



Global  
Entrepreneurship  
Monitor

# Kingdom of Saudi Arabia

National Report  
2021–2022



## Foreword

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



The sixth edition of the Global Entrepreneurship Monitor (GEM) Kingdom of Saudi Arabia (KSA) National Report is a true testament to Vision 2030 and its transformative impact on our business ecosystem, which has resulted in the Kingdom being recognized as a top-five entrepreneurial economy amongst the GEM countries.

The fortitude of our economic infrastructure as well as the resilience of our entrepreneurs has enabled the Kingdom to drastically reduce the adverse effects of the global pandemic on small and medium-sized enterprises. In fact, we are witnessing a remarkable rate of recovery, in which business closure due to the pandemic has reduced by 75% and total entrepreneurial activity has reached the highest level of the past 5 years.

Ambitious economic growth cannot come at the expense of the environment; this was the direction taken by His Royal Highness the Crown Prince when the Riyadh Sustainability Strategy was launched. For the first time, the GEM KSA National Report has introduced measures to analyze our entrepreneurs' contributions to sustainability efforts as well as their commitment to having a positive societal impact.

The majority of our entrepreneurs stated that they take social and environmental impact into consideration when making business decisions, showcasing a deep sense of commitment and responsibility towards fostering a sustainable economy in the Kingdom. However, an integral pillar of economic sustainability is diversification, and we must embolden our best and brightest

talent to pursue opportunities in the transformative and emerging technology sectors by further strengthening our business infrastructure, enhancing legislative support, and incentivizing our entrepreneurs to push the boundaries of innovation and creativity.

I take this opportunity to thank the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, and the Crown Prince, His Royal Highness Prince Mohammed bin Salman Al Saud, for their unwavering support for the transformation of our small and medium-sized enterprises ecosystem and making it more conducive for our entrepreneurs. I would also like to take this chance to thank our Government partners for their support in the development of this important sector.



## Foreword

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



In more than one regard, 2021 was a landmark year. The global economy showed unprecedented resilience in the face of the pandemic, supply chain bottlenecks, and geopolitical tensions. Within Saudi Arabia, the private sector continued its historic march forward, capping another year of record growth and investment in the country's burgeoning non-oil economy, which grew by over 6%. While much of this is thanks to the strong measures taken by the Saudi government, it is also due to the enormous progress the country has made in creating a vibrant, diverse, and resilient entrepreneurial ecosystem.

As this report details, progress was also helped by the continuous improvement in Saudi's operating environment for small and medium-sized enterprises (SMEs). The National Entrepreneurial Context Index introduced by the Global Entrepreneurship Monitor in 2018, for

instance, assesses each economy's entrepreneurship framework conditions. The results for 2021 placed Saudi Arabia fourth globally, following just the United Arab Emirates, the Netherlands, and Finland. This marks a dramatic advancement and maturing of the SME landscape, with the Kingdom ranking 7th in 2020, 17th in 2019, and 41st in 2018: a gain of 37 places in just 4 years.

Funding is a key indicator of how quickly the country's ecosystem is improving. Between 2018 and 2021, financing aimed at SMEs witnessed growth of 110%, from 95 billion SAR to 200 billion SAR. One key driver of this was Tamweel, an aggregator and facilitator of SME loan products established by Monsha'at that has overseen in excess of 11 billion SAR lent to SMEs. Other initiatives such as Kafalah, which has guaranteed over 61 billion SAR in loans to SMEs, have brought about an ecosystem in which banks and other lending institutions

now compete with one another to fund SMEs. This would have been highly unlikely 5 years ago; in 2022, it has become commonplace.

From increased funding and free advisory services to more business-friendly legislation and regulations, Saudi Arabia is leading the race to create a more entrepreneurial Middle East and North Africa region, as shown by the fact that the Kingdom hosted the Global Entrepreneurship Congress in March 2022. These efforts empower the next generation of Saudis as we work to increase SMEs' contribution to gross domestic product from 20% to 35% by 2030.

Though the ongoing challenges triggered by the pandemic are real, thanks to an entrepreneurial ecosystem that is more robust, creative, and tech-focused than ever, the future of the Saudi economy is in excellent hands.

## Note from the Dean

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



The continuous improvement of the national ecosystem for entrepreneurship in Saudi Arabia, according to the sixth annual Global Entrepreneurship Monitor Saudi Arabia report, signals that, despite the conditions brought on by the COVID-19 pandemic, entrepreneurial leaders feel energized by the potential business opportunities that exist across the Kingdom. As 94% of respondents stated that entrepreneurship was a desirable choice for a career, Prince Mohammed Bin Salman College (MBSC) of Business & Entrepreneurship will continue to play its critical role as a world-class institution that aims to train and equip future leaders with the tools for impactful and successful entrepreneurial initiatives.

I would like to thank Babson Global, Emaar The Economic City, the Prince Mohammed bin Salman bin Abdulaziz Foundation, 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.

The report indicates that apprehension and fear remain on the minds of entrepreneurs, with 53% of respondents having stated that fear of failure would prevent them from taking the risk of starting a business. It is important to lead by example and therefore at MBSC our priority

has been to support and reward those who decided to pursue the challenge of launching and expanding their entrepreneurial careers during uncertain times. To this end, MBSC's Venture Center trained, mentored, and supported at least eight ventures throughout the pandemic. Our Signature Learning Experience course has remained an opportunity for our students to bring to life ideas with the potential for greatness and put an end to those that did not make the cut. Even as a relatively young school and with two of our cohorts having graduated during the global pandemic, our entrepreneurial graduates have been able to create about 700 jobs through their various ventures.

However, there is room for our role as educators to highlight through the learning journey that risk and failure should be accepted and leveraged for success. When failure arises due to factors outside of a leader's control—namely a pandemic coupled with global economic and geopolitical uncertainty—the role of that leader is not to reprimand and rebuke. It is to understand that all actions that are worth pursuing will have associated risks and to encourage thoughtful risk-taking within limits, avoiding irreversible harm if failure arises. MBSC will continue to instill in future business leaders such an entrepreneurial mindset—one that will lead to the economic, social, and intellectual development of the Kingdom.



# Funding and sponsoring institutions



كلية الأمير محمد بن سلمان للإدارة وريادة الأعمال  
 Prince Mohammed Bin Salman College  
 Business & Entrepreneurship

## Mohammed Bin Salman College (MBSC)

MBSC is a private higher education institution for both men and women, located in King Abdullah Economic City (KAEC). It was established in 2015 through an international partnership between Emaar The Economic City (EEC), 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)

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 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. 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  
 Misk Foundation الخيرية

## Prince Mohammed bin Salman bin Abdulaziz 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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## Disclaimer

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 2021 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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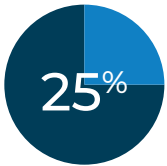


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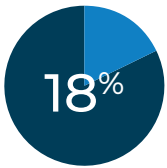
# Executive summary

In 2021, the Global Entrepreneurship Monitor (GEM) conducted its 23rd annual survey. Academic research teams in each participating economy, representing 117 economies since 1999, collected and analyzed data on a comprehensive array of indicators representing entrepreneurship rates, motivations, impact, attitudes, and other characteristics. The year 2021 also marked the sixth consecutive year in which Saudi Arabia participated in GEM and the second in which data were collected during the COVID-19 pandemic. Here we highlight select findings from the report.

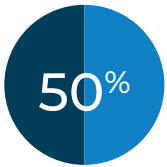
## Impact of the COVID-19 pandemic on entrepreneurship and established business ownership



- In 2021, 25% of Saudi Arabia's entrepreneurs felt it was more difficult to start a business than a year earlier, compared to 50% in 2020. It should be noted, however, that the point of comparison for the 2021 figure was 2020—that is, several months into the pandemic—while in 2020, entrepreneurs were comparing with 2019, when the pandemic had not yet begun.



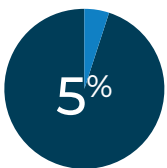
- In 2021, only 18% of established business owners in Saudi Arabia stated that their growth expectations were lower than a year earlier (several months into the pandemic). In 2020, 63% of established business owners expected lower growth than in 2019, when the pandemic had not yet begun.



- Half of entrepreneurs in Saudi Arabia stated that the pandemic had brought new opportunities to pursue—just slightly less than in 2020. However, only 30% of established business owners had this perception in 2021, compared with 56% in 2020.



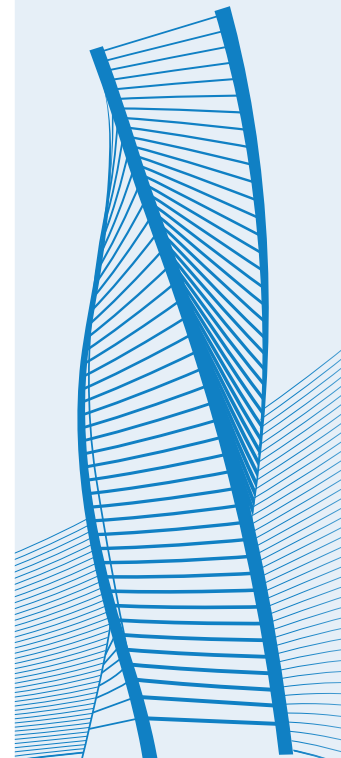
- Nearly a quarter of entrepreneurs and almost half of established business owners in Saudi Arabia stated they did not use digital technologies. However, 56% of entrepreneurs and 44% of established business owners had adopted or increased their use of digital technologies because of the pandemic.



- In 2021, 5% of the adult population of Saudi Arabia closed a business—similar to the results reported both in 2020 and before the pandemic in 2019. While in 2020 73% of those closing a business stated that this was due to the pandemic, only 18% identified this reason in 2021.



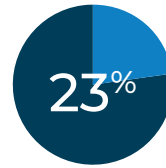
- Experts rated the government's measures to avoid the decline of new businesses and to manage the health crisis without damaging the economy highly (8.2 out of 10).



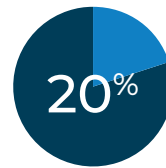
## Societal attitudes, affiliations, and self-perceptions

- Attitudes toward entrepreneurship in Saudi society were extremely positive in 2020, and this continued in 2021. Nearly all respondents (94% or more) stated that entrepreneurship was a good career choice, that entrepreneurs enjoyed high status and received positive media attention, and that it was easy to start a business. These percentages represented the highest level for these indicators among 30 high-income economies participating in GEM in 2021.
- While 83% of respondents said they knew an entrepreneur personally in 2019, that number stood at only 58% in 2021 (similar to 2020's results). This suggests an effect of reduced social interactions during the pandemic. However, this number was on par with the United States and Ireland, two countries regarded as highly entrepreneurial.
- In 2021, perceptions that business opportunities existed (which were held by 95% of the population aged 18–64) and that individuals possessed the knowledge and skills to start a business (91%) increased to their highest level in Saudi Arabia since 2016. These percentages were also the highest among the 30 high-income economies.
- Among those seeing opportunities, 53% would not actually start a business due to fear of failure—the highest level since 2016. Although many high-income economies showed elevated levels for this indicator, Saudi Arabia ranked among the highest.

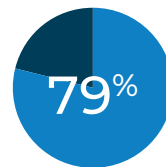
## Participation levels across phases



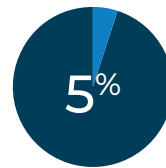
- Despite showing relatively stable levels of future startup intentions (around one third of the adult population) from 2017 through 2020, Saudi Arabia saw this indicator drop to 23% in 2021, taking the Kingdom to around the middle of the high-income group.



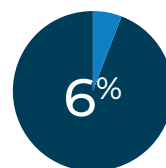
- By contrast, entrepreneurial activity continued the steady increase it had been showing since 2018: Nearly 20% of the Saudi population had started or was running a new business, placing the country near the top of the ranking of high-income economies in this regard.



- Income motivations were high in 2021—including both building great wealth (79% of entrepreneurs) and earning a living because jobs were scarce (83%)—although these figures were a little lower than in 2020. Meanwhile, motivations relating to family tradition increased, with nearly two thirds of entrepreneurs citing this motive.

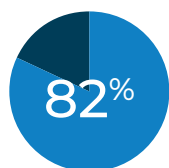


- Established business activity remained the same as in the prior 2 years, at 5% of the adult population, placing Saudi Arabia in the lower half of the high-income rankings. However, this was better than in 2016–2018, when only 3% or less of the population had been running mature businesses.

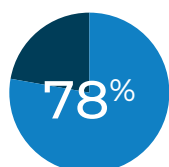


- Business closure rates continued at the relatively stable level reported since 2018, at just under 6%. This placed Saudi Arabia near the top of the rankings for the high-income economies.

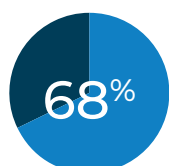
## Entrepreneurship and social and environmental sustainability



- The majority of entrepreneurs (82%) and established business owners (64%) in Saudi Arabia reported taking social implications into account when making decisions in 2021. However, a smaller percentage of entrepreneurs (33%) and established business owners (15%) had taken actual steps to maximize their business's social impact.



- Similarly, while 78% of entrepreneurs and 59% of established business owners said they considered environmental implications when making decisions, only 27% of entrepreneurs and 14% of established business owners took steps to minimize their business's environmental impact.



- 68% of entrepreneurs and 51% of established business owners stated that they prioritized social and/or environmental impact over profitability or growth.

## Impact characteristics

- The majority of entrepreneurs (87%) and established business owners (90%) in Saudi Arabia were starting or running consumer-oriented businesses in 2021. This was, by far, the highest percentage of consumer-oriented business activity among the high-income economies.
- Saudi Arabia showed negligible participation among both entrepreneurs and established business owners (less than 0.5% for each) in medium- and high-technology sectors—far below that of all other high-income economies.
- Expectations for job creation were moderately high in 2021, with 51% of entrepreneurs and 60% of established business owners anticipating that they would create more than five new jobs in the next 5 years. In Saudi Arabia, 16% of entrepreneurs and 7.4% of established business owners had high growth expectations (defined as a 50% increase in employment and 10+ additional jobs), ranking around the middle of the high-income economies.
- While nearly all entrepreneurs and established business owners sold locally, a substantial proportion of entrepreneurs (43%) and some established business owners (18%) sold nationally. Just 6.5% of entrepreneurs and 8.1% of established business owners had international reach—one of the lowest figures of all the high-income economies.
- Most entrepreneurs in Saudi Arabia (88%) were not deemed innovative in 2021; some had innovative offerings at the local (9.3%) or national (2%) level, but very few (0.5%) were introducing products or services exhibiting novelty on a global scale.



## National origin

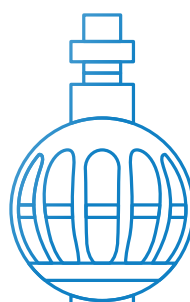
- A comparison of societal attitudes toward entrepreneurship, self-perceptions about opportunities and capabilities, and entrepreneurial affiliations revealed virtually no differences between nationals and expatriates in Saudi Arabia in 2021.
- Expatriates were about equally likely as nationals to have entrepreneurial intentions in 2021, but less likely to be in either the entrepreneurial (17% vs 21% for nationals) or established business (2.4% vs 6.3% for nationals) phases.

## Informal investors

- Although a smaller proportion (13%) of Saudi Arabia's population was investing informally in entrepreneurs than in the previous 2 years, they were investing at a higher median level (15,000 SAR, roughly equivalent to \$4,000).
- The majority of informal investments went to close family members (60%, compared to 44% in 2020 and lower levels prior to that).

