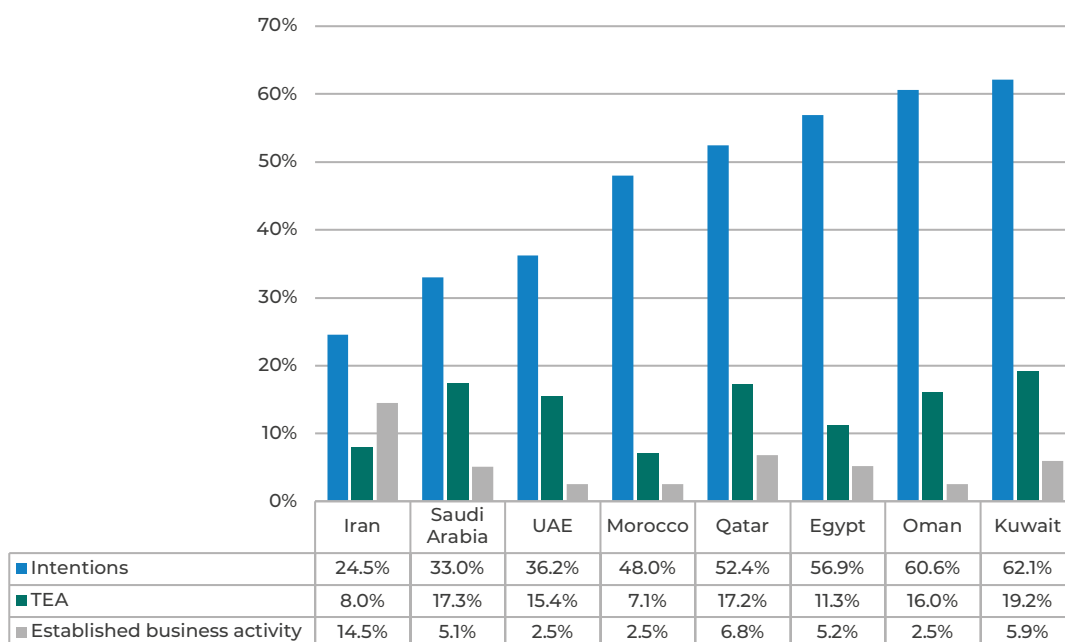
## 5.3 Phases of activity

In many of the MENA countries with very high entrepreneurial intentions but low TEA, it is possible that people see a need or opportunity to start a business but are less likely to take definite steps to do so. If this relationship were consistent over multiple years of GEM cycles, it would indicate a lack of balance between phases of business development. Saudi Arabia has high TEA but relatively lower entrepreneurial intentions compared with its neighbors (Figure 29). Intentions have been relatively stable in Saudi Arabia over the past 5 years, whereas TEA increased by almost one fourth in 2020 compared to 2019. This partially explains the more balanced relationship between these two indicators relative to other economies in the region in 2020,

suggesting that intentions are taken seriously—that one fully intends to act on them. Additionally, this could indicate that people are better able to convert their intentions into actual startup activity in Saudi Arabia, perhaps a reflection of high perceptions of the ease of starting a business.

With the rise in established business activity in 2019 and 2020 (see Figure 16), Saudi Arabia now ranks in the middle of the region for this indicator. Support for businesses, not only in the startup phase but also in their transition to mature businesses, provides a base of new businesses that can become established later on.

Figure 29. Phases of business activity in the MENA region, 2020



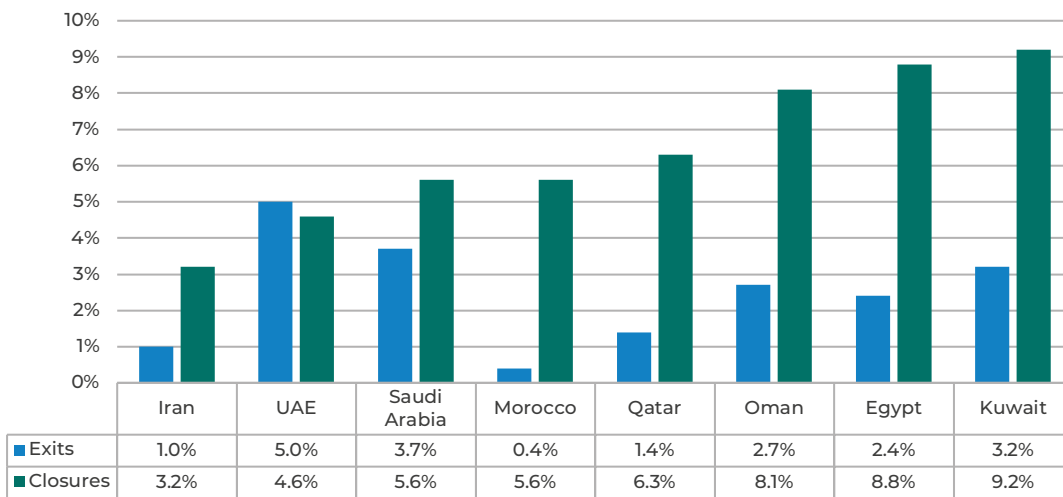
Source: GEM, 2020

## 5.4 Exits and closures

With the exception of the UAE, the economies in the MENA region reported far more closures than cases involving exits—that is, more people left entrepreneurship by closing their business than by passing their business on to others (Figure 30). Closure rates are in line with the high business volatility in the region, as discussed earlier. However, Saudi Arabia seemed to suffer less from business closures than most countries in the region. Exits are somewhat more common in Saudi Arabia and in the UAE compared with the other countries.



Figure 30. Exits and closures in the MENA region, 2020

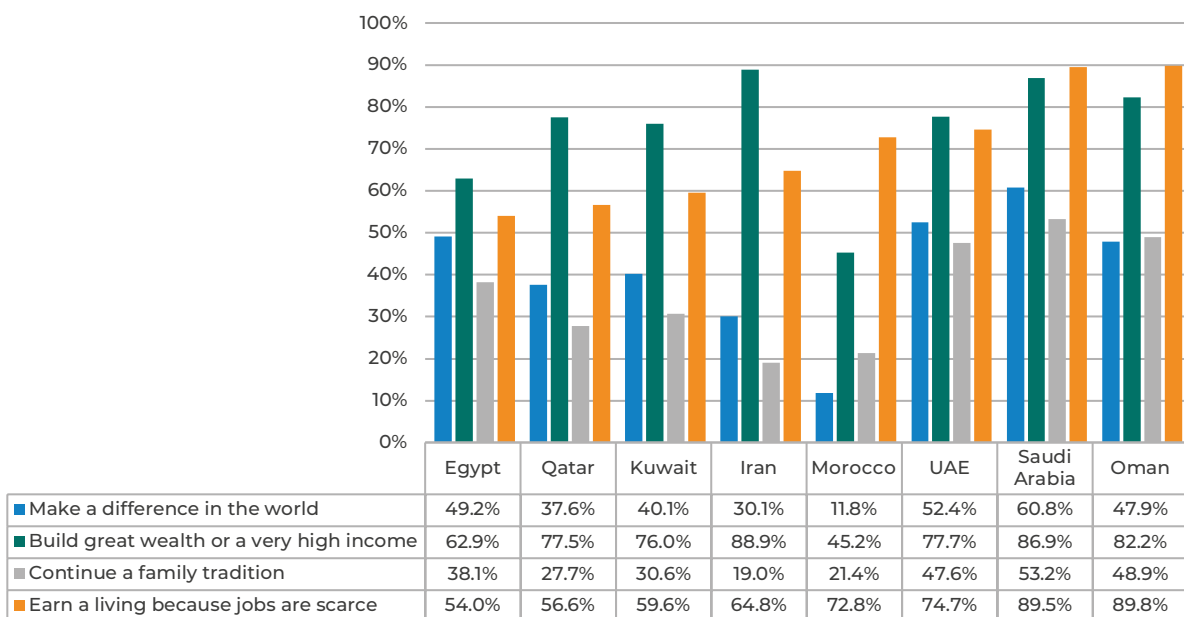


Source: GEM, 2020

## 5.5 Motivations

As shown in Figure 31, wealth is the biggest motivator for entrepreneurial activities in most of the MENA countries. However, necessity is also very important in Saudi Arabia, suggesting that generating income is critical for those starting businesses. Saudi Arabia and the UAE stand out in terms of entrepreneurs' motivations to make a difference in the world—a motive associated with both the desire to do something big and to have social impact. Continuing a family tradition was cited most frequently by those in Saudi Arabia.

Figure 31. Motivations to start a business in the MENA region, 2020



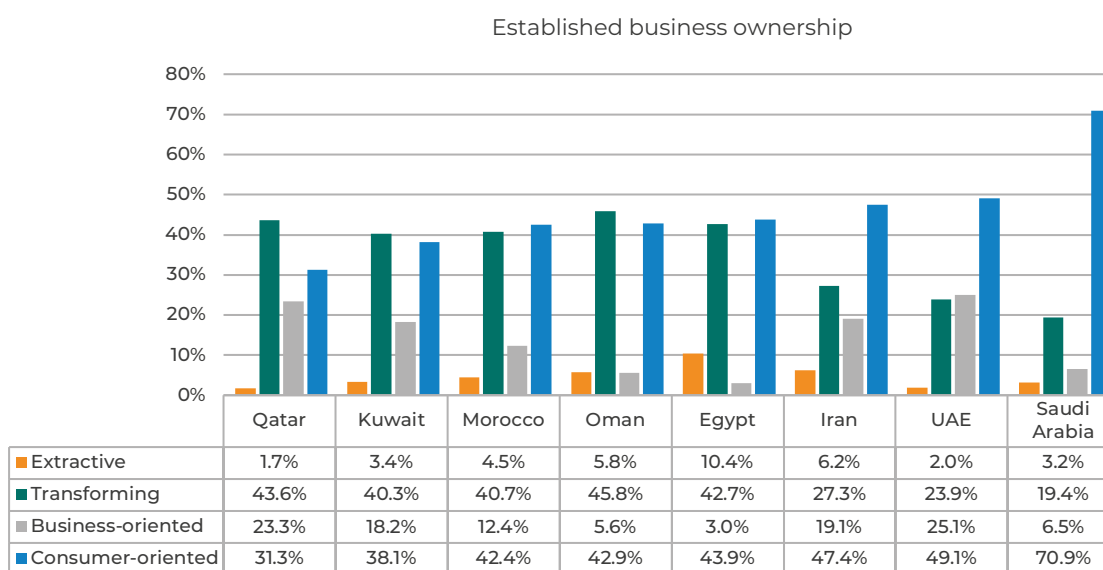
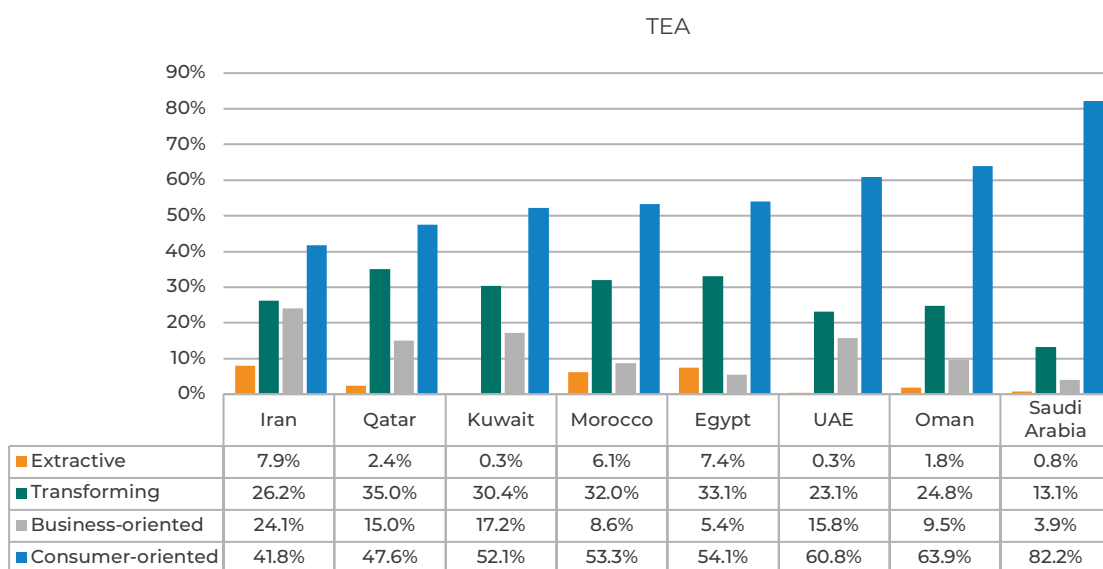
Source: GEM, 2020

## 5.6 Industry sector distribution for TEA and established business activities

When comparing the sector distribution of entrepreneurs with that of established companies, it appears that in most countries entrepreneurship is weighted toward the consumer-oriented sector (Figure 32). This year's survey results suggest comparatively low industry diversity in Saudi Arabia, with the emphasis on the consumer sector, which typically includes businesses that have low barriers to entry and low margins and are therefore difficult to sustain.

Developed economies generally have more businesses in the business services sector, which is more knowledge-based. This can be seen in Kuwait, the UAE, and Qatar but also middle-income Iran. Saudi Arabia has one of the lowest rates of participation in this sector and also in the transforming sector, which is relatively strong in most of its neighbors.

Figure 32. Industry sector distribution for entrepreneurship and established business activity in the MENA region, 2020



Source: GEM, 2020

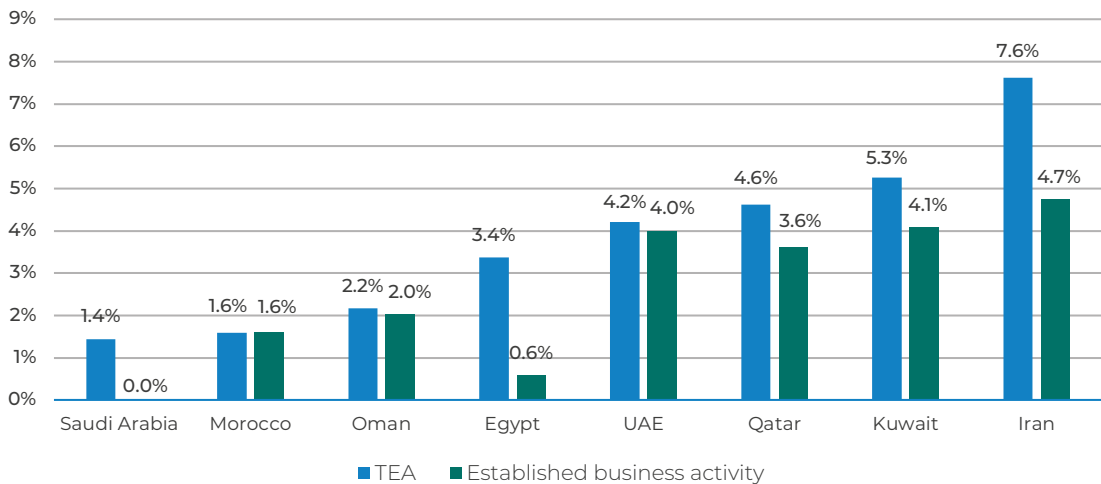
The situation created by COVID-19 has shown that countries with an industrial base or presence are in a better position to handle this type of crisis and that, provided there is effective coordination between employers and the public administration, they experience less unemployment. Further, a strong industrial sector is often accompanied by an effective business service infrastructure, with one sector supporting the other. In the current context, it will be important for countries to maintain a balance in terms of sector distribution and to promote the creation of industries focused on internal markets so that they are less dependent on foreign support. In this way, countries will be better positioned, depending on how the pandemic evolves, to face supply problems.

### 5.7 Medium- and high-technology sector

The participation of entrepreneurs and established business owners in sectors with a medium or high technology base is relatively low in the region, but especially in Saudi Arabia (Figure 33). Technology is an area where the government and the private sector can direct attention and foster technology entrepreneurship. It requires big investment and teams that are trained and have appropriate knowledge. Iran, Kuwait, Qatar, and the UAE stand out in terms of technology activities; this is in line with the fact that their industrial sectors make up greater proportions of their economies.



**Figure 33.** Participation in the medium- and high-technology sector in the MENA region, 2020



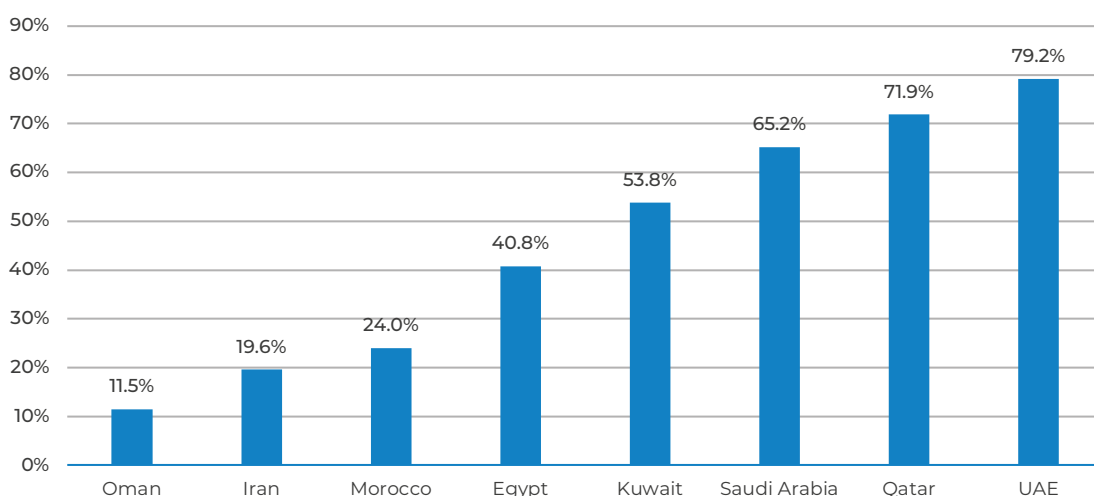
Source: GEM, 2020



## 5.8 Job creation expectations

The percentage of entrepreneurs in a country who expect to hire six or more new employees in the next 5 years shows substantial diversity within the MENA region (see Figure 34). This indicates the extent to which entrepreneurs are ambitious and have the potential to contribute to job creation. The UAE stands out, as almost 80% of entrepreneurs there have ambitions to grow their businesses. Qatar and Saudi Arabia follow, also with high proportions, while Morocco, Iran, and Oman rate below 25%.

**Figure 34.** Expectations for job creation (six or more new jobs in the next 5 years) among entrepreneurs in the MENA region, 2020



Source: GEM, 2020



## 5.9 Market scope

Many countries in the MENA region have small markets, and entrepreneurs often need to reach out to international markets. Trade policies and practices, as well as migration and travel and cultural and language similarities, can facilitate international business activity. Figure 35 shows how many entrepreneurs and established business owners target local and/or national and/or international markets.

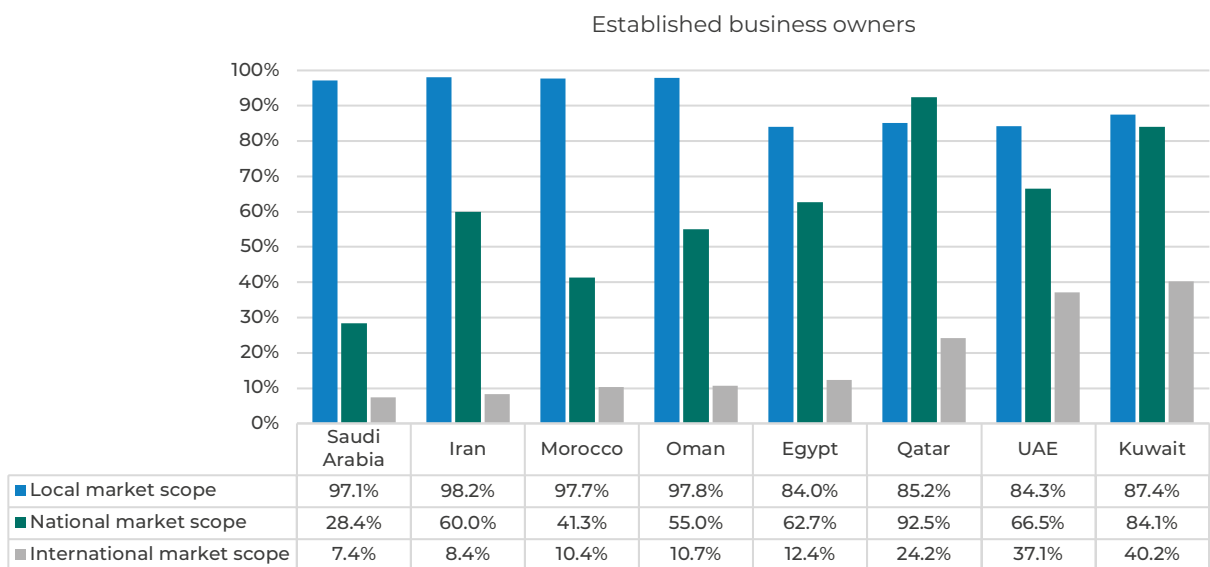
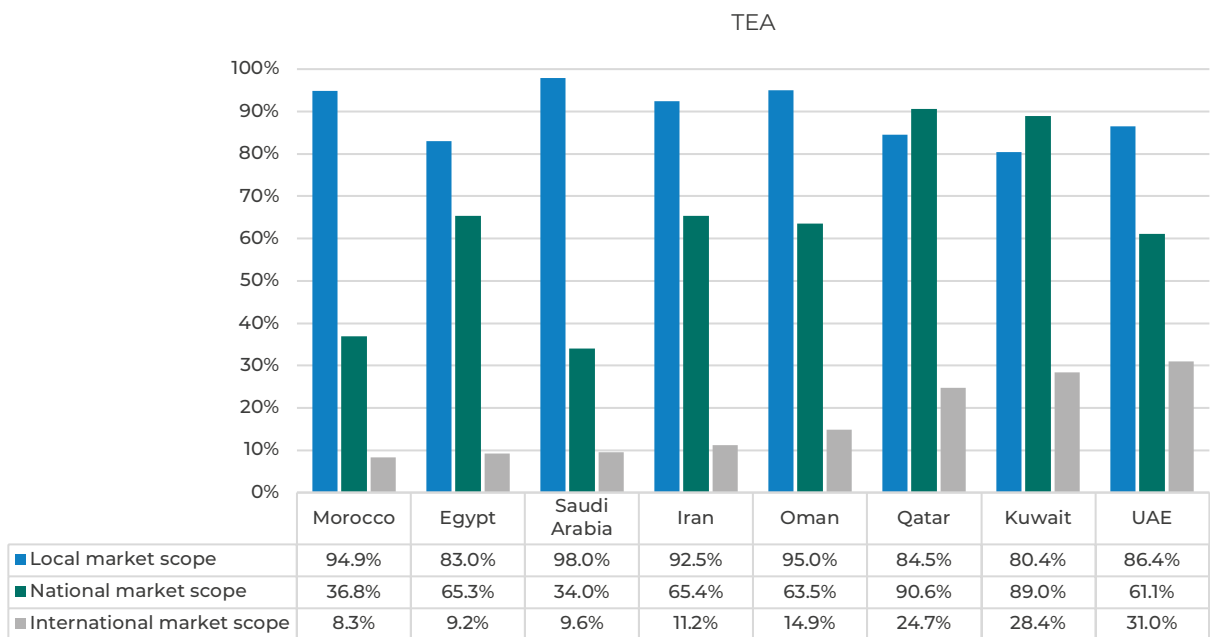
Nearly all entrepreneurs in Saudi Arabia sell locally (or project they will), which is consistent with the dominance of consumer-oriented businesses, typically serving local customers. All the other

MENA countries have a higher percentage of entrepreneurs who also sell nationally, and only Morocco and Egypt have equal or lower proportions of entrepreneurs who also sell internationally. Similar results were reported among established business owners.