## National context for entrepreneurship

- National experts reported that, despite the pandemic, the national context for entrepreneurship in Saudi Arabia was continuing to improve in most regards in 2021.
- Cultural and social norms were moving in a clearly positive direction, as were other factors such as financing for entrepreneurs, government programs, relevance and support of government policies, commercial and professional infrastructure, internal market burdens (absence of regulations and other obstacles to entering a market), taxes and bureaucracy, and research and development transfer.
- Relative to the average position of the other countries that made up the high-income group in 2021, Saudi Arabia ranked more highly in all conditions except school and post-school entrepreneurship education, indicating an important area to emphasize in building entrepreneurial skills and knowledge.
- Other areas that the experts pinpointed for improvement included physical infrastructure and internal market dynamics (the extent to which there is a free and open market where changes in demand can be met with supply; this may have been negatively affected by the restrictions enforced during the pandemic).



# Introduction

**Like much of the rest of the world, the Kingdom of Saudi Arabia enjoyed some economic respite from the COVID-19 pandemic in mid-2021. Due to the emergence of the omicron variant, this was short-lived, but the Global Entrepreneurship Monitor (GEM) data for 2021 still showed some positive developments compared to the previous year.**

Though the effects of COVID-19 have been significant for Saudi Arabia, including the sharp decline in business and tax revenue in the Hajj and Umrah sectors, the pandemic has proven less severe for the country than for many others. This relative success may be due to the structure of the Saudi economy, with its significant industrial component and the increasing role of digital services, as well as the wide-ranging measures taken by the government from the outset of the pandemic to assist affected individuals and companies.

Saudi Arabia's economic wealth enabled it to put in place many measures that were beyond the reach of other governments, thus saving many jobs and small firms through actions such as financial aid, subsidies, business development programs, digitalization, and support for teleworking. To reinforce the effectiveness of these measures, the government maintained a conservative stance on safety at work and entry to and exit from the country, thereby helping to limit the spread of the virus. In 2021, it even restricted the number of Hajj pilgrims to 60,000 vaccinated residents and citizens. Nor has COVID-19 undermined the government's efforts to diversify the country's economy—a key priority of its implementation of Vision 2030.

In December 2021, the government approved its 2022 budget—the first in nearly a decade that did not involve a deficit. One of the main reasons for the country's high fiscal deficit (12% of gross domestic product; GDP) and public debt (32% of GDP) in 2020 was the sharp decline in oil prices and exports. The government took various steps to remedy this situation, such as raising value-



added tax and focusing on both foreign and domestic investment, with several opportunities arising in priority sectors including energy, travel and tourism, transportation and logistics, and information and communications technologies.

Entrepreneurship is an essential driver of societal health and wealth. It is also a formidable engine of economic growth. It promotes the essential innovation required not only to exploit new opportunities, promote productivity, and create employment but also to address some of society's greatest challenges, such as achieving the United Nations Sustainable Development Goals or responding to the economic shockwave created by the COVID-19 pandemic. The promotion of entrepreneurship

will be central to multiple governments worldwide for the foreseeable future, especially considering the significant negative economic impacts of the pandemic.

Governments and other stakeholders will increasingly need hard, robust, and credible data to make key decisions that stimulate sustainable forms of entrepreneurship and promote healthy entrepreneurial ecosystems worldwide. During its 23 years of existence, GEM has repeatedly contributed to such efforts. For example, following the Great Recession of 2008, GEM's research provided policymakers with valuable insights on how to best foster entrepreneurship to propel growth and prosperity once again.

GEM carries out survey-based research on entrepreneurship and entrepreneurship ecosystems around the world. GEM is a networked consortium of national teams primarily associated with top academic institutions. GEM is the only global research source that collects data on entrepreneurship directly from individual entrepreneurs. GEM tools and data are therefore unique and benefit numerous stakeholder groups. By becoming involved with GEM:

- **Academics** are able to apply unique methodological approaches to studying entrepreneurship at the national and global level
- **Policymakers** are able to make better-informed decisions to help entrepreneurs and entrepreneurial ecosystems thrive
- **Entrepreneurs** have better knowledge of where to invest sometimes scarce resources and how to influence key stakeholders so that they get the support they need
- **Sponsors** both advance their organizational interests and gain a higher profile through their association with GEM

- **International organizations** leverage insights but can also incorporate or integrate GEM indicators into their own data sets, or use GEM data as a benchmark for their own analyses.

GEM has an impressive and highly credible track record. In numbers, GEM represents:

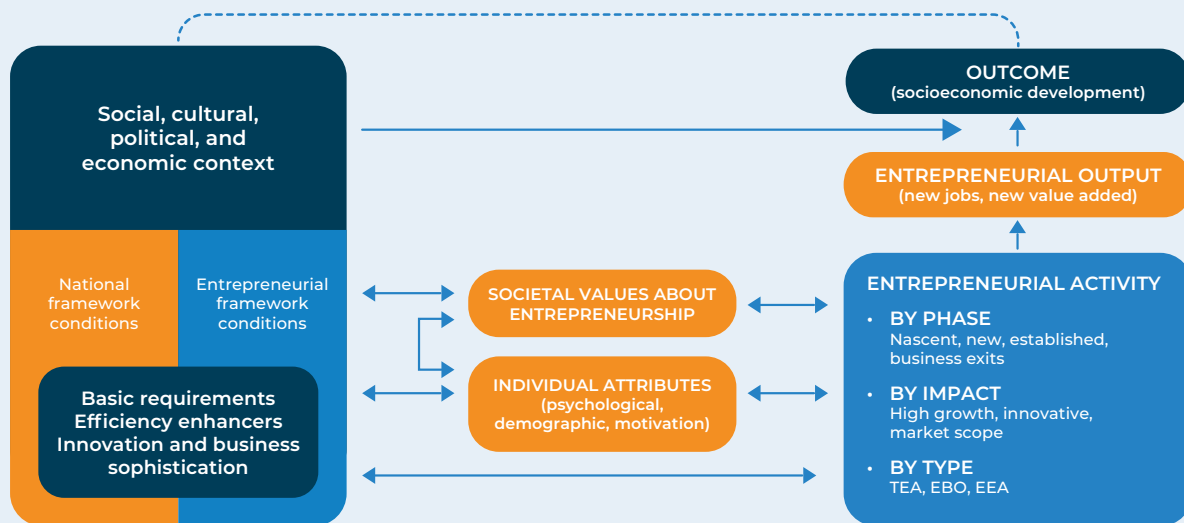
- 23 years of data, allowing longitudinal analysis in and across geographies on multiple levels
- Up to 200,000+ interviews annually with experts and adult populations, including entrepreneurs of all ages
- Data from 117 economies across the world
- Collaboration with over 500 specialists in entrepreneurship research
- Involvement of some 300+ academic and research institutions
- Support from more than 200 funding institutions.

GEM began in 1999 as a joint research project between Babson College (United States) and London

Business School (United Kingdom). The consortium has become the richest source of reliable information on the state of entrepreneurship and entrepreneurial ecosystems around the globe, publishing not only the GEM Global Report annually but also a range of national and special-topic reports each year. GEM's first annual study covered 10 countries; since then, some 117 economies from every corner of the globe have participated in GEM research. As a result, GEM has gone beyond a project to become the highly networked organization that it is today. GEM can confidently stake a claim to be the largest ongoing study of entrepreneurial dynamics in the world.

GEM's conceptual framework, shown in Figure 1, illustrates the relationship between entrepreneurship and its environment. The 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.

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.

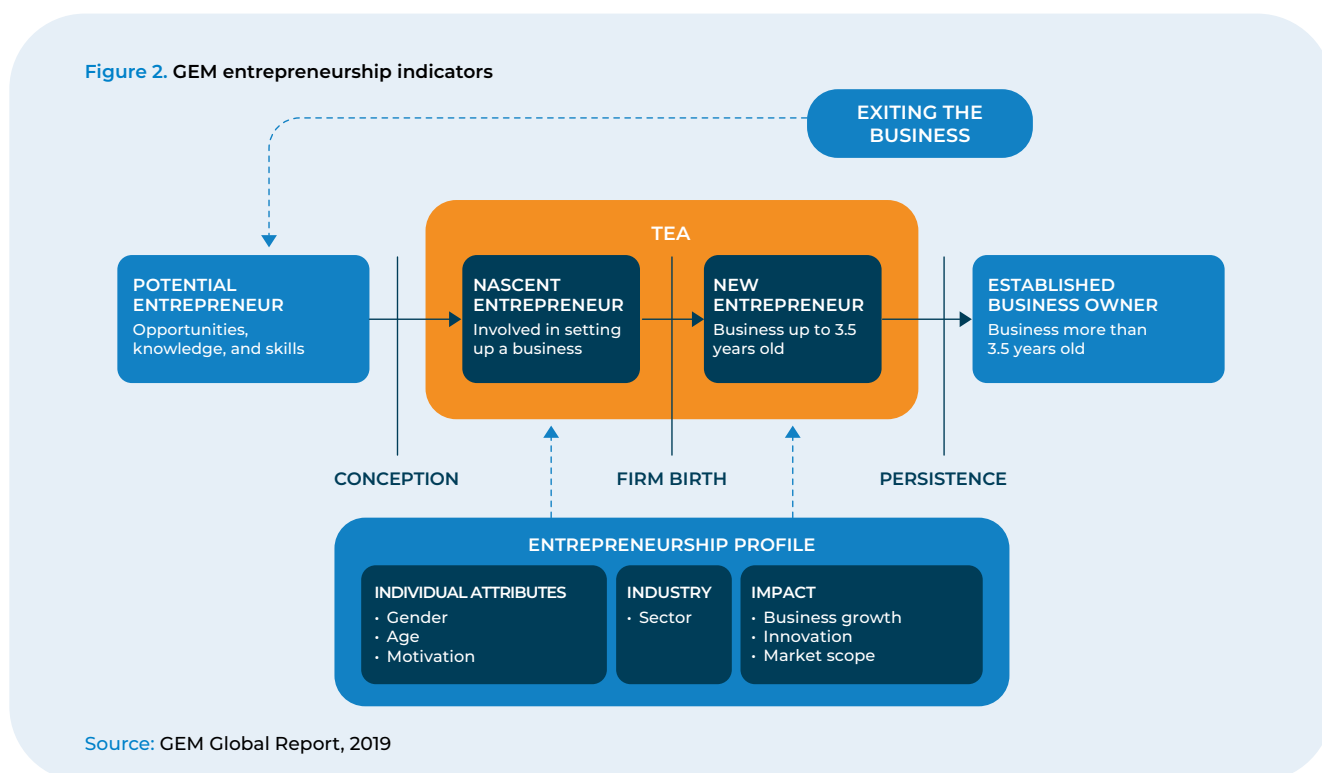
Source: GEM Global Report, 2018–2019

The 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, and 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 shows business exits and closures, after which an entrepreneur might start another business or continue to be involved in entrepreneurial activity in other ways. For the individuals involved, exiting or closing 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.

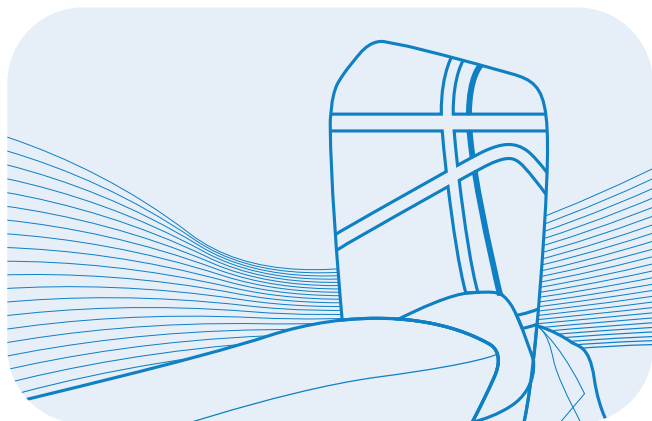
The GEM 2021 Kingdom of Saudi Arabia report highlights results for the 2021 GEM survey in the Kingdom of Saudi Arabia and offers a detailed picture of the country's entrepreneurship profile. Comparisons are made with results from the previous 5 years and with other high-income countries. The report begins 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. Chapter 4 reviews the results for GEM's special topic of entrepreneurship and sustainability.

Chapter 5 delves into greater detail about the industries entrepreneurs and established business owners compete in and levels of employment, market scope, and innovation. Chapter 6 compares Saudi nationals with expatriates with regard to attitudes, affiliations, self-perceptions, and participation across phases of entrepreneurship. Chapter 7 compares Saudi Arabia with other high-income countries on key indicators. 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



## 1.1 Startups

Entrepreneurs in Saudi Arabia perceived starting a business during the pandemic as being less difficult in 2021 than they did in the previous year. In 2021, 25% of entrepreneurs felt it was more difficult to start a business than it was a year earlier, compared with 50% in 2020. This significant decrease may reflect the country's return to positive economic growth in 2021, after contracting in 2020. In addition, entrepreneurs may have gained a better understanding of COVID-19 and how to live with it, as well as how to adapt or pursue opportunities. It is also possible that the government's initiatives, policies, and programs have borne fruit. Many, though not all, potential entrepreneurs may now be looking for ways to cope with, or leverage, the ongoing effects of the pandemic.

## 1.2 Established business owners' growth expectations

Established business owners showed much less pessimism about their prospects for business growth in 2021 than in the previous year: 18% of established business owners had lower growth expectations in 2021, compared with 63% in 2020—a decrease of 71%.

One possible explanation for this result is that business owners who paused their plans for growth in 2020 may have subsequently received government assistance that enabled them to resume those plans. Indeed, the government's support strategy (intended to continue the transformation of the country in line with Vision 2030) and special measures taken to assist businesses during the pandemic considerably lessened COVID-19's impact on the economy as compared with many other countries.

Another important factor is that entrepreneurs and business owners may have learned how to adapt and survive in a world with COVID-19. Of course, the GEM survey by definition focuses only on those who have thus far survived the pandemic and are still running businesses. By 2021, those still in business might have been seeing new opportunities and feeling more hopeful about the future economic situation, whereas we can imagine that levels of uncertainty about the future would still have been high in 2020.



### 1.3 New opportunities

The positive developments reported among entrepreneurs and established business owners in 2021 show that change does provide opportunities for new businesses. It leads to new needs in the market and shifts in the competitive landscape, thus providing entrepreneurs with more ways to compete.

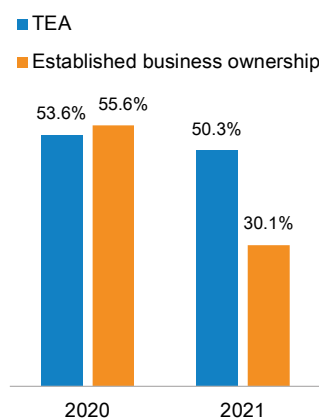
The results also reflect the varied opportunities that the Saudi Arabian economy continues to offer both as a result of and, in some cases, in spite of the pandemic. Traditionally, Saudi Arabian entrepreneurs have focused on consumer-oriented sectors such as retail, personal services, restaurants, and hospitality. However, the population growth the country is experiencing is leading to increased demand for housing and other infrastructure, which creates opportunities for real estate investors, suppliers of construction materials, and related professionals such as engineers and architects. The same trend has also boosted demand for healthcare, education, and financial and personal services. Along with the move toward industry diversification, this growth opens up opportunities in sectors such as real estate, education, agriculture, technology, healthcare, building materials, processed food, and solar energy.

The introduction of the latest cutting-edge technology to both consumer and business markets is providing an opportunity to meet the country's rising demand. In agriculture, some crops are now

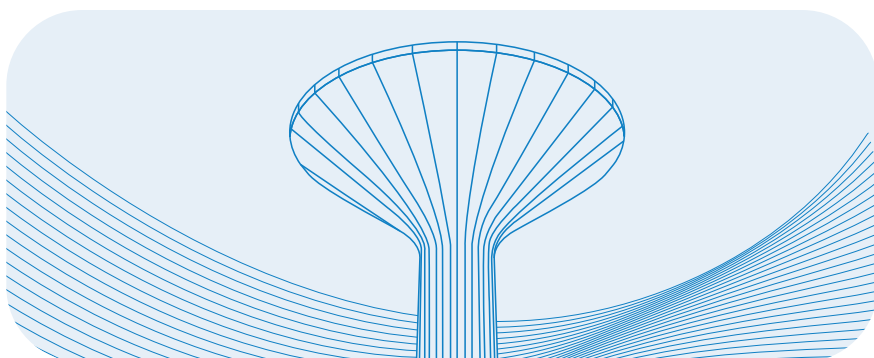
able to survive the country's harsh conditions, including date palms, barley, and wheat. Demand for these crops significantly outstrips supply, however, which creates opportunities for the cultivation of these crops and the development of associated industries. Saudi Arabia's climate also offers attractive opportunities for business creation in the field of solar energy, including the sale and installation of solar panels and solar plants. Finally, due to Saudis' considerable purchasing power, luxury goods and services are a highly profitable sector.



**Figure 3.** Percentage of entrepreneurs and established business owners in Saudi Arabia who stated that COVID-19 provided new opportunities for their businesses in 2021



Source: GEM Kingdom of Saudi Arabia, 2020–2021



While over half of entrepreneurs and business owners felt that COVID-19 provided new opportunities to pursue in 2020, this was the case for fewer established business owners in 2021 (Figure 3). This may have been because many had already adapted to the new situation. Furthermore, by definition, established business owners are running existing businesses and (even beyond the COVID-19 context) their focus tends to be less geared toward new ventures. Entrepreneurs, on the other hand, are starting within this unusual context and are affected by current conditions as they pursue their opportunities.

## 1.4 Use of digital technologies

The pandemic has given rise to new ways of doing business by taking advantage of technology in non-traditional sectors, creating opportunities for potential and existing entrepreneurs.

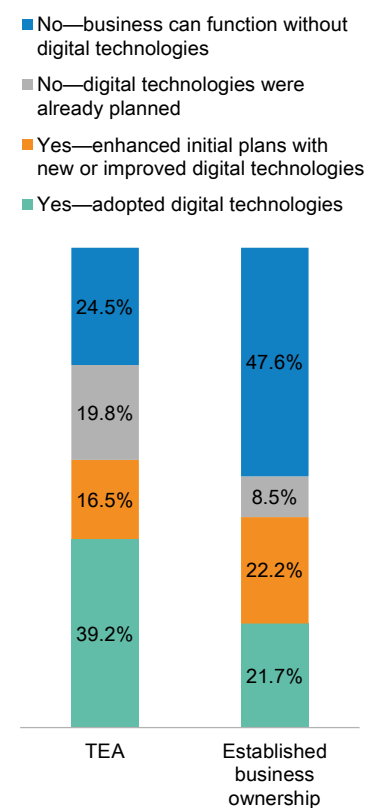
Saudi Arabia has been able to push ahead with its digital transformation thanks to its robust digital infrastructure. In a recent ranking of developed countries, it was in the global top 10 for its digital framework.<sup>1</sup> As a result, both private and public sectors have been able to withstand potential disruptions in providing education and conducting business, and the

work involved in meeting citizens' day-to-day needs has been able to proceed smoothly and mostly without interruption.

The GEM data reveal that nearly a quarter of entrepreneurs and almost half of established business owners did not use digital technologies in 2021. This probably reflects the nature of business activity in Saudi Arabia, where nearly 90% of entrepreneurs and established business owners operate consumer-oriented businesses, many of which can function without digital technologies.

Notably, Figure 4 shows that entrepreneurs were more likely than established business owners to have already planned to include digital technologies in their businesses (20% vs 8.5%). This suggests that technologies may be more of a prerequisite to operating a new business—and to being competitive—in today's environment than previously and/or that entrepreneurs can see the opportunities that digital technologies offer. Although established business owners may have entered the market at a time when such technologies were less crucial, it may be that their businesses could now benefit from them. In fact, their competitiveness might be threatened by businesses better able to leverage technologies.

**Figure 4. Use of digital technologies in response to COVID-19: percentage of entrepreneurs and established business owners in Saudi Arabia, 2021**



Source: GEM Kingdom of Saudi Arabia, 2021

However, the results also show that 56% of entrepreneurs and 44% of established business owners adopted or increased their use of digital technologies because of the pandemic, demonstrating how environmental shocks can lead to new ways of doing business. For established business owners, this may include, for example, allowing employees to work remotely, offering online sales or ordering, or rethinking other aspects of doing business. For entrepreneurs, it appears that to start a business during the COVID-19 pandemic, technologies must be a key part of the business model or process. Indeed, technologies may well be part of the very foundation on which these businesses are started.



<sup>1</sup> "Digital Transformation," Government of Saudi Arabia, last modified January 18, 2022, <https://www.my.gov.sa/wps/portal/snp/aboutksa/digitaltransformation>



## 1.5 Closure of businesses

In 2021, 8.6% of the adult population of Saudi Arabia discontinued owning a business. This figure is derived from two indicators: the number of closures—that is, individuals that closed a business and did not continue operating in the market, who made up 5.3% of the population aged 18–64—and the number of individuals that exited their business by leaving it in other hands through transfer, sale, or some other form of exit, which was 3.3% of the same population. These numbers are similar to the results reported in 2020, and also in 2019, before the pandemic.

While COVID-19 had a major impact on the closure of businesses in 2020, this was less prevalent in 2021. In 2020, 73% of business closures were due to the pandemic, but in 2021 this figure fell dramatically to 18%. Nevertheless, these statistics do bear witness to the ongoing effect of the pandemic on business activity.

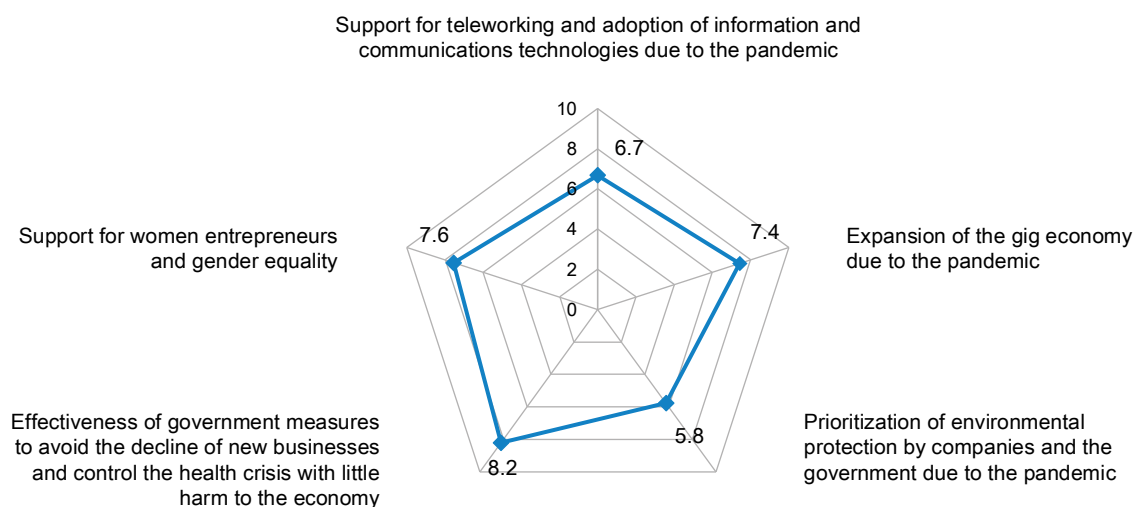


## 1.6 Changes in the national context

COVID-19 has changed the world, and some of those changes involve entrepreneurs and the ways in which they start and grow their ventures. Every year, GEM consults national experts in participating economies on the business environment that prevails there. This year, given the relevance of digitalization and teleworking, one of the variables in focus was progress in these areas and government measures to accelerate it. Another

variable was the extent to which experts were satisfied with government actions to avoid a significant decline in new businesses and how effectively the health situation was being managed without causing undue harm to the economy. Questions were also asked about the support provided to women entrepreneurs during the pandemic and whether the experts felt that the government had prioritized the environment and climate change in light of their connection to globalization and the impact the pandemic is having on methods of producing goods and services. A final area of focus was whether entrepreneurs were adopting new business models inspired by the gig economy to a significant degree.

**Figure 5.** Average expert ratings (on a scale of 0 to 10) of factors influenced by the COVID-19 pandemic in Saudi Arabia, 2021



Source: GEM Kingdom of Saudi Arabia, 2021

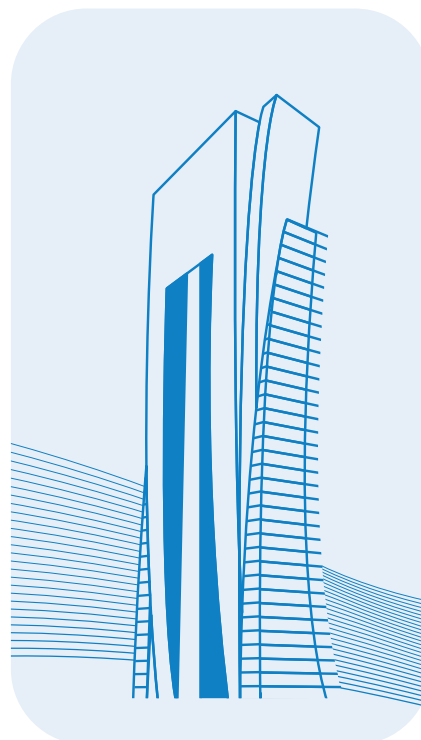


Figure 5 illustrates the results of the expert survey on these items in the case of Saudi Arabia. Concerning actions to avoid the decline of new businesses and manage the health crisis without damaging the economy, the experts rated the government's performance highly (8.2/10). One example of government actions to control the health crisis includes limiting the cross-border travel of citizens and non-citizens. Saudi Arabia also achieved high scores for government support of entrepreneurs in general and women entrepreneurs in particular. Several measures taken by the government (especially in the first year of the pandemic) helped established businesses survive and thrive. These included the introduction of business-friendly policies and several initiatives (such as deferring and restructuring loan payments; exempting, reducing, or postponing the payment of fees, fines, and taxes; automatically renewing industrial licenses; customs exemptions; and a 30% discount on electricity bills while offering the possibility of payment deferral) adopted by the ministries and semi-government agencies (organizations owned or controlled by the government to perform specific functions).

The government's commitment to promoting female participation in entrepreneurship continued its upward progression despite the pandemic, with Saudi Arabia scoring 7.6/10 in 2021. The national experts believed that sufficient affordable services, such as childcare, after-school programs, and care for the elderly, were offered so that women could continue to pursue their entrepreneurial careers even while dealing with family commitments. The local culture of support from extended family also contributed significantly to women's participation in entrepreneurship, as did favorable government regulations and improved access to finance. One of the main factors behind the increase in women's entrepreneurship during the pandemic, however, has been the increase in teleworking, which has made it easier for women to work from home while also adhering to cultural and social norms.

The rate of adoption of business models inspired by the gig economy appears to be quite high in Saudi Arabia (7.4/10). Progress with digitalization was also rated relatively highly, and this was quite intense in the corporate and public spheres (with many government services,

such as residence permits, exit/re-entry regulations, issuing of visas, and health services, being digitalized) but somewhat slower among small and medium-sized enterprises (SMEs). Finally, the experts gave a moderate rating for the government's priority relative to the green agenda (5.8/10). However, as is evident from the GEM data, there is still a great deal of progress to be made in this area.



# Chapter 2 Societal attitudes, affiliations, and self-perceptions



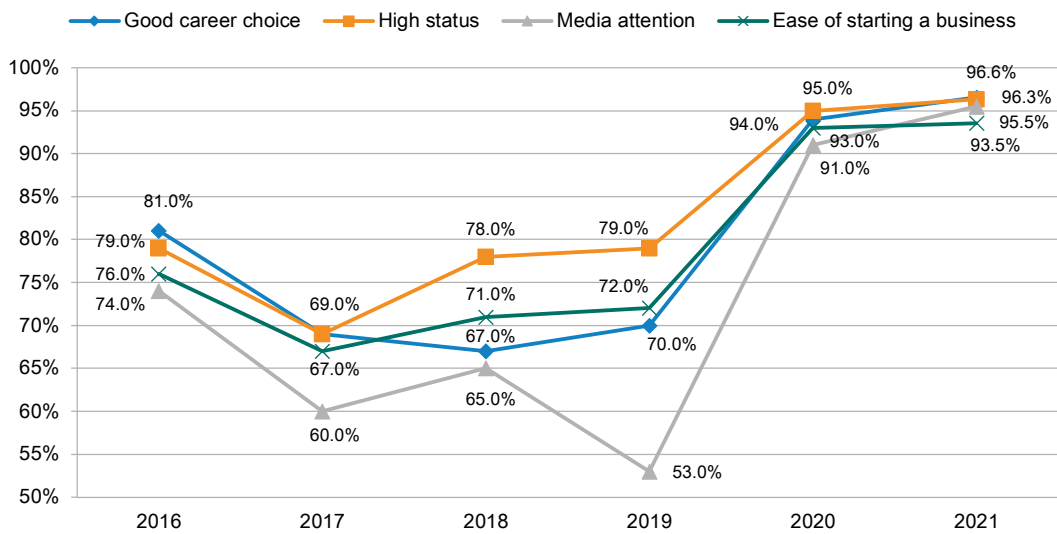
## 2.1 Societal attitudes

Attitudes toward entrepreneurship in Saudi society were very positive in 2020, and they continued to exhibit this high level in 2021 (Figure 6). Entrepreneurship now enjoys immense popularity in Saudi Arabia and is at its highest level since 2016 across all four of the GEM indicators: the extent it represents a good career choice, the high status and positive media attention entrepreneurs receive, as well as the ease of starting a business.

One explanation for this result is that the government's efforts to make Vision 2030 a reality have raised awareness of the importance of diversifying the country's economy beyond the oil and gas sector, pursuing competitiveness, and developing human capital while reducing perceptions of the public sector as an unlimited supply of lucrative

employment. Over the last 5 years, government policies and related actions to reduce bureaucratic hurdles and facilitate entrepreneurship have also helped transform societal perceptions of starting a business. The media have also helped to highlight the importance of "creating one's own luck" and the range of opportunities available to those who seek them, with several programs presenting entrepreneurs as role models for the new generation, with an emphasis on their high status and material achievements.