It is interesting to note that Qatar, Kuwait, and the UAE exhibit greater industry sector diversity, with a higher proportion of entrepreneurs and established business owners in the business-oriented and transforming sectors; this may partially explain the greater market reach of entrepreneurs in those countries.



Figure 35. Market scope of entrepreneurship and established business activity in the MENA region, 2020



Source: GEM, 2020

# Chapter 6

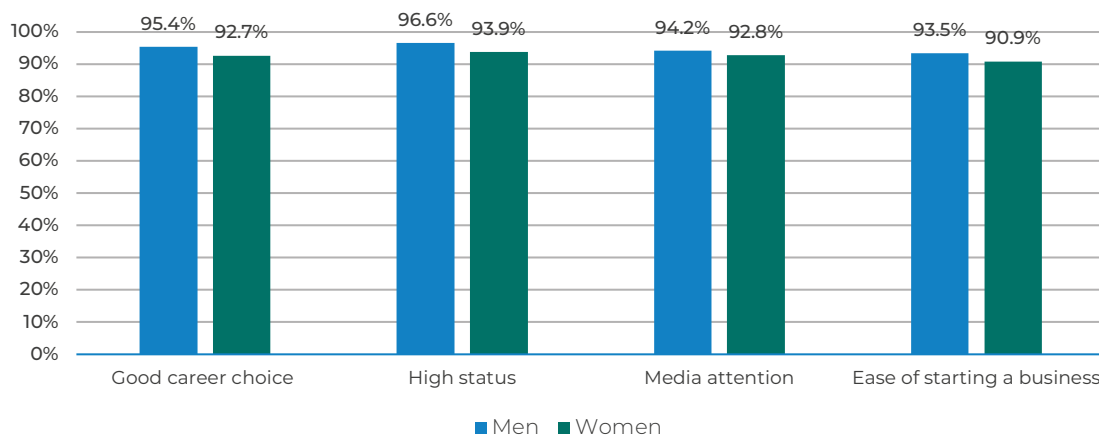
## Gender characteristics



### 6.1 Societal attitudes

As Figure 36 illustrates, the highly positive attitudes toward entrepreneurship (noted in Chapter 2) show little difference between genders. Women and men were more or less equally likely to have a positive perspective on entrepreneurship and to believe it is easy to start a business.

Figure 36. Societal attitudes toward entrepreneurship in Saudi Arabia by gender, 2020



Source: GEM Kingdom of Saudi Arabia, 2020

### 6.2 Entrepreneurial affiliations and self-perceptions

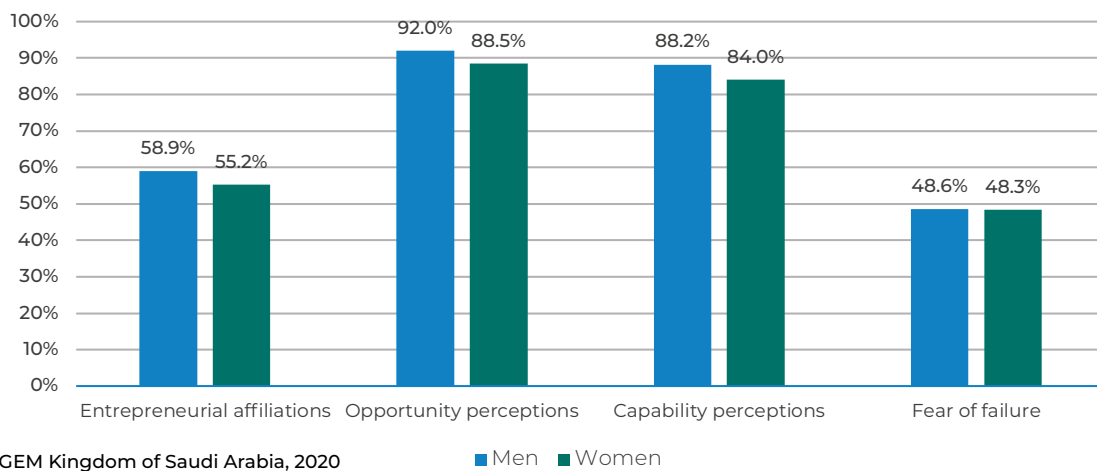
As shown in Figure 37, in Saudi Arabia in 2020, men were slightly more likely than women to have personal affiliations with entrepreneurs. This difference could be influenced by gender differences in participation in business

networks and other activities that would provide contact with entrepreneurs. Figure 37 also shows that men were slightly more likely than women to see opportunities around them for starting a business and to believe they have the

capabilities for entrepreneurship. However, the levels reported for these indicators are very high for both men and women. In addition, no significant gender difference was exhibited when it comes to fear of failure.



**Figure 37. Affiliations and self-perceptions toward entrepreneurship in Saudi Arabia by gender, 2020**



## 6.3 Phases of the entrepreneurial process

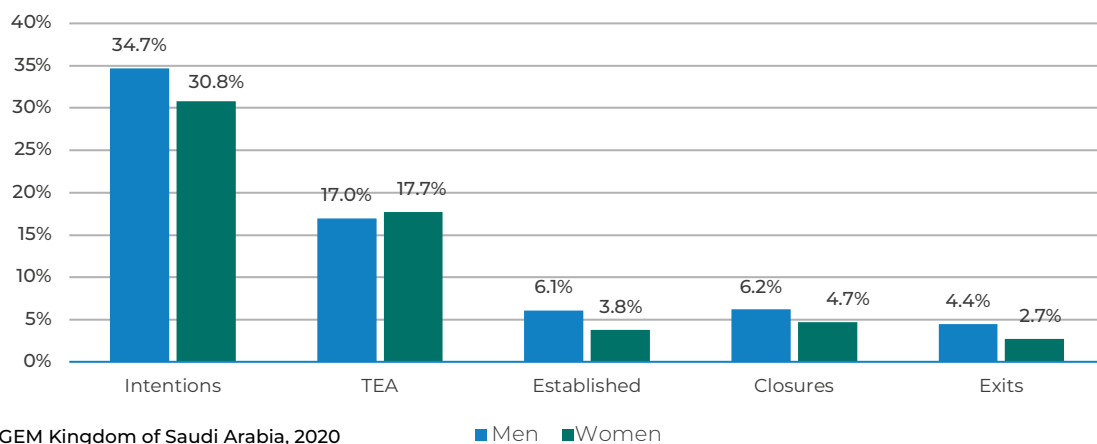
In 2019, GEM reported that the rate of entrepreneurial activity was greater in the female population, compared to the male population, of Saudi Arabia. This trend continued in 2020 (Figure 38). Although the difference is very small, the result is of interest as it indicates that female participation in entrepreneurship is increasing. Among the possible reasons for this finding are the

recent government policies and interventions to support female entrepreneurs in the Kingdom.

The picture in relation to intention to start a business in the next 3 years is different, with men slightly more likely to report this intention. However, for women, the disparity between TEA and intention to start a business was less than

that for men; this could suggest they are more likely to act on their intentions. If the support for female entrepreneurs is in fact facilitating a transition from wanting to start a business to actually taking the steps to do so—that is, signaling greater future startup activity among women compared with men—the gender gap in TEA will remain quite small.

**Figure 38. Entrepreneurial activities in Saudi Arabia by phase and gender, 2020**



Women were less likely to report established business activity, possibly indicating problems with the long-term stability of businesses started by women. However, in the past 3 years, the rate of entrepreneurship increased more among women than among men, so there could be a lagged effect, meaning that established business activity will increase for women in future years. The lower reporting by women of closures and exits is likely a reflection of their lower rates of participation in entrepreneurial activities in the past.

## 6.4 Industry participation by gender

The distribution of entrepreneurship and established business activity according to sector and gender reveals an interesting phenomenon. Until a few years ago, the participation of women was concentrated in two types of businesses: primarily consumer-oriented activities and some transforming activities. In recent years, as their involvement in TEA activities has increased, female entrepreneurs have diversified slightly by starting businesses in the traditionally male-dominated business-oriented sector (Figure 39).



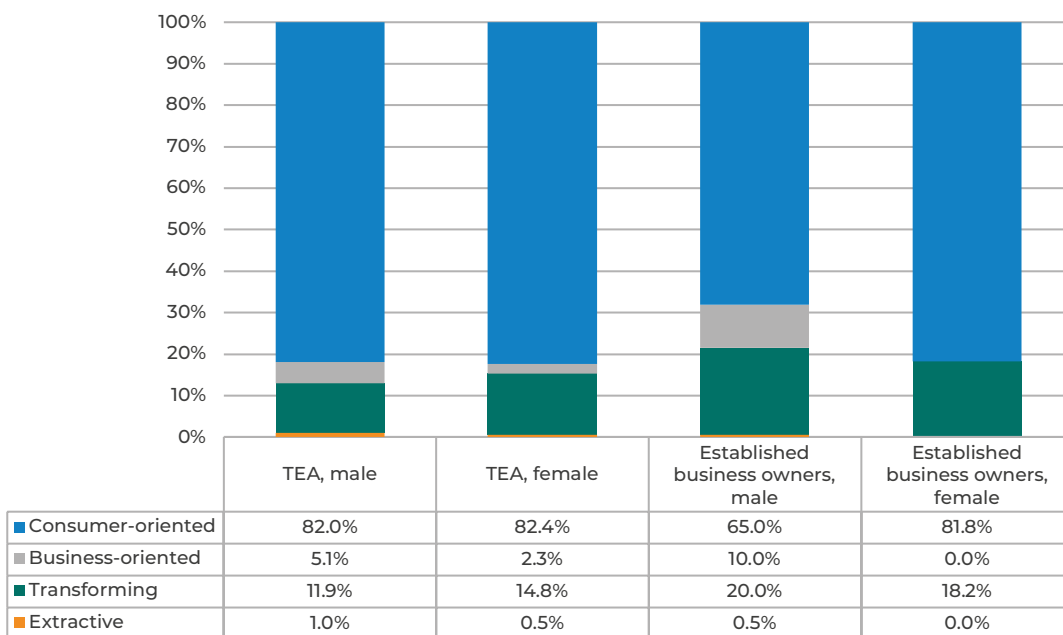
It is worth noting that both men and women are more likely to start businesses that become established in the consumer-oriented sector compared with other sectors. However, at the mature business stage, women are more likely than men to be running consumer-oriented businesses. This could bring up questions about whether certain businesses are more sustainable

than others for women. However, it is likely that this profile reflects the fact that women were more likely to start consumer-oriented businesses in prior years.

The extent of business activity in the transforming sector was fairly similar for men and women. A bigger difference was found for business services: for TEA, the percentage

of male involvement in this sector was more than double that for women; and there were no female established business owners in this sector. This is an important result because business services are more knowledge-intensive and become more prominent in developed economies.

**Figure 39. Industry sector distribution of entrepreneurship and established business activity in Saudi Arabia by gender, 2020**



Source: GEM Kingdom of Saudi Arabia, 2020

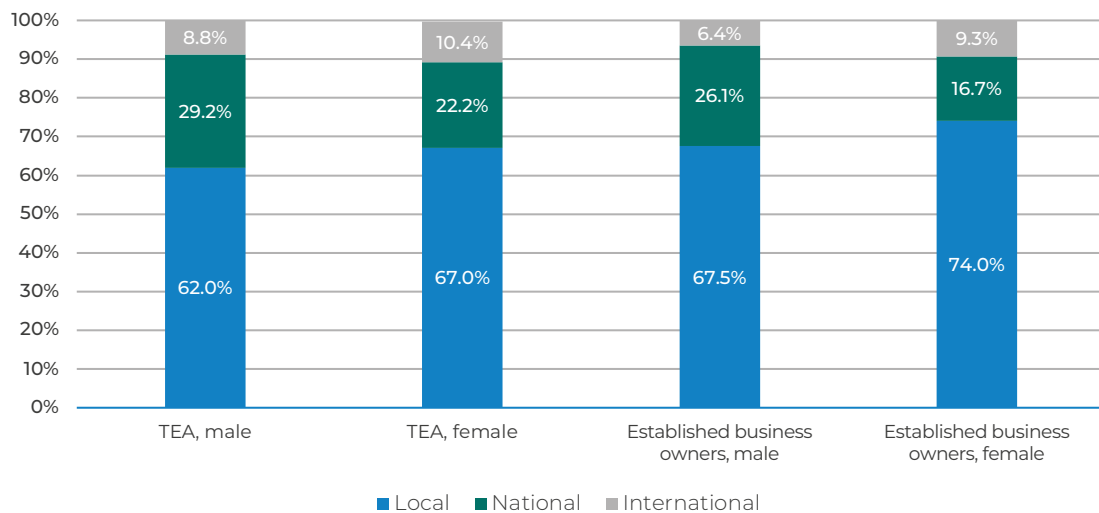


## 6.5 Expectations for job creation and market scope by gender

Men and women have similar aspirations for growth. Among entrepreneurs, men expect to create a median of 7 new jobs in the next 5 years while, for women, the median is 6. Among established business owners, men expect to create 3 new jobs, while women expect 3.7.

Men and women also show a fairly similar distribution in terms of the scope of their market, with both genders primarily selling locally. In both the entrepreneurial and established business phases, women were somewhat more likely than men to sell locally, while a higher percentage of men participated in national markets (Figure 40).

Figure 40. Market scope of entrepreneurship and established business activity by gender in Saudi Arabia, 2020



Source: GEM Kingdom of Saudi Arabia, 2020

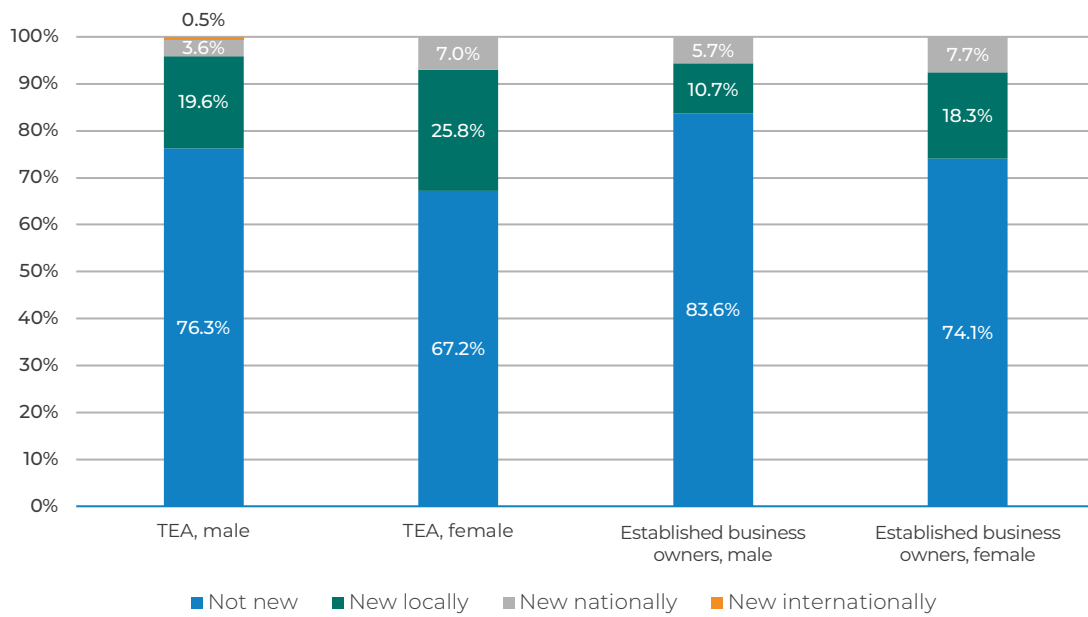


## 6.6 Scope of innovation and scope of new technologies and processes by gender

Most entrepreneurial and established businesses in Saudi Arabia offer no innovative products or services (Figure 41). Men are more likely to state that their businesses are not innovative, especially at the established phase. Where innovative products or services are offered, the market scope for both is mainly local or national. It is notable that female entrepreneurs and established business owners are more likely than their male counterparts to report innovative products or services at both local and national levels.



**Figure 41. Scope of innovation for entrepreneurship and established business activity by gender in Saudi Arabia, 2020**

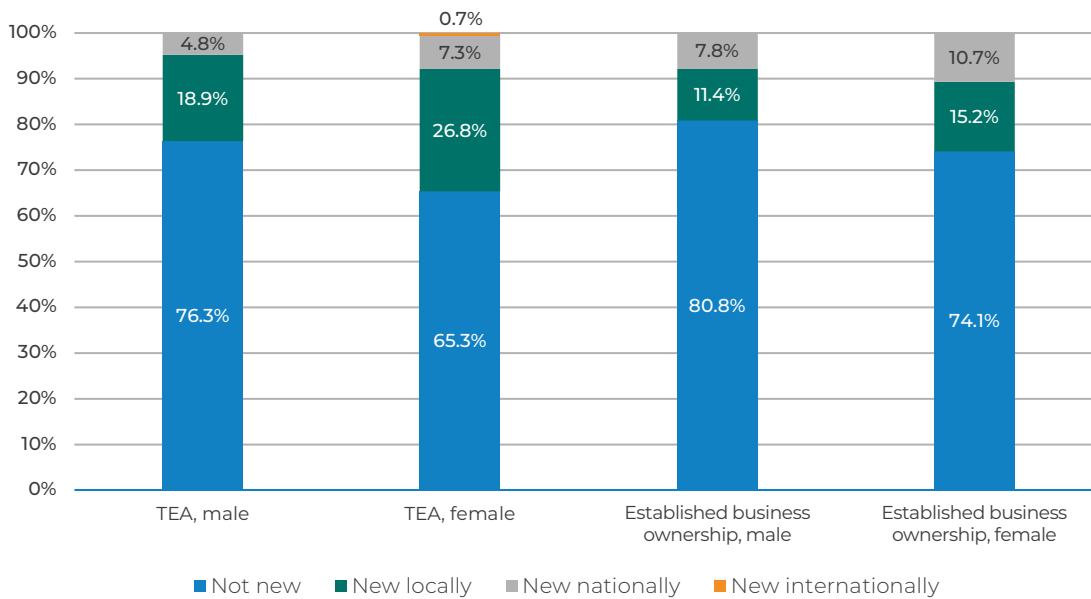


Source: GEM Kingdom of Saudi Arabia, 2020

Most entrepreneurial and established businesses in Saudi Arabia do not use new technologies or procedures to produce their products or services (Figure 42). However, this observation applies more often to businesses run by men, especially

at the established phase. When a new technology or procedure is used, the scope is mainly local or national; this applies to both men and women, though women are more likely to report technologies and processes that are new locally.

**Figure 42. Scope of new technologies and processes for entrepreneurship and established business activity by gender in Saudi Arabia, 2020**



Source: GEM Kingdom of Saudi Arabia, 2020

# Chapter 7

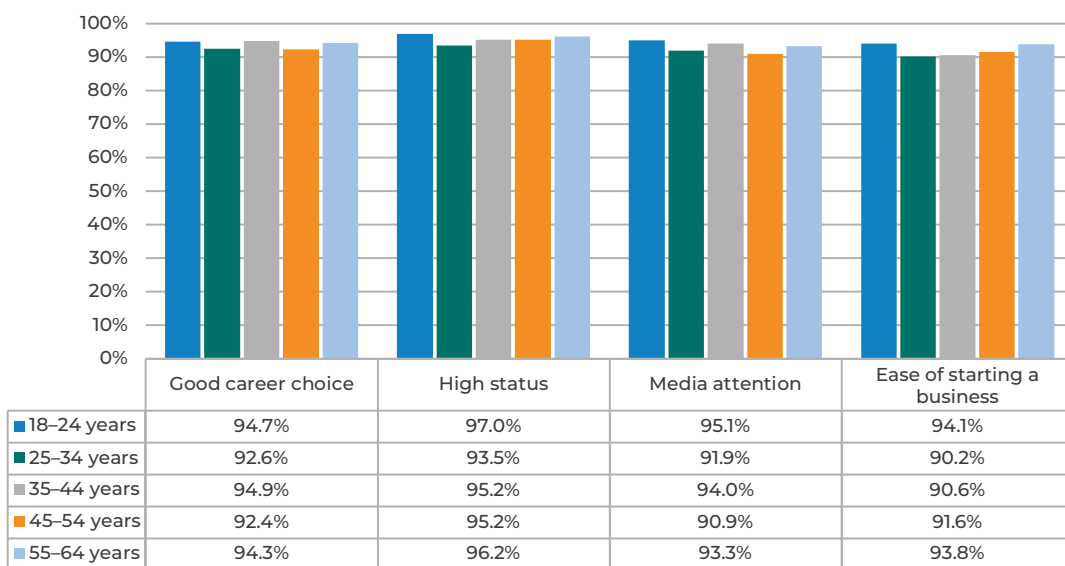
## Age characteristics



### 7.1 Societal attitudes

Positive societal attitudes toward entrepreneurship in Saudi Arabia are ingrained across the population, regardless of age group: more than 90% of individuals consider entrepreneurship a good career choice, attach high status to successful entrepreneurs, think entrepreneurs receive high media attention, and consider it easy to start a business in the Kingdom (Figure 43).