**Figure 6.** Societal attitudes of the adult population in Saudi Arabia toward entrepreneurship, 2016–2021



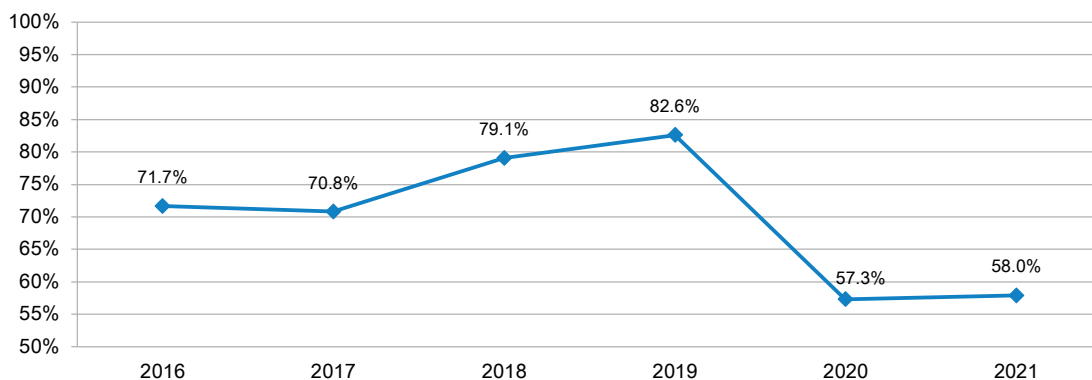
Source: GEM Kingdom of Saudi Arabia, 2016–2021

## 2.2 Affiliations and self-perceptions

Although Saudi attitudes toward entrepreneurship continued to improve over the last 2 years, the same is not true of the level of affiliation (knowing someone who has started a business in the past 2 years); Figure 7 suggests that the lockdowns and restrictions of the pandemic caused a significant decrease in this indicator, which covers both awareness of new businesses and knowing the people who started them. We might expect this indicator to recover as social interactions and relationships return to normal.



**Figure 7.** Share of the adult population in Saudi Arabia that knows someone who started a business in the past 2 years, 2016–2021



Source: GEM Kingdom of Saudi Arabia, 2016–2021



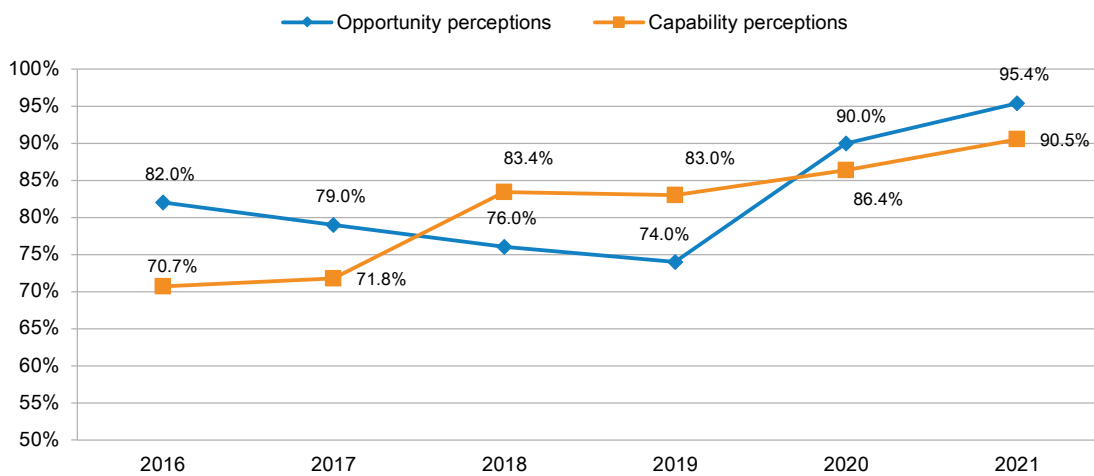
Individuals' perceptions of business opportunities and their belief in their knowledge and skills for starting a business increased in 2021. As Figure 8 shows, these indicators rose to their highest level since 2016. Capability perceptions stabilized in 2018–2019, albeit at a higher level than previously, and then increased further in 2020 and 2021. This could be due to the increased attention being paid to entrepreneurship in schools and

colleges and government efforts to provide more training programs.

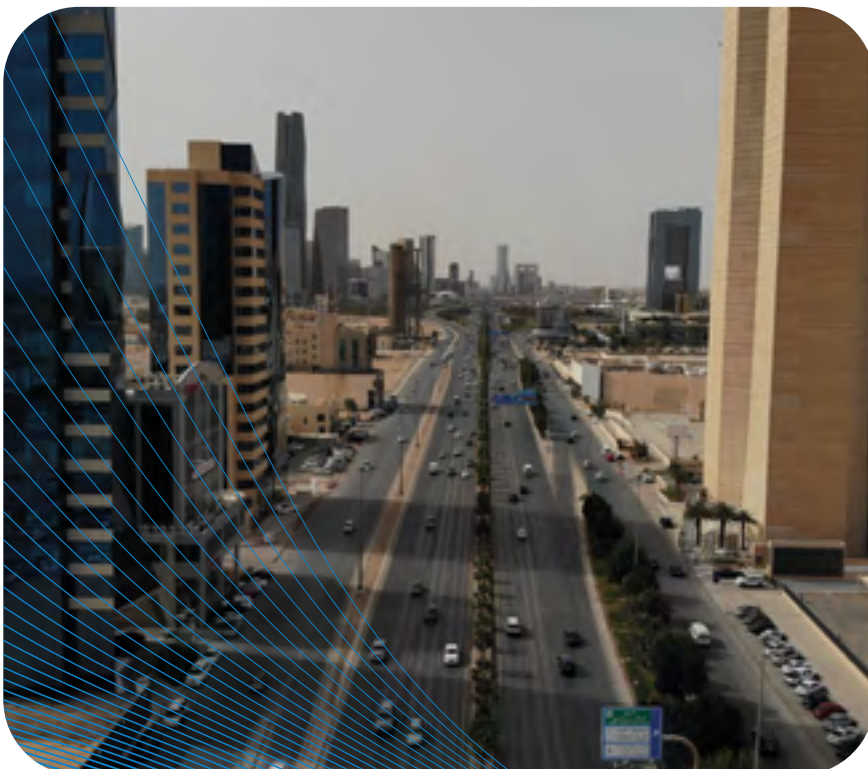
Improved perceptions of business opportunities and entrepreneurial capabilities may also be the result of the acceleration of digitalization during the pandemic, as well as the increased availability of online courses on how to launch businesses digitally, which enhance the ease with which one can start a business.

There was also a proliferation of information and news about ways different types of business could fight the economic impact of the pandemic, focusing on areas such as safety and security, logistics, and digital services for customers. As we will see in greater detail in Chapter 3, it is positive to see that both these indicators were also borne out in an overall increase in entrepreneurship in 2021.

**Figure 8. Opportunity and capability perceptions of the adult population in Saudi Arabia, 2016–2021**



Source: GEM Kingdom of Saudi Arabia, 2016–2021



Meanwhile, fear of entrepreneurial failure was high and on the rise in 2021 (Figure 9). It is noteworthy that entrepreneurship was highly regarded and entrepreneurial capabilities and opportunities perceived to be abundant, yet there was persistent hesitancy regarding the risks involved in starting a business. This may also explain the recent decrease in entrepreneurial intentions in Saudi Arabia.

The high fear of failure and this indicator's upward trajectory before 2020 suggest that if the pandemic was a contributing factor, it was not the only one. Another possible cause is Middle Eastern culture, where failure is stigmatized and many parents prefer their children to pursue stable jobs (as doctors, engineers, bankers, or lawyers, for example) rather than

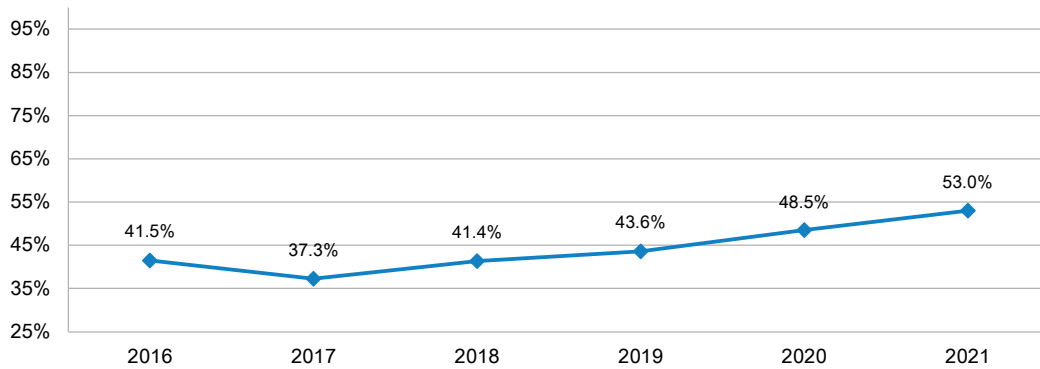


take the risk of starting their own business. Another explanation could be the lack of bankruptcy legislation that would otherwise limit individual liability in the case of business failure in Saudi Arabia, which stands in contrast to the situation in some countries with high rates of entrepreneurship, such as the United States.

It should also be noted that although gender and age do not correlate with fear of failure, both income and education do to some extent: Those with higher incomes and educational levels exhibit greater qualms about starting a business. This suggests that those with lower

incomes and educational levels may be in business more often because of "push factors," where they may have limited options for work, and because they feel they have less to lose. Conversely, those with high incomes and education levels perceive the opportunity cost of going into business as being higher because they may have good career options and/or personal wealth, and therefore more to lose; those who do engage in entrepreneurship may do so as a result of "pull factors," where this is a choice weighed against the alternatives available to them. This requires more effort and investment and, therefore, gives rise to more acute fear of failure.

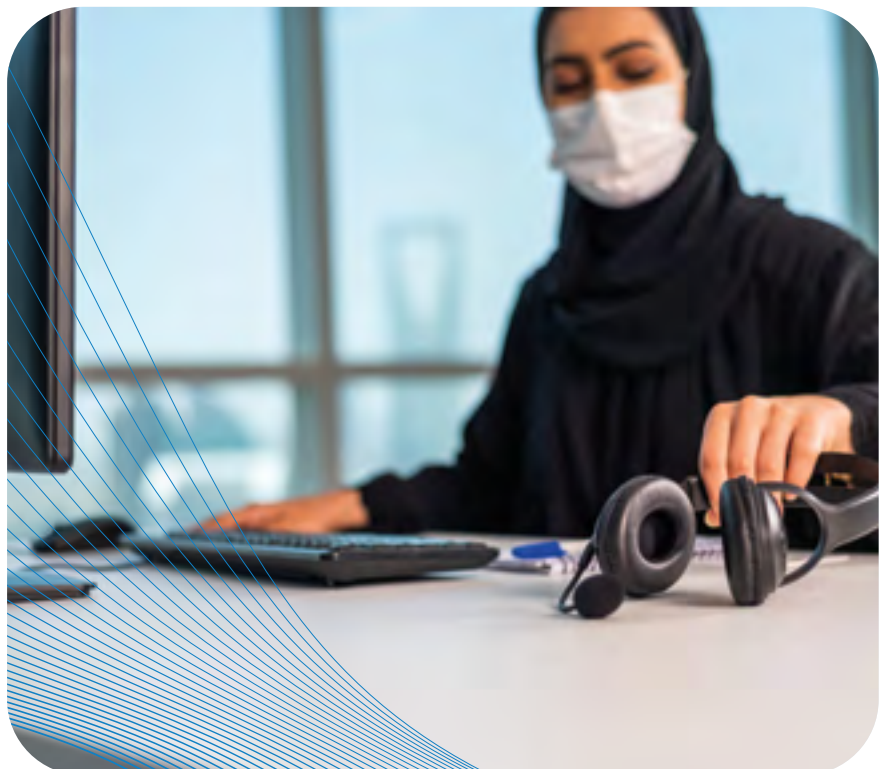
**Figure 9.** Fear of failure among those seeing opportunities in the adult population of Saudi Arabia, 2016–2021



Source: GEM Kingdom of Saudi Arabia, 2016–2021

When exploring the effect of education on fear of failure, it may be useful to ascertain what proportion of the population was educated specifically in the areas of finance and entrepreneurship. If we take self-perception of entrepreneurial skills as a proxy for this, we see that in 2021 fear of failure was significantly more widespread among those who do not possess such skills (70%) than among those who do (52%), though the latter figure is still rather high.

Fear of failure was also much lower among those who acted as informal investors (29%) than those who did not (57%) and among those who were involved in business activities (28%) than those who were not (61%). This suggests that practical experience in the field of business helps to reduce fear of failure to some degree.



# Chapter 3 Phases of entrepreneurship

## 3.1 Intentions

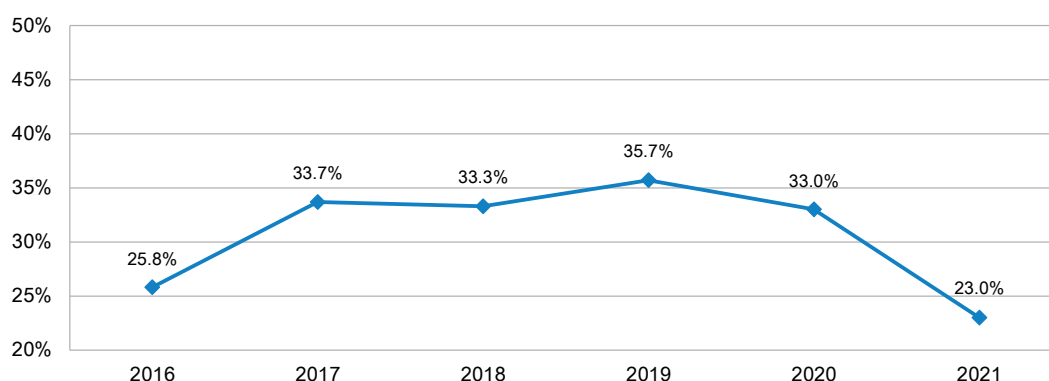
GEM measures entrepreneurial intentions as the percentage of the population aged 18–64 who expect to start a new business in the next 3 years (Figure 10). In Saudi Arabia, this indicator increased markedly in 2017, followed by a relatively stable period through 2020. The year 2021 saw a sharp (30%) decrease from 2020. Given the prevalence of fear of failure (see Section 2.2), there appears to be a contrast between societal regard for and individual perceptions of entrepreneurship on the one hand and a willingness to act and take risks on the other. (However, entrepreneurs were still starting businesses at high rates in 2021—see Section 3.2.)

Among the factors that explain the reduction in entrepreneurial intentions in 2021, gender and place of

residence are important. The proportion of women with entrepreneurial intentions (40%) was significantly lower than that of men (60%). Geographically, Riyadh and Jeddah (with a 67% rate of intentions for both) were well ahead of the rest of Saudi Arabia (averaging 33%).

It is relevant to note that women were also much less likely than men to perceive starting a business in Saudi Arabia to be easy, to consider themselves capable of doing so, to perceive opportunities around them, and to know other entrepreneurs. The data suggest that the pandemic opened up a small but significant gender gap in entrepreneurial intentions, and this is reflected in a slightly lower female entrepreneurship rate (22%) compared to the male rate (24%).

Figure 10. Entrepreneurial intentions in the adult population of Saudi Arabia, 2016–2021



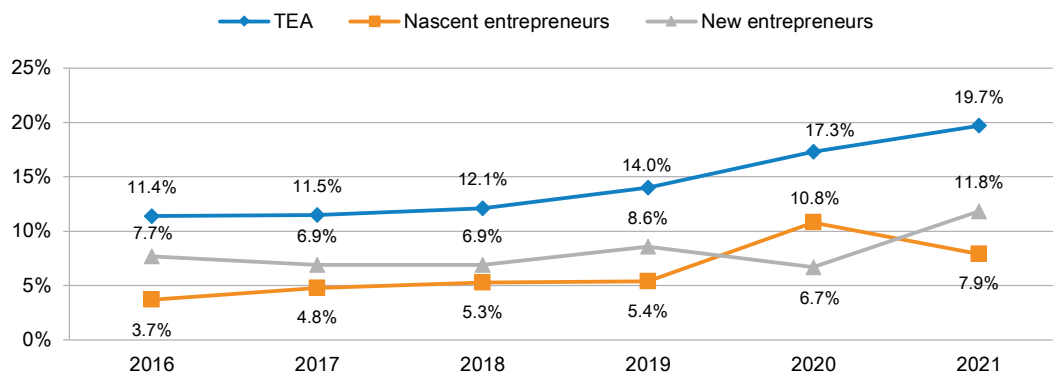
Source: GEM Kingdom of Saudi Arabia, 2016–2021



## 3.2 TEA rate

The TEA rate includes both nascent entrepreneurs (those who started a new business but have not yet paid salaries for 3 months) and new entrepreneurs (those who have been operating for between 3 months and 3.5 years) as a percentage of the population aged 18–64 years. Figure 11 shows the total TEA rate and the two phases that compose this indicator. As shown, the rate of new entrepreneurs exceeded that of nascent entrepreneurs in every year except 2020, when new entrepreneurs declined significantly while nascent entrepreneurs doubled from 2019.

Figure 11. TEA, nascent entrepreneurship, and new entrepreneurship rates in Saudi Arabia, 2016–2021



Source: GEM Kingdom of Saudi Arabia, 2016–2021

The impact of this increase could be seen in 2021, when a healthy proportion of the prior year’s nascent entrepreneurs went on to bolster the rate of new entrepreneurs. However, the rate of nascent entrepreneurship experienced a significant drop in 2021—although it remained higher than in 2019 and still represented a moderate upward trend compared with the years prior to the pandemic.

The overall TEA rate was higher in 2021 than in previous years, perhaps again partly fueled by the high nascent entrepreneurship rate in 2020. In 2022, the TEA rate may reflect the lower rate of nascent entrepreneurship in 2021, but that remains to be seen. Saudi Arabia’s ability to maintain its TEA growth in 2022 will also depend not only on prior activity but also on the economic and social environment, along with other factors such as interventions and policies affecting the entrepreneurship sector.

In this regard, there are grounds for hope: The Saudi government is indeed making it easier to establish and develop businesses in the country and generally fostering its startup ecosystem to facilitate business operations. In the first half of 2021 alone, government funding for Saudi startups stood at \$168 million, equivalent to 94% of the entire sum that was spent on funding for Saudi startups in the whole of 2020. Saudi Arabia ranked second in the gulf region’s venture capital market in terms of public-sector financing during that period. Reforms and initiatives were introduced to foster a business-friendly environment and improve the regulatory framework in the country, while steps were taken to open up new sectors such as travel and tourism, fintech, and green energy. However, some policies and regulations continue to curb entrepreneurial intentions. One example is that Saudi legislation provides for only one class of shares for companies, meaning that any investor becomes a shareholder in the company with the right to participate in decision-making.

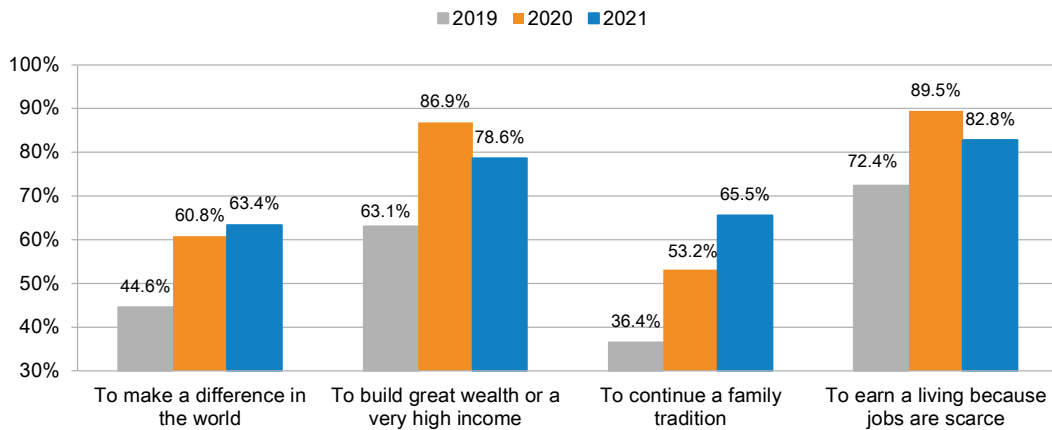
### 3.3 Motivations

In 2020, income was a strong motivation for starting businesses in Saudi Arabia, along with financial necessity. Social responsibility and family traditions also gained ground as reasons for engaging in entrepreneurship (Figure 12). This was logical given that 2020 brought economic uncertainty, increased environmental awareness, and in many cases more time with family as the world faced lockdowns and limited interactions beyond those with close relations. In 2021, income was less of a factor than in 2020, but it was still at the forefront of entrepreneurial motivations—both building wealth and earning a living amid job scarcity. In particular, job scarcity was the overall strongest motivator; this may reflect the government’s efforts to ease pressure on the public purse by downsizing public-sector employment in recent years, which has encouraged people to launch their own ventures.



However, a desire “to make a difference” and “continue a family tradition” showed the largest gains since 2019. This suggests an increase in awareness of social causes and the perceived importance of leaving a positive mark on the world, as well as greater reliance on close family ties, given the fewer opportunities to leverage extended social capital during COVID-19, and perhaps because family businesses provided reliable work amid the lower job security during the pandemic.

**Figure 12. Entrepreneurial motivations among entrepreneurs in Saudi Arabia, 2019–2021**



Source: GEM Kingdom of Saudi Arabia, 2019–2021

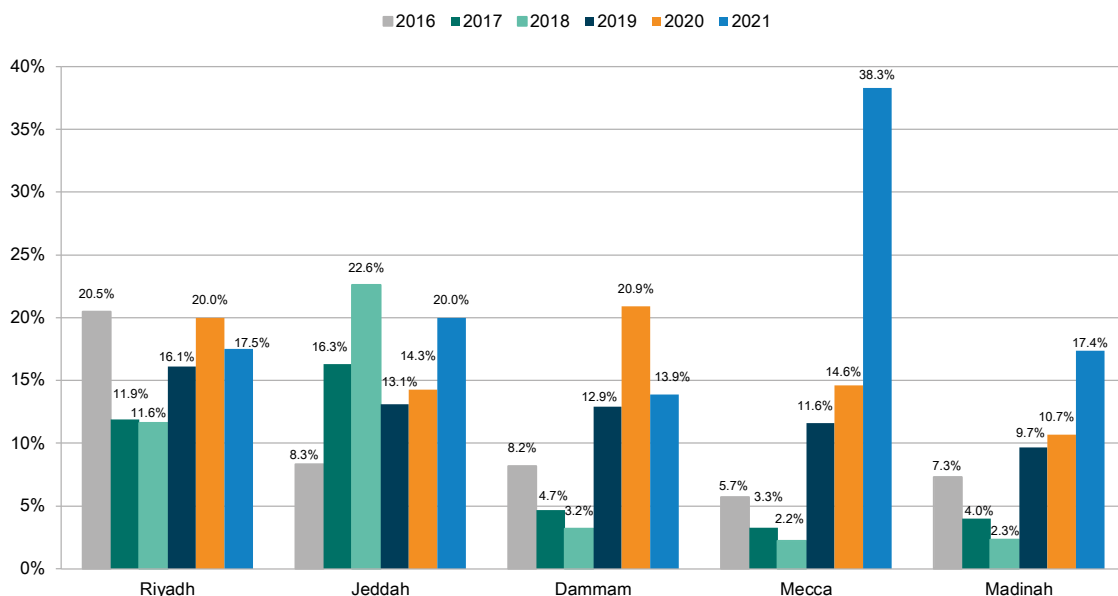
### 3.4 TEA rate in different regions of Saudi Arabia

The regions of Riyadh and Jeddah reported the highest TEA rate during the first 3 years of Saudi Arabia’s re-entry into the GEM study (2016–2018) (Figure 13). However, since 2019, targeted actions to promote entrepreneurship in other areas of the Kingdom have been bearing fruit in the form of significant increases in entrepreneurial activity beyond Saudi Arabia’s two main cities. Cases in point include Dammam in 2020 and Mecca and Madinah in 2021, where TEA rates have risen considerably.

These sudden changes are no coincidence. Rather, they can be seen as outcomes of all the activities, programs, and initiatives that the government has

undertaken during the last 3 years. It is particularly remarkable given that Mecca and Madinah were severely affected by COVID-19 as foreigners were not allowed to perform Hajj during 2020 and 2021. Even Umrah facilities were closed for several months, thus restricting economic activities for local businesses highly reliant on tourism. Nevertheless, these areas have been considered more entrepreneurial than those in other parts of the country for centuries, and as the Hajj and Umrah sectors fell on hard times, it is reasonable to assume that the population responded to these circumstances by embracing diversification and new initiatives as a means of ensuring their economic survival.

**Figure 13. Rates of entrepreneurship in the main regions of Saudi Arabia, 2016–2021**



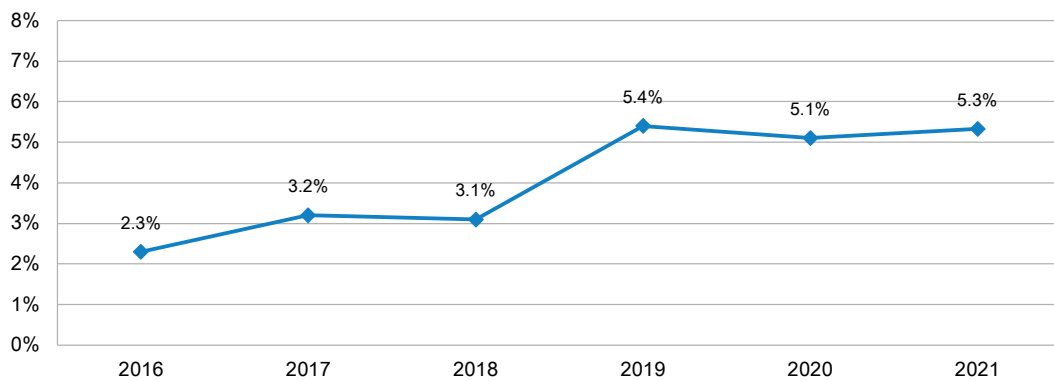
Source: GEM Kingdom of Saudi Arabia, 2016–2021



### 3.5 Established business ownership

The rate of established business ownership exhibited a promising trend for the period 2019–2021, after low levels were recorded for the previous 3 years (Figure 14). This may be due to a lagged effect of the country's prior increase in entrepreneurship rates. These findings suggest that entrepreneurs are reaching a mature phase with their businesses, perhaps due—at least in part—to the experience gained in entrepreneurship and business development and to the improvements made to the regulatory and business environment, including the government's steps to develop a strong business support system.

Figure 14. Rate of established business ownership in Saudi Arabia, 2016–2021



Source: GEM Kingdom of Saudi Arabia, 2016–2021

### 3.6 Exits and closures

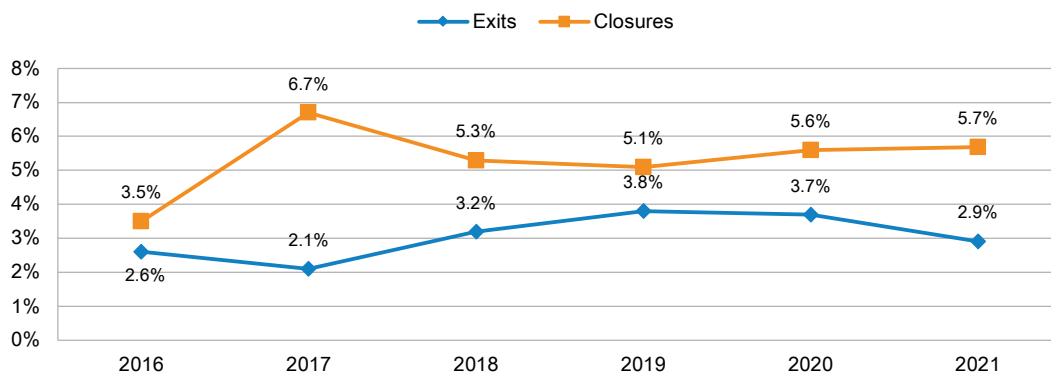
After a steep increase in the rate of business closures in 2017, this indicator began to stabilize in 2018 and remained reasonably constant in 2020 and 2021, suggesting that COVID-19 exerted little effect (Figure 15). Though some businesses did undoubtedly close during the pandemic, the stability exhibited in the closure rate implies that entrepreneurs may be more firmly anchored in the market and have more resources to combat crises than was previously the case. Government measures to tackle the economic consequences of the crisis and to support entrepreneurship likely helped to achieve this outcome. At the same time, some business closures should be expected in an economy where individuals are willing to take a chance at entrepreneurship, amid all the associated uncertainty and various challenges they may face, along with the risk that their ventures may not work out.

The rate of business transfer, where one exits a business and it continues in other hands, decreased slightly in 2021. More than 40% of those transferring businesses in 2021 intended to start another one in the future, from which we might conclude that some transfers are made for profit and beneficial for the market in that the businesses continue



operating while their original founders ponder new projects. It also illustrates the serial nature of entrepreneurship, where people are willing to venture into entrepreneurship again, applying some or most of the knowledge, resources, and connections gained in their earlier efforts.

Figure 15. Business exit and closure rates in Saudi Arabia, 2016–2021



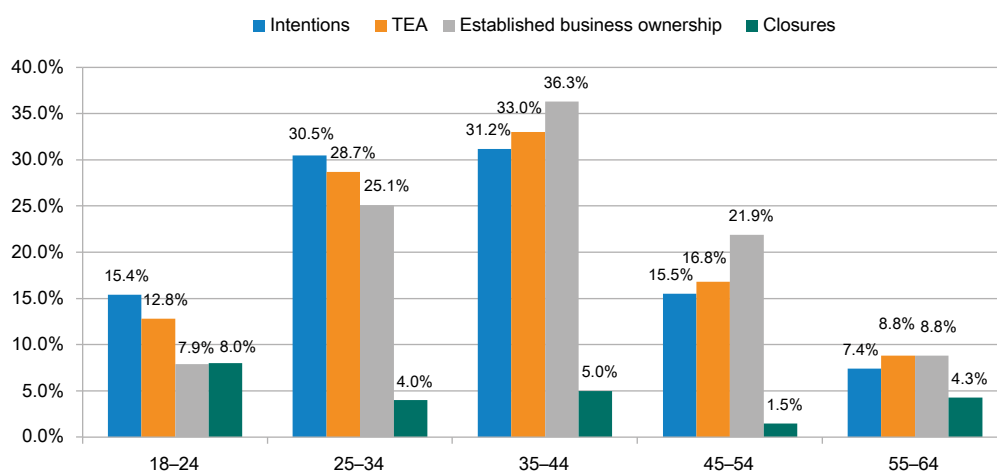
Source: GEM Kingdom of Saudi Arabia, 2016–2021

### 3.7 Age

Almost 70% of the Saudi population is under 30 years of age, making it much younger on average than those of most developed countries participating in GEM. One might wonder how many of these young people are aware of business development services and financing opportunities and how many of them have the skills required to start ventures in emerging sectors such as tourism, fintech, and technology; indeed it is individuals in mid-career, aged 35–44, who showed highest rates of participation across all phases of business activity in 2021 (Figure 16). While their younger counterparts may have creative energy and less to lose at the start of their careers, those in mid-career can leverage their experience, resources, connections, and credibility for their ventures. Still, that people of all ages are participating in every phase shows the broad accessibility and appeal of entrepreneurship in Saudi Arabia.