Figure 43. Societal attitudes by age group in Saudi Arabia, 2020



Source: GEM Kingdom of Saudi Arabia, 2020



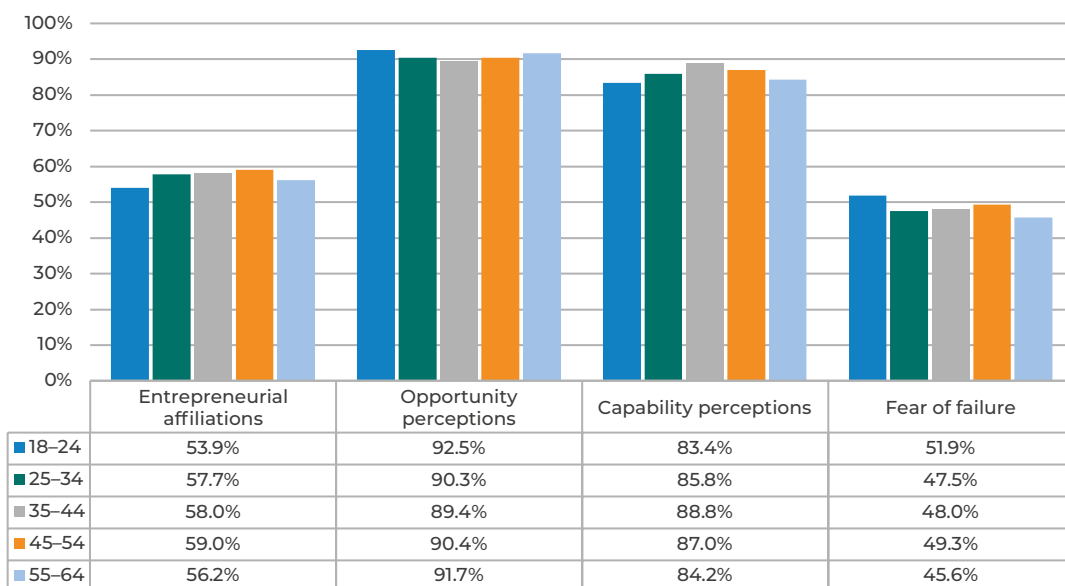
## 7.2 Affiliations and self-perceptions

As Figure 44 shows, the proportion of the population who know at least one recent entrepreneur is relatively similar across the age ranges. Young people (aged 18–24) and those in the highest age range (55–64) were slightly less likely to know an entrepreneur, while those in their early to mid careers were a little more likely to know one.

The percentages of those perceiving entrepreneurial opportunities were quite similar across all age groups, but with slightly more optimism observed in the youngest and oldest age groups. Perceptions of one's own entrepreneurial capabilities were, again, similar across all ages, but with slightly better results among the middle age groups.

Finally, fear of failure as a disincentive to starting a business was highest in the youngest age group and lowest in the oldest age group, though the results were within a narrow range. In sum, in Saudi Arabia, entrepreneurial affiliations and self-perceptions about opportunities and capabilities do not show a great degree of dependence on age.

Figure 44. Affiliations and self-perceptions by age group in Saudi Arabia, 2020



Source: GEM Kingdom of Saudi Arabia, 2020



## 7.3 Main phases of the entrepreneurial process

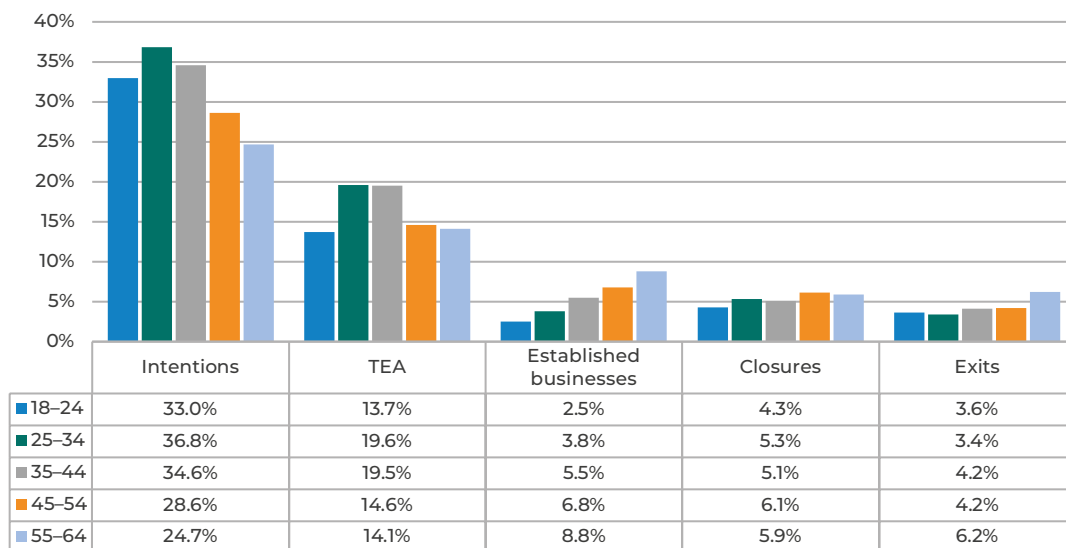
While attitudes, affiliations, and self-perceptions in the general population show little variation by age, an examination of the results across the different phases of business development reveals some considerable differences (see Figure 45).

The 25–34 and 35–44 age groups were most likely to have entrepreneurial intentions and be involved in TEA. For established business activity, participation increased with older age groups; this is as expected, because older individuals are running businesses that were in the startup phase when they were

younger. It could also be the case that older age groups, perhaps after experimenting with different businesses and jobs in their earlier years, have settled into businesses they want to maintain.

Finally, closures tended to increase very slightly with age, and exits were slightly higher in the oldest age group. This suggests that older individuals provide continuity for their businesses by placing them in other hands, rather than closing them when they decide to leave.

Figure 45. Phases of business activity by age group in Saudi Arabia, 2020



Source: GEM Kingdom of Saudi Arabia, 2020





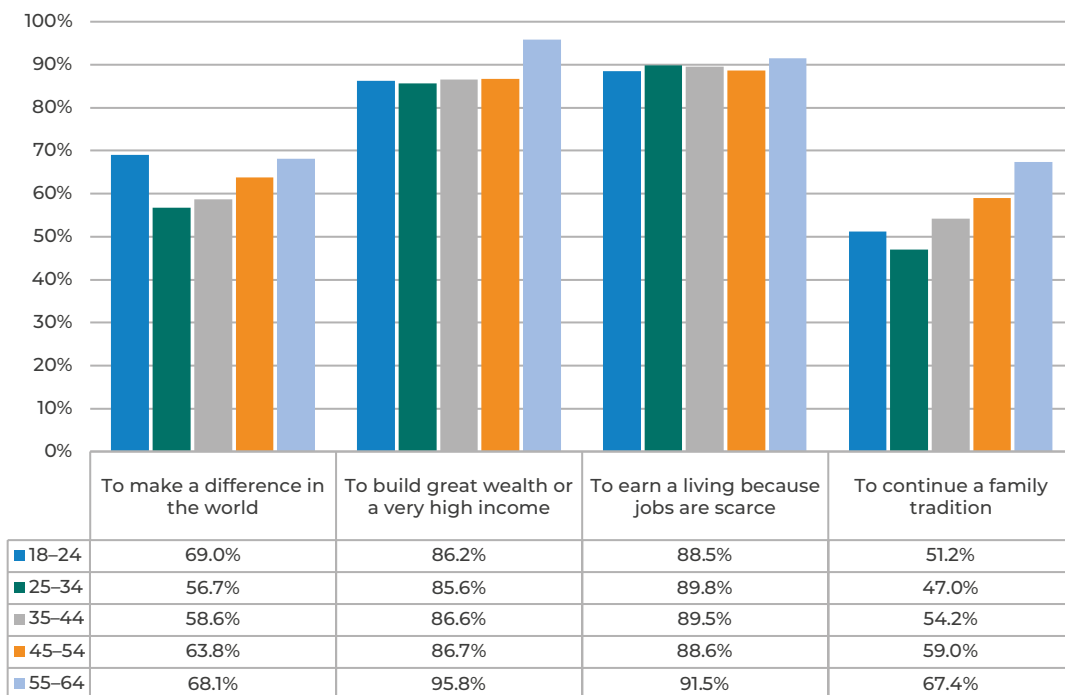
Leo Morgan / Shutterstock.com

## 7.4 Motivations for entrepreneurship

Across all age groups, and especially for the oldest entrepreneurs, the main reasons for starting a business were to build great wealth or a very high income, and to earn a living because jobs are scarce (Figure 46). The desire to make a difference in the world, mentioned less frequently overall, was most prevalent among the youngest and the oldest entrepreneurs. Finally, motivation to continue a family tradition was markedly more prevalent among the oldest entrepreneurs studied compared with the other age groups, and least prevalent among those aged 25–34 years.

To summarize these interesting results: the youngest group is most likely to be inspired to make a difference, while the oldest group seeks great wealth or to follow a family tradition. It is also interesting that the necessity indicator (starting a business because jobs are scarce) is quite high, at around 90%, across all age groups; one of the main reasons for this could be the high unemployment rates, also evident across all age groups, in Saudi Arabia.

Figure 46. Motivations for entrepreneurship by age group in Saudi Arabia, 2020



Source: GEM Kingdom of Saudi Arabia, 2020

## Chapter 8 Informal investors



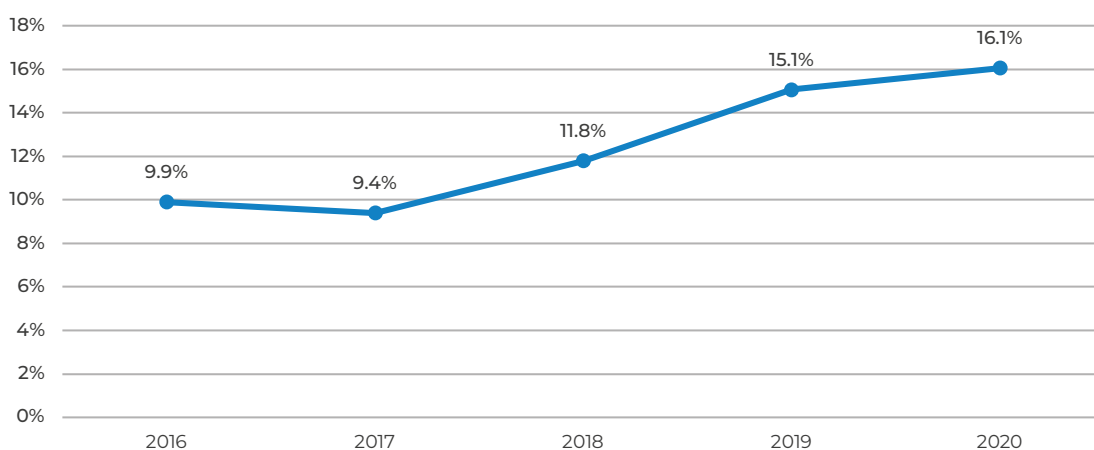
### 8.1 Rate of informal investment

The percentage of the adult population in Saudi Arabia considered to be informal investors has increased substantially since 2017, reaching 16.1% in 2020 (Figure 47). This result is

consistent with the rise in TEA and shows the importance of personal investors for entrepreneurship. Overall, since 2016, the participation rate of the adult population in informal investment activities

has increased by 62%. It should be noted that the survey question specifically asks about investments in the previous 3 years, so the effect of COVID-19 on the 2020 results is likely limited.