Figure 16. Age distribution for intentions, TEA, established business ownership, and closures in Saudi Arabia, 2021



Source: GEM Kingdom of Saudi Arabia, 2021

# Chapter 4 Entrepreneurship and social and environmental sustainability

Since the launch of the United Nations 2030 Agenda and its 17 Sustainable Development Goals, there has been an increased focus the world over on how entrepreneurship can contribute to the achievement of those objectives. In light of this, in 2021 GEM for the first time analyzed entrepreneurship from the perspective of its contribution to global sustainability efforts. Initial responses to the newly included questions on sustainability indicate that the dissemination of the 2030 Agenda has increased the Saudi population’s knowledge about developing sustainable economic activities that are respectful of the environment and include a marked social commitment. However, the GEM data also indicate that the percentage of entrepreneurs taking effective measures to achieve these objectives in their businesses remained low in the year under study.

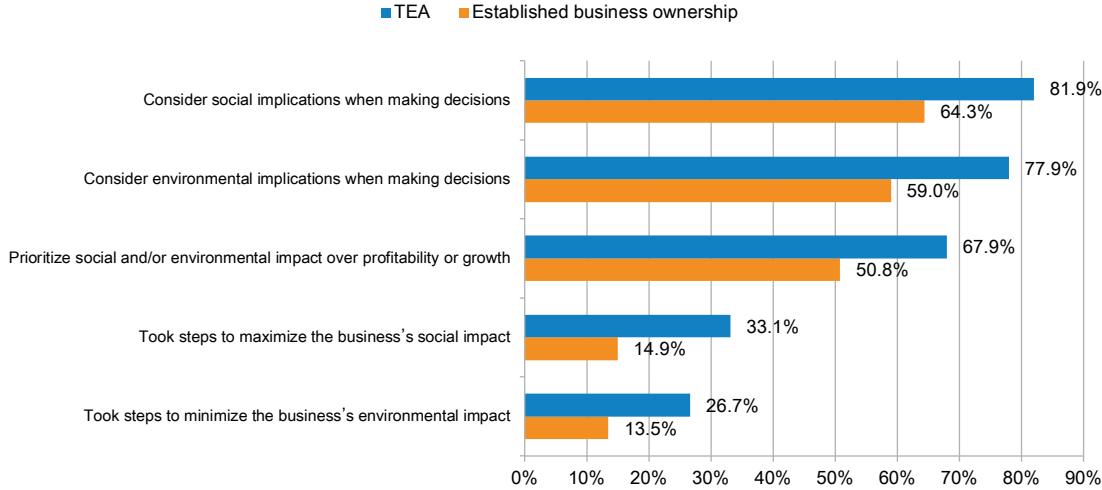
A large proportion of Saudi entrepreneurs and established business owners paid attention to social issues such as

access to education, health, safety, inclusive work, housing, transportation, and quality of life at work when making decisions about the future of their businesses in 2021 (Figure 17). They also considered environmental implications such as preservation of green areas, reducing emissions of pollutants and toxic gases, selective garbage collection, and conscious consumption. Such concerns featured even more highly on the agenda of entrepreneurs than on that of established business owners.

It is worth noting that industry sector involvement can play an important role with regard to sustainability. For example, Saudi Arabian entrepreneurship has in recent years shifted its predominant focus from transforming to consumer-oriented sectors. In the former, there are many large, well-established players and more complex environmental issues to deal with, resulting in a higher level of environmental involvement, which is less applicable to consumer businesses.



Figure 17. Social and environmental behavioral dimensions among entrepreneurs and established business owners in Saudi Arabia, 2021

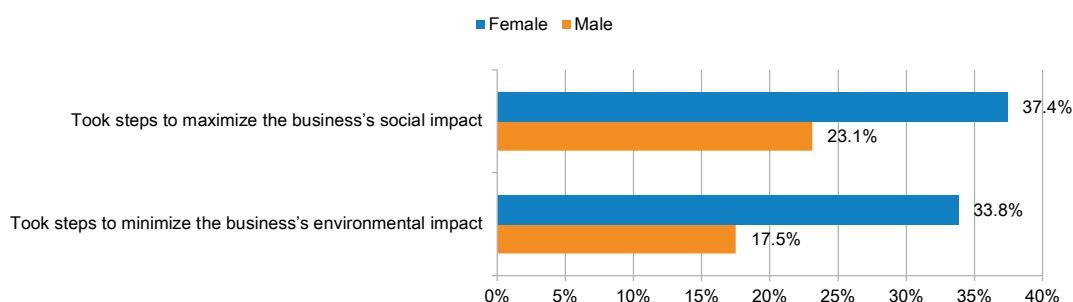


Source: GEM Kingdom of Saudi Arabia, 2021

Good intentions do not always translate into positive behaviors, however. When it came to prioritizing the social and/or environmental impact of their businesses over profitability or growth, the rates were lower, especially in the case of established business owners. That was particularly so with regard to the proportion of business owners who reported having taken steps to minimize their businesses' environmental impact or maximize their social impact over the past year. Entrepreneurs were about twice as likely as established business owners to act in ways that were socially and/or environmentally responsible.

Gender, age, and motivation also came into play here. First, women appeared to be more likely than men to take action on social or environmental concerns in Saudi Arabia in 2021. Prior research has shown that women are more likely than men to run social enterprises and show greater sensitivity to social and environmental issues.<sup>2</sup> The GEM 2021 data corroborate this in the case of Saudi Arabia (Figure 18). The fact that there is no difference in their thinking relates to social acceptability. Although both men and women think it is right to say they care about social/environmental causes, the results here suggest that women are more likely to act accordingly.

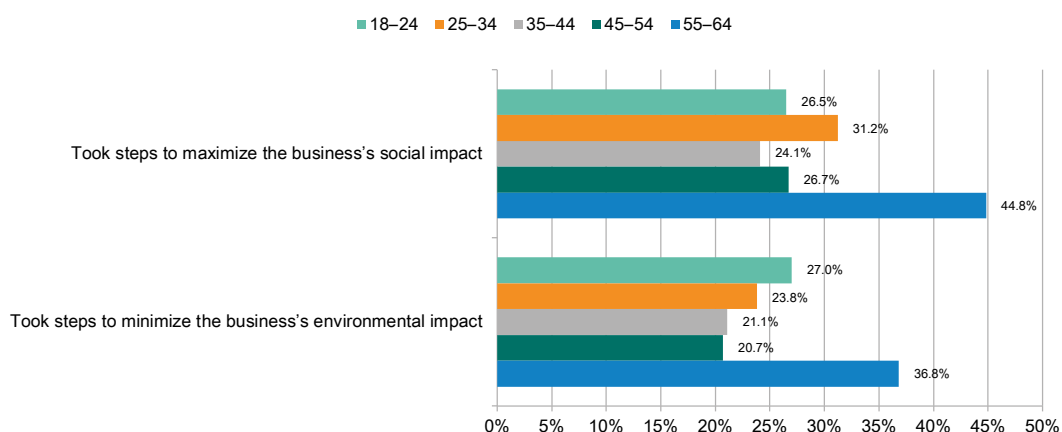
**Figure 18. Social and environmental behavioral dimensions among entrepreneurs and established business owners by gender in Saudi Arabia, 2021**



Source: GEM Kingdom of Saudi Arabia, 2021

Second, senior entrepreneurs and established business owners tended to take more active steps on social and environmental issues than other age groups (Figure 19). Possible reasons for this could be their wider experience, a deeper knowledge of regulations and changes, and better access to resources. Industry sector may also be a relevant variable.

**Figure 19. Social and environmental behavioral dimensions among entrepreneurs and established business owners by age group in Saudi Arabia, 2021**



Source: GEM Kingdom of Saudi Arabia, 2021

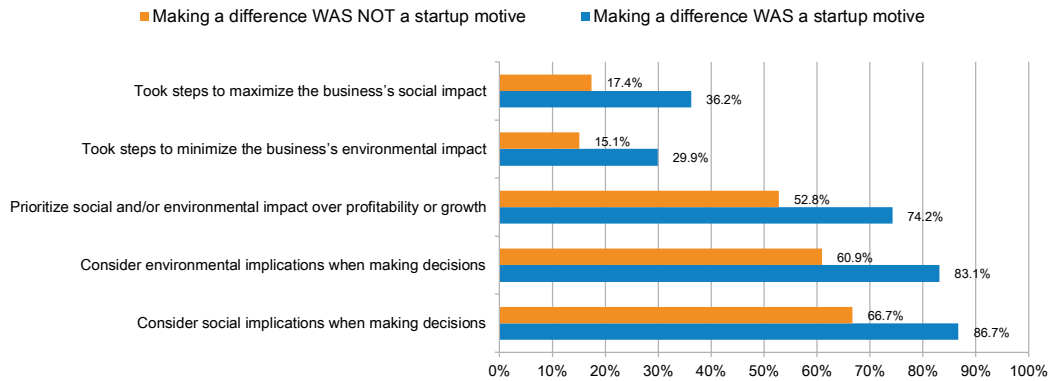
<sup>2</sup> Louise Chawla, "Significant Life Experiences Revisited: A Review of Research on Sources of Environmental Sensitivity," *The Journal of Environmental Education* 29, no. 3 (1998): 11-21. <https://doi.org/10.1080/00958969809599114>; Anja Kollmuss and Julian Agyeman, "Mind the Gap: Why Do People Act Environmentally and What Are the Barriers to Pro-environmental Behavior?" *Environmental Education Research* 8, no. 3 (2002): 239-60. <https://doi.org/10.1080/13504620220145401>; M. A. Vicente Molina, A. Fernandez-Sainz, and J. Izagirre-Olaizola, "Does Gender Make a Difference in Pro-environmental Behavior? The Case of the Basque Country University Students," *Journal of Cleaner Production* 176 (2018): 89-98.



Third, those whose motivation in becoming entrepreneurs was “to make a difference in the world” were, perhaps not surprisingly, more active on social and environmental issues than those for whom this was not the case (Figure 20).



**Figure 20.** Social and environmental behavioral dimensions among entrepreneurs and established business owners by startup motivation in Saudi Arabia, 2021



Source: GEM Kingdom of Saudi Arabia, 2021



# Chapter 5 Impact characteristics

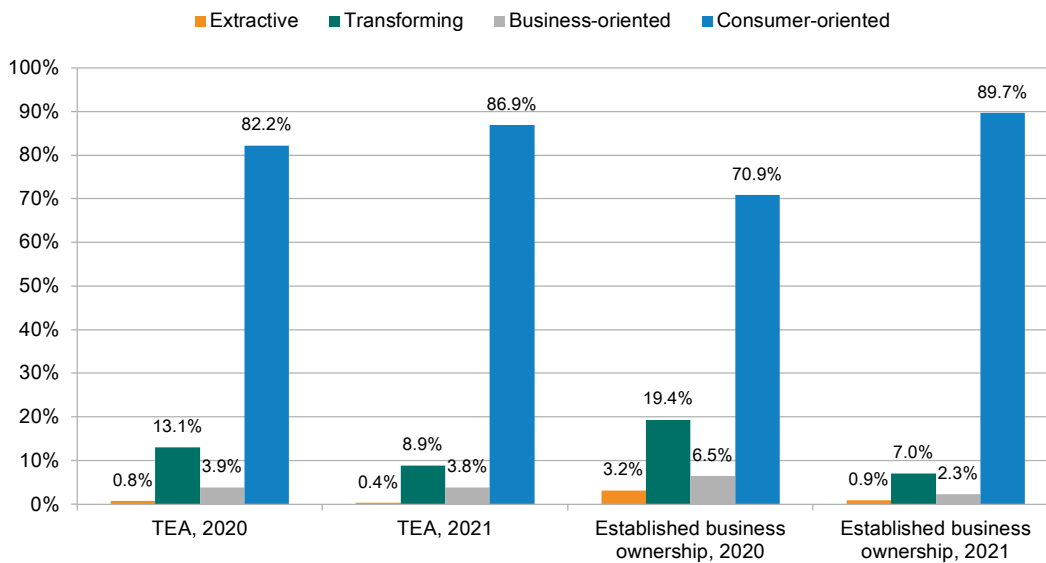
## 5.1 Industries

One of the most prominent characteristics of entrepreneurial activity in Saudi Arabia in recent years has been the dominance of the consumer-oriented sector, which flourished during the pandemic. On the other hand, activity in the other sectors decreased to even lower levels in 2021, possibly suggesting that the pandemic negatively affected these sectors to some degree.

To some extent, this contradicts one of the objectives of Vision 2030: diversification. GEM 2021 findings indicate that overall diversification was very low for both entrepreneurship and established business activity (Figure 21). There is a dire need to investigate the root cause of this orientation on the part of entrepreneurs, and efforts should be made to channel future entrepreneurial activities toward other sectors. Opportunities

in the extractive, transforming, and business services sectors need to be created, and both the private and public sectors should strive to ascertain whether they are accessible for potential entrepreneurs in terms of demand, costs, location, and other aspects.

Figure 21. Sector distribution of entrepreneurship and established business activity in Saudi Arabia, 2020–2021



Source: GEM Kingdom of Saudi Arabia, 2020–2021

## 5.2 Current and expected employment

One consequence of the concentration of entrepreneurial activity in the consumer-oriented sector is that most businesses in Saudi Arabia fall into the categories of micro-enterprise or small business; they therefore provide fewer current jobs and their potential to create

further positions is limited. In 2021, the median number of positions offered by entrepreneurs was two and by established business owners three, and these groups were expected to create four and two additional jobs, respectively, in the coming 5 years.

It is worth adding that these patterns are not necessarily atypical of businesses worldwide. Many new ventures create at least a few jobs

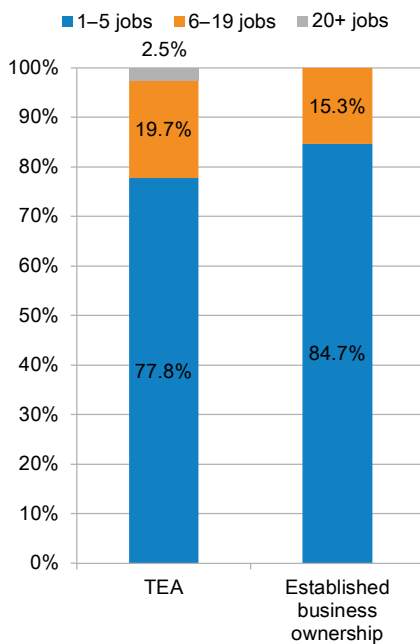
right away, but most businesses stay small for their entire life span. While some businesses do grow rapidly and/or substantially, in most economies they tend to be the exception, with a handful of entrepreneurs creating the vast majority of jobs.