**Figure 47.** Longitudinal analysis of informal investment activity in Saudi Arabia, 2016–2020



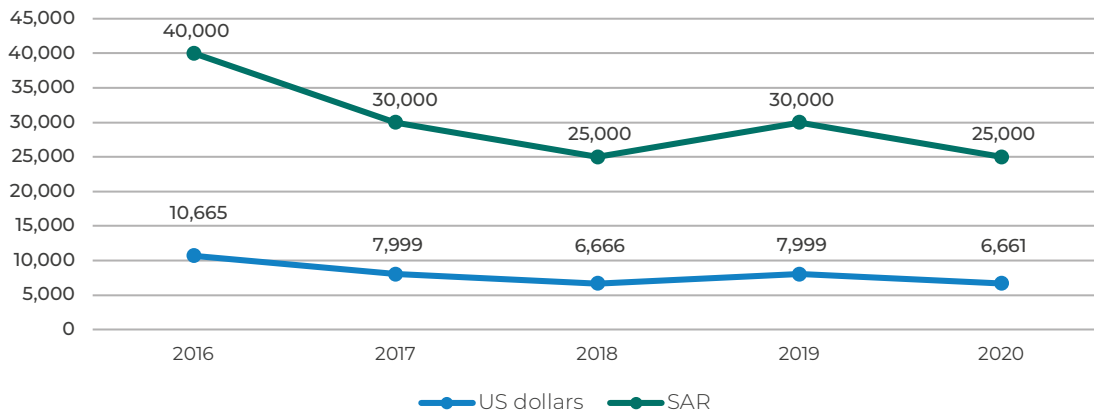
Source: GEM Kingdom of Saudi Arabia, 2016–2020

## 8.2 Median investment amounts for informal investors

Although informal investment activities have increased in the Saudi population, this has been countered by a decrease in the median investment amount. Starting from 40,000 SAR in 2016, the median investment has fallen to 25,000 SAR in 2020 (Figure 48). This could indicate that as informal investment increases, people from a wider range of income levels will become investors. As TEA is

improving in the country, the need for investment is becoming more varied, with more micro and small entrepreneurial ventures with relatively low investment needs starting up. Another possible explanation is that more investment opportunities are emerging for smaller investors, and investment opportunities are no longer limited to high-income individuals and portfolio investors.

Figure 48. Median investment levels of informal investors in Saudi Arabia, 2016–2020



Source: GEM Kingdom of Saudi Arabia, 2016–2020



AFZAL KHAN MAHEEN / Shutterstock.com

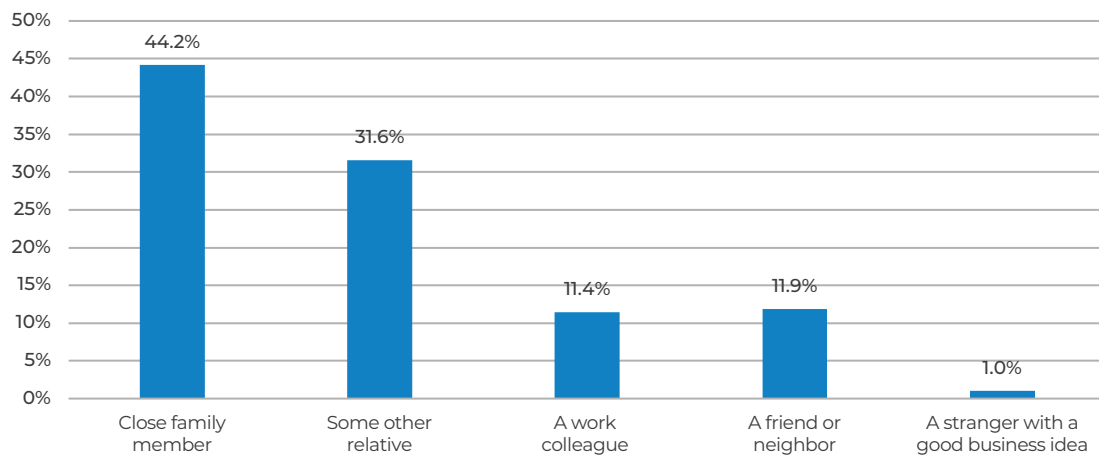
## 8.3 Relationships between investors and recipients of investments

In 2020, most recipients of investments by informal investors were close family members or other relatives (Figure 49). This shows that, traditionally, help from families represents the main source of support for many entrepreneurs, especially in the early stages. Much less frequent were investments in work colleagues and in friends or neighbors. Only 1% invested in a stranger with a good business idea.

It can be concluded that, generally speaking, people tend to fund close family or relatives; this makes up three fourths of the most recent investments by informal investors. Some invest in non-related acquaintances, but rarely in strangers.



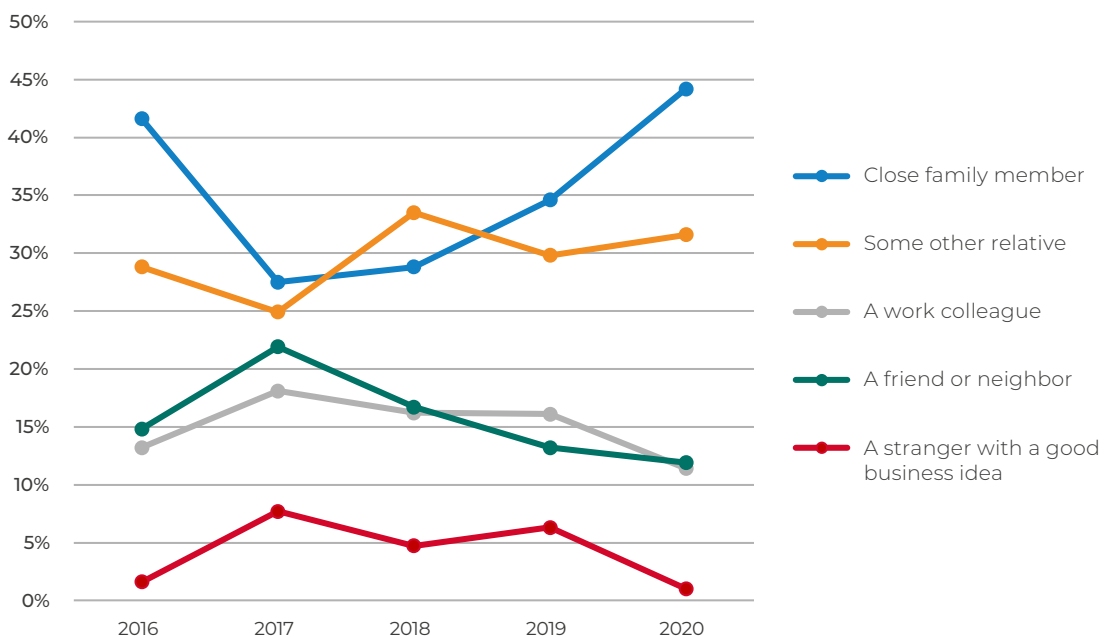
**Figure 49. Relationships between investors and the recipients of their investments in Saudi Arabia, 2020**



Source: GEM Kingdom of Saudi Arabia, 2020

Looking at trends over time (Figure 50), investment in family members declined in 2017 but experienced an increase in 2020, while investments in strangers and even work colleagues or friends and neighbors declined slightly in 2020. The main reason could be the volatility and uncertainty of the economic situation in 2020, which makes it difficult for investors to trust strangers with their money, though they may be called upon to help a family member.

**Figure 50. Longitudinal analysis of the relationship between investors and the recipients of their investments in Saudi Arabia, 2016–2020**



Source: GEM Kingdom of Saudi Arabia, 2016–2020

# Chapter 9

## National context for entrepreneurship

### 9.1 Overview

Entrepreneurs start and run new ventures in distinct environments containing a wide range of local and national conditions that can either facilitate or hinder their efforts. Through its annual NES, GEM Saudi Arabia assesses the state of the national context for entrepreneurship.

GEM requires that at least four experts in each of the nine topic areas complete the NES. In Saudi Arabia in 2020, 43 experts were carefully selected for the survey, based on their knowledge and experience in at least one of the framework conditions.



**Twelve entrepreneurship framework conditions are evaluated using a questionnaire organized into nine blocks of items, namely:**

- Entrepreneurial finance
- Government policies
- Government programs for entrepreneurs
- Entrepreneurship education and training
- R&D transfer
- Commercial and professional infrastructure
- Internal market dynamics and burdens
- Physical infrastructure and services
- Cultural and social norms

## 9.2 National entrepreneurship framework conditions in Saudi Arabia

The results of the NES for 2020 indicate that ratings on nearly all conditions improved and reached their highest levels in the 5-year period from 2016 to 2020 (Figure 51). School education and training was rated at a similar level as in 2019 and was still the lowest rated of all the conditions. This is in line with experts indicating a need for instruction in entrepreneurship and market economic principles. Post-school education and training was rated a little more highly, with some improvement in 2020.

The highest rating was for physical infrastructure. In relation to this condition, experts pointed to strong communications and utilities, but indicated some need for affordable rental spaces. The assessment of commercial and professional

infrastructure also improved in 2020. Experts noted the availability of banking services for new and growing firms, but suggested a need for more subcontractors, suppliers, and consultants.