It should be emphasized that entrepreneurs typically have not yet done substantial hiring as they are still getting their businesses up and

running, and as Figure 22 indicates, most entrepreneurs have five or fewer employees in these early stages. Still, it is notable that some have already hired more than that and, as Figure 23 shows, 51% projected that they would create more than five additional jobs in the next 5 years. While this result warrants some caution due to the fact that entrepreneurs are often overly optimistic, it is nonetheless important to have ambitious entrepreneurs, given that those who have grown their businesses are likely to have had these aspirations previously.

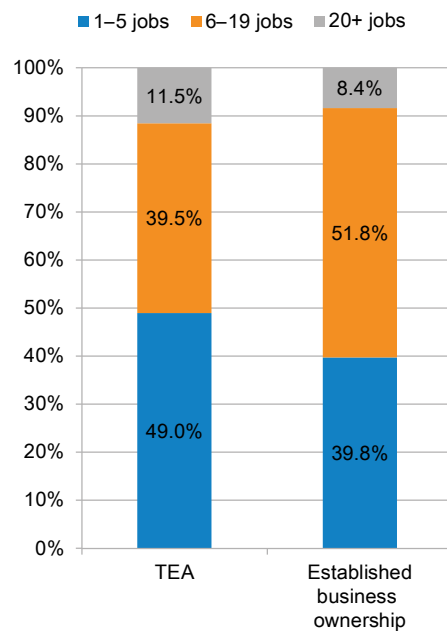
Established business owners, being beyond their early startup years, nonetheless appear to have either stayed small or contracted. However, the results show at least moderate hiring plans, with 60% projecting to add more than five new employees in the next 5 years. Although this may reflect a degree of optimism, especially given that some growth plans might have been put on hold or even reversed during the pandemic, not to mention future uncertainty, established business owners are at a more mature stage and may have more history and information on which to base their estimates.

**Figure 22. Number of employees by stage of entrepreneurship in Saudi Arabia, 2021**



Source: GEM Kingdom of Saudi Arabia, 2021

**Figure 23. Job creation expectations for the next 5 years by stage of entrepreneurship in Saudi Arabia, 2021**



Source: GEM Kingdom of Saudi Arabia, 2021



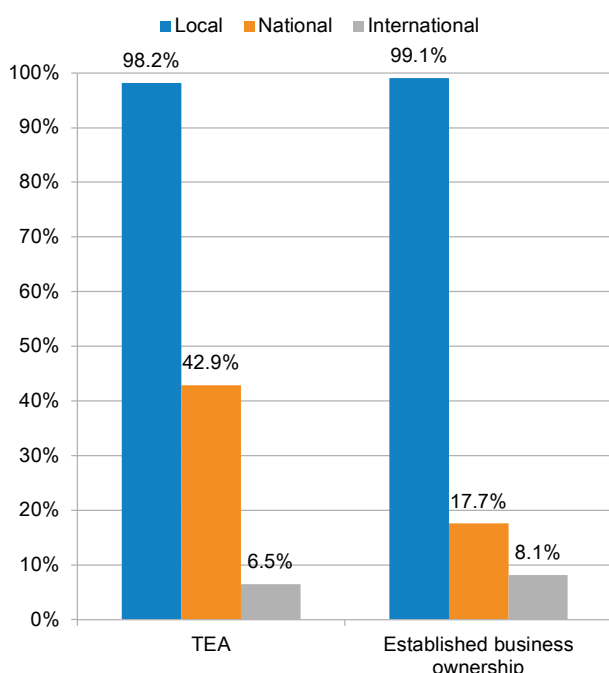


### 5.3 Market scope

Precisely because they were consumer-oriented in nature, most Saudi Arabian businesses were limited to local and national markets in 2021, regardless of the stage of entrepreneurship that they had reached (Figure 24). Large-scale export activity did occur in

the oil and gas sector in Saudi Arabia, but this was the exception rather than the rule, and extractive businesses account for a negligible proportion of entrepreneurship and established business activity. However, it is noteworthy that there were some entrepreneurs and established business owners selling internationally.

**Figure 24.** Market scope for businesses in Saudi Arabia by stage of entrepreneurship, 2021



Source: GEM Kingdom of Saudi Arabia, 2021

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

Most entrepreneurs in Saudi Arabia (88%) were not deemed innovative in 2021. Although some had innovative offerings at the local (9.3%) or national (2%) level, very few introduced products or services that were new to the world (0.5%). Given the size and consumer orientation of most Saudi Arabian businesses, innovation is not typically the basis for their competitiveness, and they do not have the human resources needed to innovate. Some are perhaps local innovators, offering new products or services invented by others with little development efforts from the entrepreneurs themselves. If Saudi Arabia wants to increase this component of entrepreneurial activity, it will need to promote more diversified and growth-oriented businesses.

One key to the promotion of innovation in products, technologies, and processes may lie in entrepreneurship education and training, which must be provided specifically for professionals and students by science, technology, and engineering universities. Special emphasis needs to be placed on teaching skills around creativity and innovation, the creation of multidisciplinary entrepreneurial teams, and the search for opportunities in all kinds of sectors—from art to agriculture and from literary creation to the development of digital technologies. Other entrepreneurial ecosystem factors will also play key roles; examples of these are value chain networks where, for instance, large companies can buy from or supply smaller or newer businesses, and the availability of financial capital appropriate for the stage and nature of innovative activity.



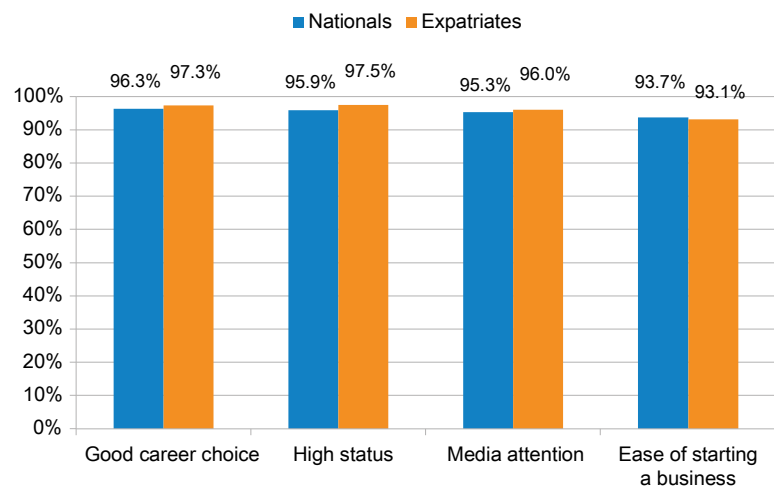


# Chapter 6 Entrepreneurship by origin

Several countries encourage non-nationals to establish and develop businesses within their borders and thereby reap the benefits of expatriates' creativity, innovation, and diversification to develop their economies. Until recently, non-nationals were not allowed to start their own businesses in Saudi Arabia because of its protective policies and regulations. In the past 2 years, however, the government began allowing them to start, own (under certain conditions), and manage businesses in the country. This prompted GEM to begin collecting and analyzing data disaggregated by entrepreneurs' origins with a view to comparing Saudi nationals and non-nationals in terms of culture and entrepreneurial activity. This information may inform policymakers' decision-making when drafting and implementing future regulations and policies for expatriate entrepreneurs.



**Figure 25. Societal attitudes toward entrepreneurship among nationals and expatriates in Saudi Arabia, 2021**



Source: GEM Kingdom of Saudi Arabia, 2021

## 6.1 Societal attitudes

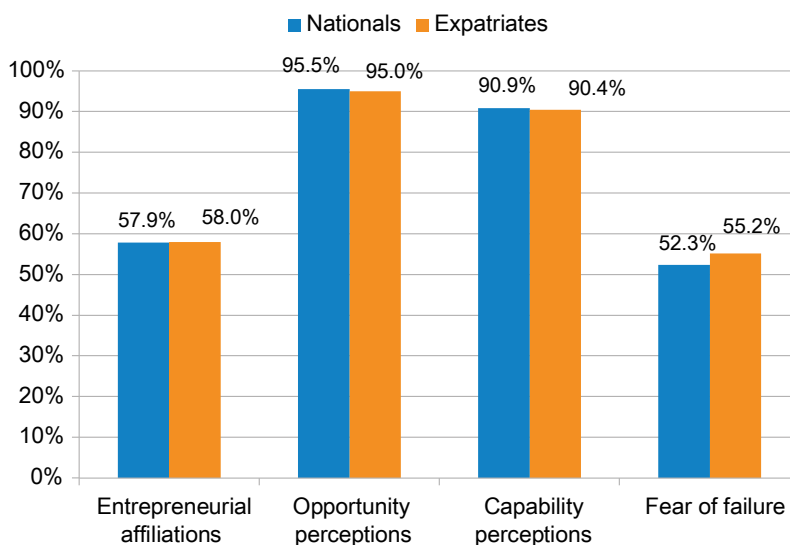
A comparison of societal attitudes toward entrepreneurship reveals virtually no differences between nationals and expatriates in Saudi Arabia in 2021 (Figure 25). Expatriates and Saudi citizens were equally inclined toward entrepreneurship as a preferred career choice and had similar beliefs about its high status and media attention. This suggests that the type of people who were entering Saudi society from other countries had a solid and deep-rooted cultural inclination toward and support for entrepreneurship, which is conducive to the development of entrepreneurial activity in the country.

In addition, business-friendly regulations allowing expatriates to start, own, and manage businesses in the country seemed to be recognized in their perceptions about the ease of starting a business. These policies are essential for the country's economic and social development. Efforts on the government's part to make doing so straightforward, expeditious, and hassle-free appear to benefit both nationals and expatriates.

## 6.2 Affiliations and self-perceptions

It is surprising to observe that the data reveal hardly any differences between nationals and expatriates when comparing their affiliations and perceptions (Figure 26). If anything, expatriates feared failure slightly more than nationals in 2021, which might suggest they perceived a little more risk associated with starting a business, although the difference was marginal. These findings highlight the readiness of expatriates for entrepreneurship thanks to their high capabilities, connections, and opportunity perceptions. This, in turn, speaks to the importance of incorporating expatriates into entrepreneurial activity in Saudi society as a positive step toward developing the country's business environment.

Figure 26. Entrepreneurial affiliations, opportunity and capability perceptions, and fear of failure among nationals and expatriates in Saudi Arabia, 2021



Source: GEM Kingdom of Saudi Arabia, 2021



## 6.3 Phases of entrepreneurship

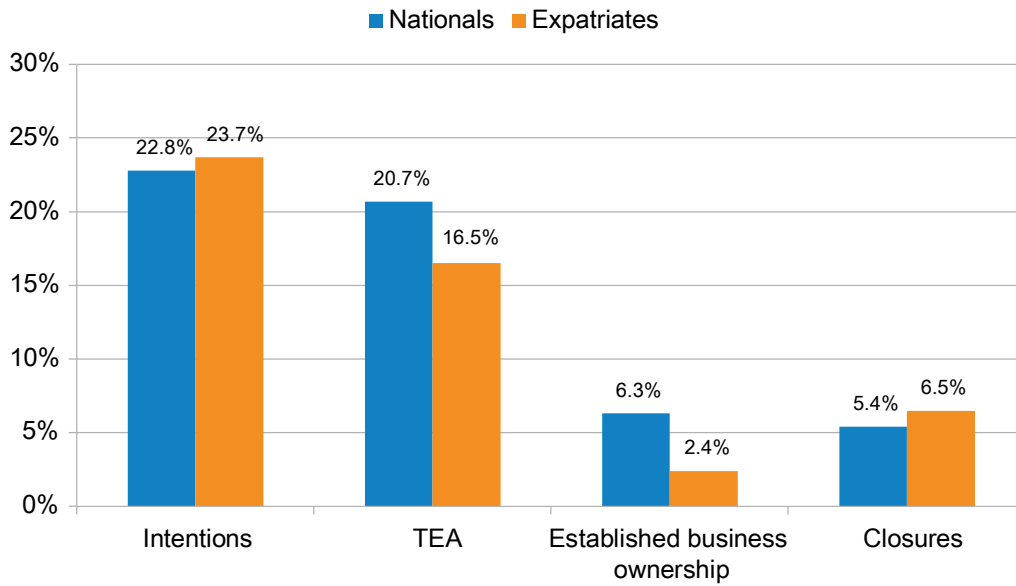
Conversely, there are significant differences between the participation of expatriates and nationals in the various phases of entrepreneurship (Figure 27). Expatriates were about equally likely as nationals to have entrepreneurial intentions in 2021. This suggests they see opportunities around them, perhaps with their different experiences and perspectives, and they intend to act on them. Additionally, entrepreneurship seems to be an attractive career option for them, consistent with their high affiliations and self-perceptions.

Expatriates were less likely to take action to transform these intentions into real-life activities, however. This may point to the social, regulatory, and resource-oriented difficulties (affecting access to financial, human, and social resources) that expatriates face in the startup process in Saudi Arabia. At the same time, there may be a time-lag effect here: If non-nationals have only recently been given the opportunity to embark upon their

own entrepreneurial journey, this may have prompted intentions that some have not yet translated into action.

Figure 27 also shows that the participation of expatriates in the established phase was significantly lower than that of nationals in 2021. A time lag could also be in play here, since these established business owners have been in business for more than 3.5 years. Future results will show whether prior activity has led to an increase in this mature stage or whether expatriates experience difficulties in remaining in the market, as might be suggested in the slightly, although not significantly, higher rate of closure exhibited here.

Figure 27. Participation in phases of entrepreneurship among nationals and expatriates in Saudi Arabia, 2021



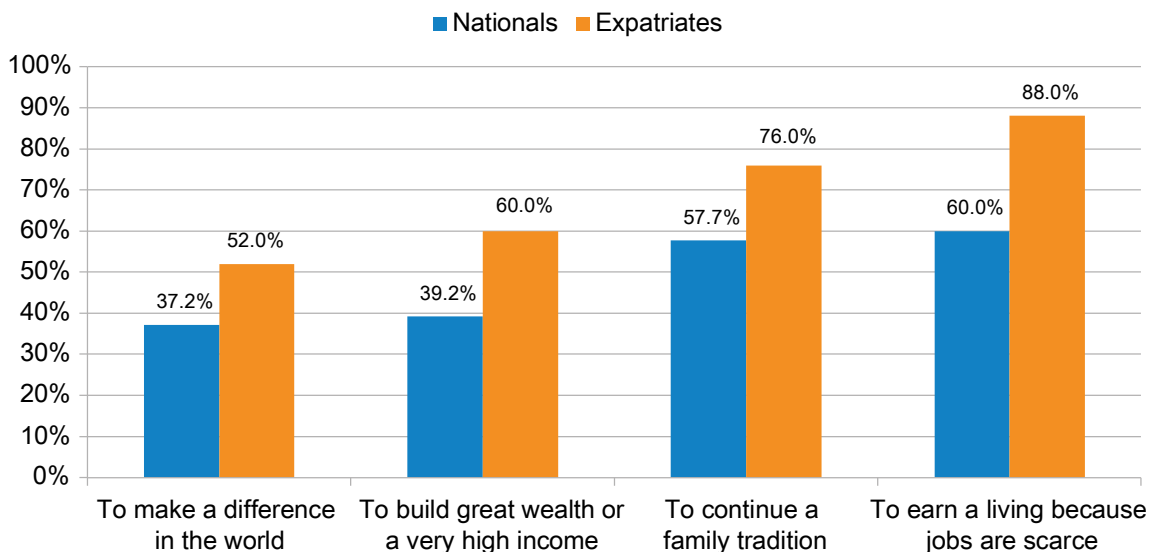
Source: GEM Kingdom of Saudi Arabia, 2021

Personal and family reasons were reported to be the most common explanations for the closure of businesses owned by expatriates in 2021, followed by a lack of profitability and finding other job opportunities. Interestingly, regulations did not appear to be a determining factor for such closures, while the pandemic and other causes were at a similar level to that reported for Saudi nationals.