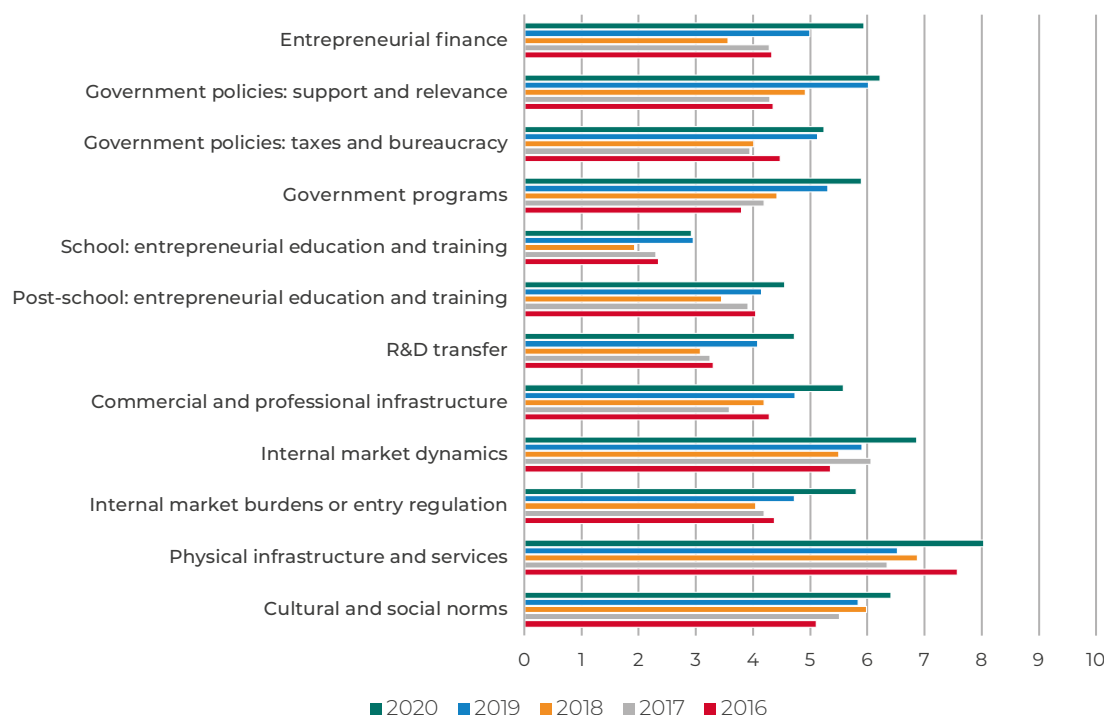
Market factors showed promising trends. Internal market dynamics had the second-highest rating, with strength exhibited in changing markets and ease of entry by new and growing firms. Attention to reducing market burdens and entry regulations resulted in a large jump compared with previous years.

Cultural and social norms continued an upward trend, with high support for individual success but less support for risk-taking; this may be reflected in the high fear of failure revealed elsewhere in this report.

After a large jump in 2019, finance showed another big increase in 2020. Analysis of survey items showed that individuals' personal resources, informal or private investors, and government subsidies were rated most highly, while crowdfunding and initial public offerings were available to a lesser extent.

Ratings of government support increased substantially in 2019 and edged upward again in 2020. The experts seemed to agree that support for new and growing firms is a high policy priority for the national government. However, taxes, regulations, and licensing requirements remain more of a challenge.

Figure 51. Average expert ratings on 12 national entrepreneurship framework conditions in Saudi Arabia, 2016–2020



Source: GEM Kingdom of Saudi Arabia, 2016–2020

Government programs showed a large increase in 2019, and a further notable increase in 2020. Especially relevant here were science parks and incubators for new and growing firms.

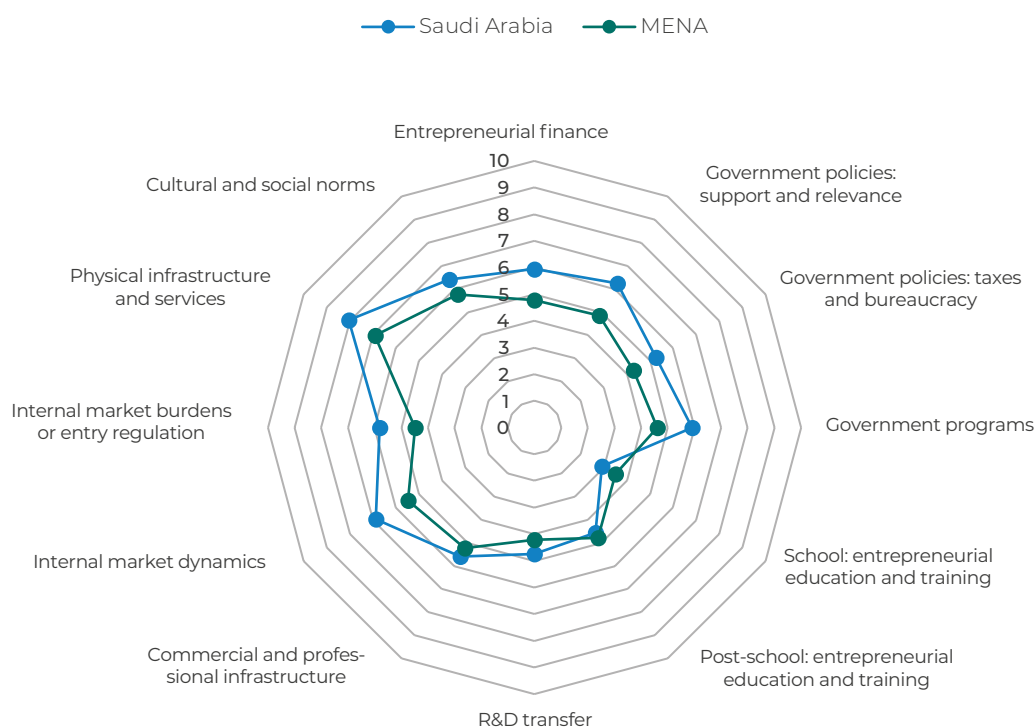
Government taxes and bureaucracy maintained the higher rating achieved on this indicator in 2019. In previous years, many who had closed a business cited bureaucracy as a reason for closure, so improvement in this condition is critical for sustained entrepreneurship.



Although R&D transfer received low ratings in the past, an increase reported in 2019 was followed by another increase in 2020. Expert ratings indicated the need for new and growing businesses to have access to technologies, including those from universities and public research centers. Along with the low level of technology-based entrepreneurship shown in this report, this could be an area for continued emphasis.

When compared with the average ratings for the other MENA countries (Figure 52), Saudi Arabia shows relative strengths on most dimensions, especially in government programs and support and relevance of policies, and also in entrepreneurial finance and market factors (both internal dynamics and entry regulations). This is, indeed, the outcome of the government's policies and interventions to improve conditions in the last 3-4 years. The results for physical infrastructure and services are also better than the average for MENA countries. Entrepreneurship education (at both school and post-school levels), however, is one area in need of improvement.

**Figure 52. Positioning of Saudi Arabia compared with the average for other MENA countries<sup>8</sup> on entrepreneurship framework conditions, 2020**



Source: GEM, 2020

<sup>8</sup> The MENA countries included here are Saudi Arabia, the UAE, Qatar, Oman, Kuwait, Egypt, Morocco, and Iran.

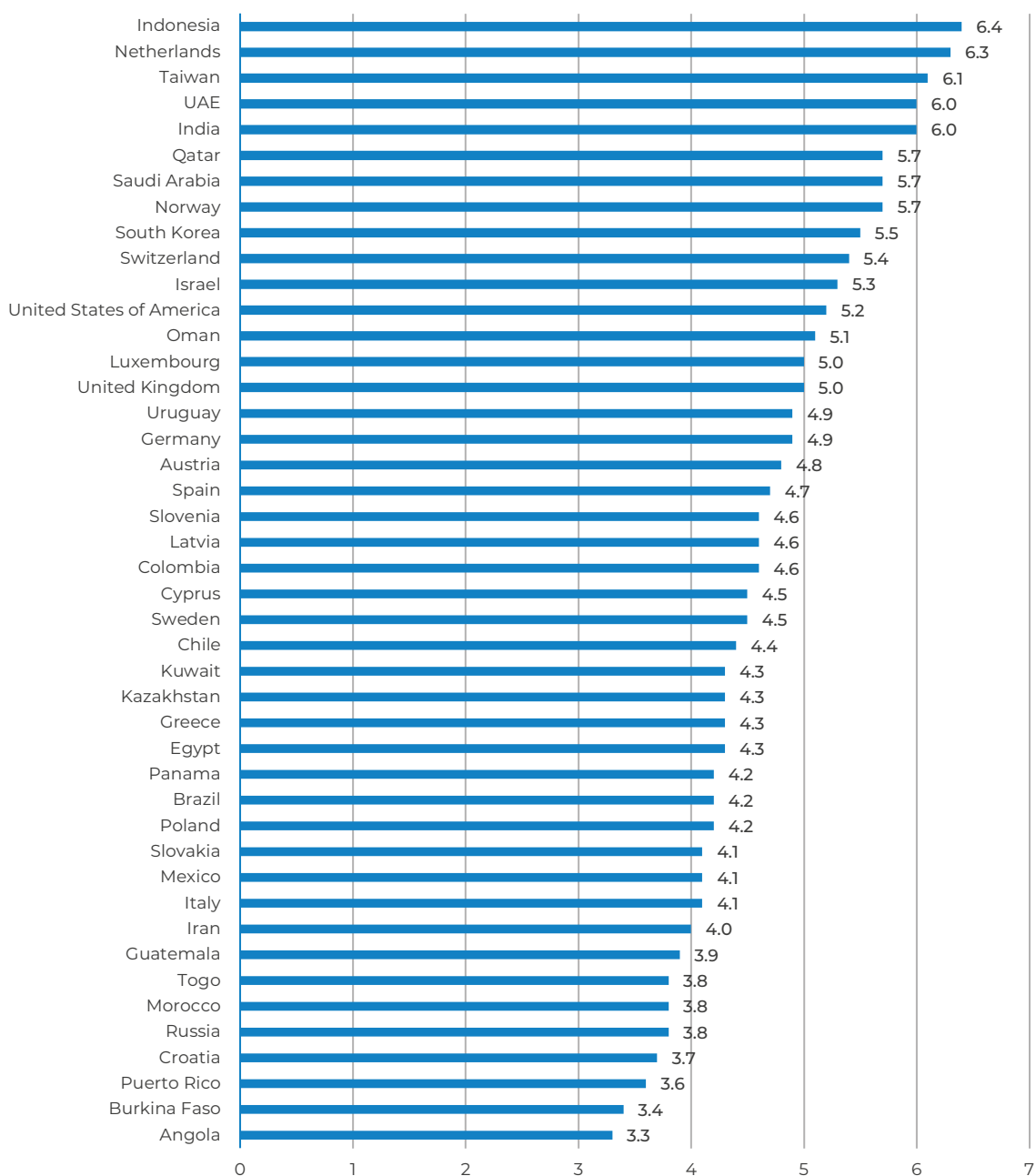


## 9.3 The NECI: An overall view of conditions for entrepreneurship

The NECI is obtained by averaging the ratings on the NES conditions, following advice from experts at the European Commission’s Joint Research Centre. Figure 53 provides the overall NECI ranking, showing scores (out of a possible 10) for the 44 economies that completed the 2020 GEM NES. Saudi Arabia ranks in the top eight countries, with a rating equal to that of

Qatar and Norway. It should be noted that this is not a global ranking, since not all—or even a majority—of the economies around the world participate in the NES. In addition, caution is required when comparing these rankings with those of prior years, since the order could change simply as a result of the inclusion or exclusion of particular economies from year to year.

Figure 53. NECI ranking of 44 economies, 2020



Source: GEM global data, 2020

In just a few years, Saudi Arabia has achieved a prominent place among the economies that provide a relatively supportive context in which to develop entrepreneurship. This result reflects the work carried out over the past 5 years and shows that there is broad social and government support for the sector. Certainly, as in all participating countries, there are areas for improvement, but there is no doubt that much progress has been made. The pillar that rates lowest continues to be the provision of education that sufficiently equips people, especially younger people, with the values and tools to undertake entrepreneurial activity. This point has been made consistently for several years in the Kingdom and in most other economies. It becomes even more critical in times of crisis, as in the current pandemic, because it is essential that citizens know how to create jobs for themselves and how to generate employment for others.

The ranking in Figure 53 shows that no country is even close to perfection in this regard. Some economies achieve adequate ratings overall while still exhibiting deficiencies in specific components of the overall measure. In all the regions of the world, countries

have taken explicit steps to strengthen the environment to promote entrepreneurship. This can be seen in the Netherlands and Norway in Europe, Indonesia and India in Asia, and Colombia and Chile in Latin America.

The pandemic represents a great opportunity to analyze strategies that are working well in certain economies—strategies that are helping those economies cope better with the economic crisis resulting from COVID-19. The impact of the pandemic on entrepreneurship likely varies considerably compared with previous years and with other economies, with some positive effects (if entrepreneurs find support and a sufficient market) and some negative ones (if measures are not taken to cushion the effects of the crisis and many businesses fail). The GEM 2021 survey will be eagerly anticipated, as it will more clearly show the impact of the pandemic on entrepreneurship and how various economies are adjusting and surviving in this context.

## 9.4 Expert comments about national conditions for entrepreneurship

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The NES questionnaire contains open-ended questions about key constraints and enablers, as well as asking about recommendations related to the context for entrepreneurship in Saudi Arabia (see Table 1). In 2020, the experts most commonly pointed to constraints in government policies, financial support, entrepreneurship education and training, cultural and social norms, and information.<sup>9</sup>

On the other hand, the experts most often identified government policies, government programs, financial support, commercial infrastructure, and capacity for entrepreneurs as being supportive.<sup>10</sup> The experts' top five areas requiring recommendations for further attention were: government policies, entrepreneurship education and training, financial support, capacity for entrepreneurship, and R&D transfer.



<sup>9</sup> "Information" refers to the availability of information related to entrepreneurship, such as government regulations on starting a business, opportunities to start a business, government programs, and other forms of support.

<sup>10</sup> "Capacity for entrepreneurship" covers such factors as a society's economic potential for entrepreneurship, its ability to translate opportunities into reality, and the involvement of people in entrepreneurial programs.

**Table 1. National conditions for entrepreneurship cited by experts as constraints, enablers, and recommendations for improvement in Saudi Arabia, 2020**

Conditions	Constraint (%)		Enabler (%)		Recommendation needed (%)	
	2020	2019	2020	2019*	2020	2019
Financial support	45.9	68.6	31.4	31.4	35.1	37.1
Government policies	89.2	65.7	42.9	51.4	70.3	37.1
Government programs	2.7	8.6	34.3	34.3	13.5	22.9
Entrepreneurship education and training	24.3	14.3	14.3	25.7	51.4	34.3
R&D transfer	2.7	2.9	5.7	14.3	18.9	8.6
Commercial infrastructure	8.1	17.1	31.4	17.1	16.2	34.3
Internal market openness	8.1	8.6	8.6	20.0	8.1	17.1
Access to physical infrastructure	5.4	5.7	2.9	11.4	5.4	0.0
Cultural and social norms	16.2	25.7	25.7	20.0	2.7	8.6
Capacity for entrepreneurship	10.8	20.0	31.4	20.0	24.3	20.0
Economic climate	10.8	8.6	5.7	14.3	2.7	14.3
Workforce features	13.5	5.7	0.0	2.9	5.4	5.7
Perceived population composition	0.0	0.0	14.3	2.9	0.0	0.0
Political, institutional, and social context	2.7	0.0	2.9	0.0	0.0	5.7
Economic crisis	0.0	0.0	0.0	0.0	0.0	0.0
Corruption	0.0	0.0	0.0	0.0	0.0	0.0
Different performance of small, medium, and large companies	5.4	5.7	2.9	0.0	5.4	5.7
Internationalization	0.0	2.9	0.0	0.0	0.0	0.0
Labor costs, access, and regulation	10.8	8.6	2.9	0.0	0.0	2.9
Information	16.2	5.7	2.9	0.0	10.8	8.6

Note: The shaded cells represent the top five results in each column.

\*Due to overlap of percentages, more than five cells are shaded in this column.

Source: GEM Kingdom of Saudi Arabia, 2020

## 9.5 Constraints

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In 2020, experts emphasized that government policies, education and training, and access to information relevant to entrepreneurship should be given particular attention. Several experts indicated that legal structures and regulations still needed to be improved. They noted a need for better mechanisms for funding startups (that is, grants and supported loans). In addition, they recommended implementing entrepreneurship education at all stages of education and cited a need for opportunities for SMEs (especially new ones) to work with bigger private and government entities. They also pointed to differences between rural and urban areas with regard to public services and agencies as constraints to be addressed.



## 9.6 Enablers

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Experts highlighted commercial infrastructure, the development of technological industries, and the capacity for entrepreneurship as strong supportive factors for entrepreneurship. Many mentioned government entrepreneurship programs, the role of Monsha'at and Vision 2030, and the increased availability of incubators and co-working spaces. They also noted particular successes (citing case studies and examples of successful startups) and the availability of different sources of funding for startups. Encouragement for entrepreneurship in the form of accelerators and mentorships, the aspirations and involvement of young people, and the support of families were additional positive factors mentioned.

## 9.7 Recommendations

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Compared with 2019, experts were more likely to cite the need for recommendations to address government policies for entrepreneurship, entrepreneurship education, R&D transfer, and capacity for supporting entrepreneurship. Several experts indicated a need to invest further in technology and to develop a solid infrastructure to support entrepreneurship ecosystems. Easing regulations, providing support during the early stage of business development, offering more tax exemptions, and reducing legal complications that might deter investors are all measures experts pointed to as necessary for encouraging the startup of new ventures. Experts also recommended actions aimed at providing entrepreneurship education in schools and higher education. Other recommendations included employing highly qualified staff for the entrepreneurship ecosystem and focusing more on the local socioeconomic context.



# Conclusions



**Entrepreneurship in Saudi Arabia was moving briskly ahead in 2020. TEA was up 24% from the previous year, and established business ownership maintained the high level reached in 2019, a 65% increase from 2018. Entrepreneurs and established business owners were introducing innovative products and services into Saudi Arabian society. They created jobs and aspired to create more. The future was thought to hold great prospects, with over 90% of adults revealing positive attitudes about entrepreneurship and one third stating they intend to start a business in the next 3 years. The question then remained whether this path would continue or be disrupted by a pandemic that has been fiercer and more persistent than anyone realized at the time of the GEM 2020 survey.**

The GEM survey was administered in the summer of 2020, several months after COVID-19 became a global pandemic and communities went into lockdown as the virus surged and claimed many lives. Over 70% of survey respondents in Saudi Arabia stated that their household income had decreased, and 57% knew at least one person who had closed a business because of the pandemic. Entrepreneurs and business owners thought it was more difficult to start a business compared to a year ago, and some reported lower future employment projections and a halt to some of their core business activities. Among those who exited or closed businesses, 62% cited the pandemic as the main reason.

On the other hand, while some businesses were closing, others were opening: 42% of survey respondents said they knew at least one person who had started a business as a result of COVID-19, and over half of entrepreneurs and established business owners had identified and were intending to pursue new opportunities for doing business because of the pandemic.

COVID-19 brings an additional level of uncertainty and challenge to the future of entrepreneurship in Saudi Arabia. The government has played a key role in

responding to the economic impact of the pandemic, as more than 90% of entrepreneurs and established business owners have indicated—higher than the other MENA countries participating in GEM. Still, both the business sector and government will be key to the country's recovery as we emerge from the pandemic's grasp. Looking forward, there is much to celebrate about entrepreneurship in Saudi Arabia. But there is still work to be done.

For the second year in a row, Saudi Arabia demonstrated gender equality in entrepreneurship. This is quite extraordinary given that in any one year, only about 10% of the GEM economies exhibit gender equality, and among those that do, few maintain this from year to year. Continued efforts to support female entrepreneurs in Saudi Arabia, with a conscious focus on ensuring the growth and sustainability of their businesses, will be key to building on the success exhibited in the past 2 years.

Saudi Arabia's informal investment climate is thriving. The lower median investment amount revealed in the 2020 survey might signal a broader population engaged in supporting entrepreneurs. This, combined with increasingly favorable expert ratings on entrepreneurial finance, is evidence that the investment community in Saudi Arabia is advancing and diversifying, providing an array of funding options for entrepreneurs at various stages and with a variety of characteristics and capital needs.

Conditions for entrepreneurship in Saudi Arabia improved on nearly all dimensions. Further development of the entrepreneurship context might target reducing fear of failure, particularly the extent to which it constrains not only entry into entrepreneurship but also expansive thinking and actions that can result in greater impact. Industry diversity will likely be a key focus for development in entrepreneurship, along with building Saudi Arabia's technology sector. In addition, facilitating international trade will drive global competitiveness.



In highly uncertain times, would-be entrepreneurs may hold off acting on their ambitions, temporarily or even permanently. Particularly when an economy turns downward, sluggish market conditions, fueled by actual or threatened job loss among consumers, may deter potential entrepreneurs. Cautious investors, suppliers, and other stakeholders may further derail their plans. Those considering starting a business and those already running one in the sectors most affected by recessions—like those in entertainment, the arts, recreation, and travel—will feel even more constrained.

Yet change brings new prospects for those willing to adapt or act on new opportunities. These may involve different business models, different products or services, or at least different practices. Entrepreneurs who are able to capitalize on the changes will find markets and perhaps benefit from other advantages such as less competition, better lease terms, lower interest rates, and more qualified employees. Entrepreneurial thinking is even more critical during such times, and society will benefit from those who, for whatever reason, are bold enough to embrace opportunity.



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# Appendix

## Technical details

The Saudi Arabia GEM report is based on the collection of primary data through the APS of a randomly selected sample of adults. The sample is representative of the Saudi population in terms of age, gender, and geographical distribution. In addition, the GEM Saudi Arabia national team collected expert opinions about national conditions for entrepreneurship through the NES. Table 2 shows the APS and NES fieldwork sheet, which includes technical details about sampling and methodology for the 2020 data collection cycle.

**Table 2. GEM Saudi Arabia 2020: APS and NES fieldwork sheet**

Sampling features	Information
<b>APS</b>	
Target population	Adult (18–64 years of age) residents in Saudi Arabia
Target population size	31,273,932 persons
Sample size	4,027 persons
Sample design	Multiple strata, each sampled at identical rate
Type of sample	Random
Confidence level	95%
Sampling error	±1.54%
Maximum variance	$p = q = 0.5$
Sampling period	May–August 2020 (extended as a result of the public health situation caused by COVID-19)
Interview method	Computer-assisted telephone interviews via mobile and fixed-line telephone
Sampling methodology	Random dial from list
Fieldwork carried out by	Field Interactive MR <a href="https://fieldinteractive-mr.com/">https://fieldinteractive-mr.com/</a>
Data recording and SPSS database creation	Field Interactive MR
Monitoring, quality control, and final verification	Institute Opinòmetre <a href="http://es.opinometre.com">http://es.opinometre.com</a>
<b>NES</b>	
Target population	Experts in nine entrepreneurship conditions
Sample	43 experts
Type of sample	Convenience sample
Sampling period	May–August 2020
Interview method	Online
Fieldwork carried out by	GEM Saudi Arabia national team
Data recording and SPSS database creation	GEM Saudi Arabia national team