The results also show that the vast majority of expatriates started their businesses out of necessity (88%, compared with 60% of locals; Figure 28), which explains why they often abandoned their businesses as soon as they found a stable and perhaps more lucrative job elsewhere. However, this may also suggest the uneven availability of jobs, or perhaps a mismatch between available jobs and

skills, further demonstrating the advantage of enabling people to create their own income-earning opportunities. Interestingly, family reasons also weigh heavily on the entrepreneurial ambitions of expatriates, revealing both the opportunity and support that working with family members can provide.

Figure 28. Startup motivations for national and expatriate entrepreneurs in Saudi Arabia, 2021

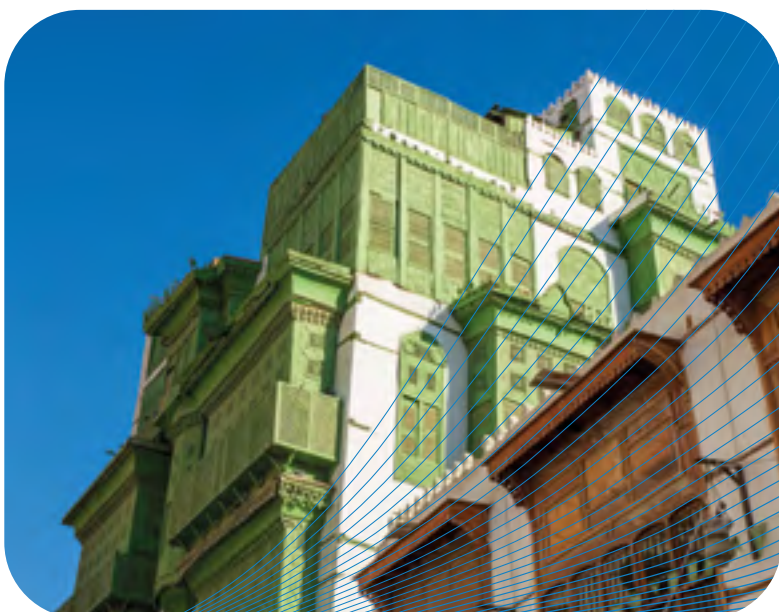


Source: GEM Kingdom of Saudi Arabia, 2021

The GEM 2021 data also reveal that, compared with nationals, expatriate entrepreneurs and established business owners had similar industry sector results: negligible presence in the extractive sector (1%) and dominance in the consumer sector. While international sales were not much different for expatriate entrepreneurs compared to national entrepreneurs (5% vs 7%), expat established business owners were more likely to be selling internationally (25% vs 6% for nationals). This seems to suggest that expatriate businesses in the entrepreneurial phase start in local and national markets and then expand their activities into other markets as they reach the established phase. We can therefore see the importance of expats in contributing to the country's international business activity; further research could explore whether this commerce occurs mostly in the geographic region or whether it is more globally expansive.

In terms of innovation, most expatriate entrepreneurs did not offer innovative products or services, but those who stated that they did more frequently offered locally innovative products, and at a greater level than Saudi citizen entrepreneurs (15% vs 8%). This was perhaps because expatriates were more likely to offer products related to, or based on, their countries of origin and which were novel for local markets. However, like nationals, expatriate entrepreneurs were rather unlikely to offer innovative products at the national level (2% for both) and hardly any did so on the international stage. Established business activity, as noted previously, was low among expatriates, and like nationals, the majority did not offer innovations, with only a few providing locally innovative offerings (7% vs 8% for nationals).

It seems, however, that expatriate entrepreneurs were more likely to incorporate technologies into their products or services that were new locally or nationally (15% vs 7% for nationals). Although still low, this disparity between the two groups suggests that expatriates may bring new technologies into use in Saudi Arabia. At the established phase, however, expatriate and national entrepreneurs were about equally likely to use technologies that were new locally or nationally (8% for both).

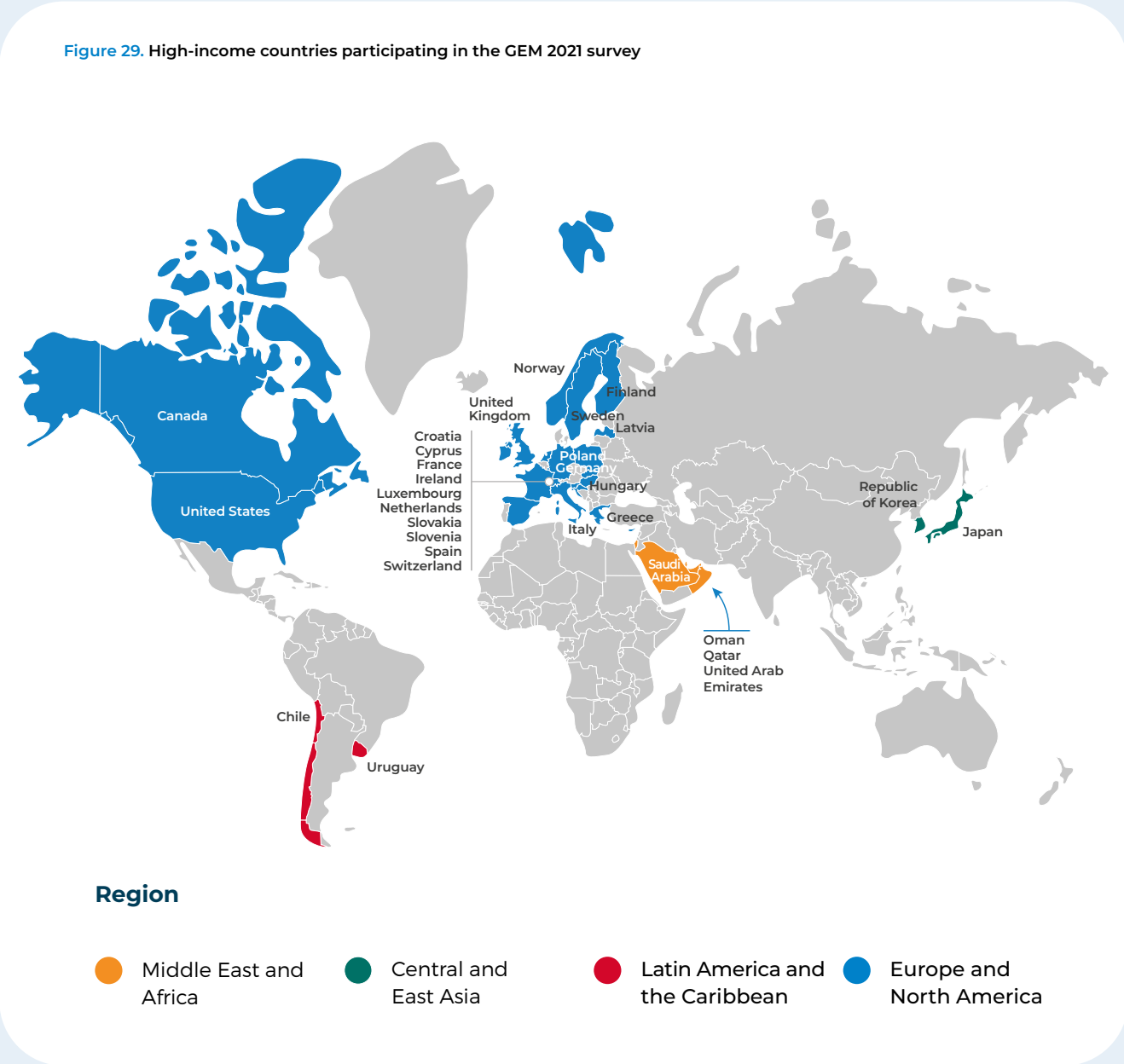




# Chapter 7 Comparison of high-income economies

The GEM study selects participating economies based on their income according to the World Economic Forum (WEF) classification.<sup>3</sup> The economies classified by the WEF as low income and lower-middle income are termed the “low-income group” for the purposes of GEM global and national reports. GEM’s “middle-income group” comprises the economies that WEF labels upper-middle income. The largest group of GEM economies by income level are those that WEF categorizes as high income (see Figure 29). Saudi Arabia is one of the high-income economies that participated in GEM 2021. This chapter compares GEM results for Saudi Arabia with its high-income peers.

Figure 29. High-income countries participating in the GEM 2021 survey

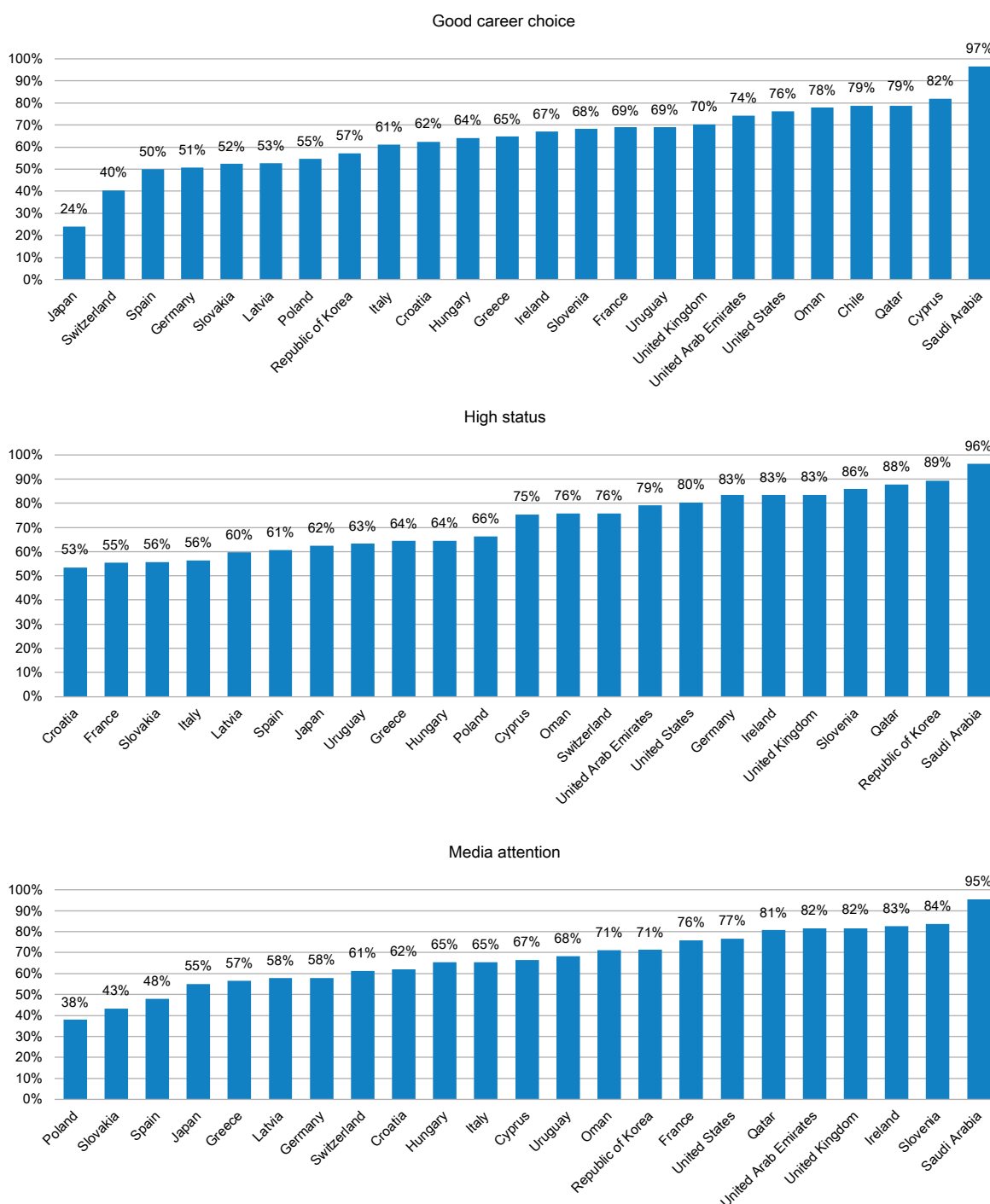


<sup>3</sup> World Economic Forum, *The Global Competitiveness Report 2018*, 2018, [www3.weforum.org/docs/CCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf](http://www3.weforum.org/docs/CCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf).

## 7.1 Societal attitudes

Saudi Arabia ranked first among the high-income economies participating in GEM in 2021 across all four societal attitude variables: whether entrepreneurship is perceived to be a good career choice, whether entrepreneurs are conferred high social status, whether entrepreneurship receives positive media attention, and whether starting a business is perceived as being easy (Figure 30). These rankings suggest that Saudi society has taken on board the government’s message about the need to diversify the country’s economy through entrepreneurial activity. It may also be the fruit of various initiatives that the government has launched in recent years to improve the context in which entrepreneurial activity takes place.

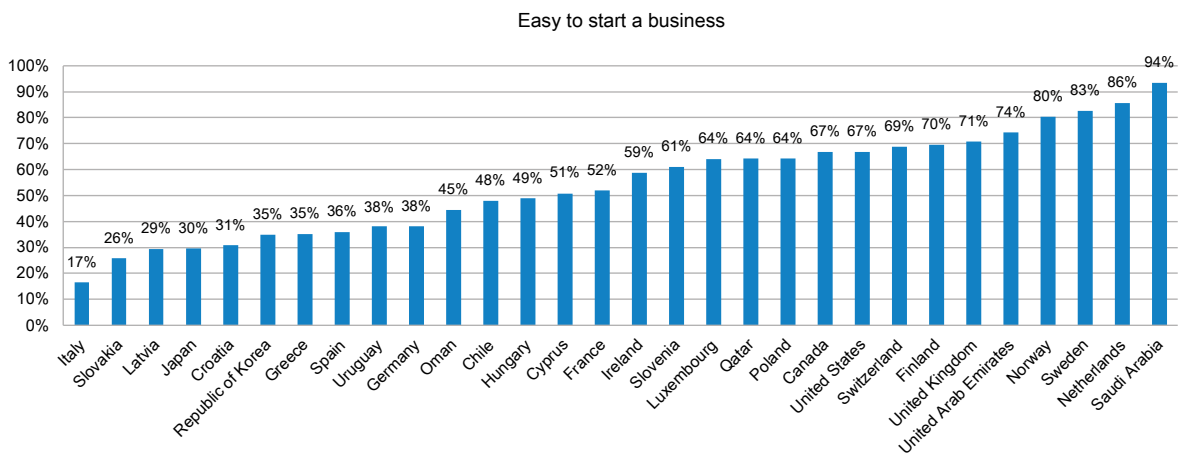
Figure 30. Societal attitudes toward entrepreneurship in high-income economies, 2021



Source: GEM, 2021



**Figure 30. Societal attitudes toward entrepreneurship in high-income economies, 2021 (continued)**

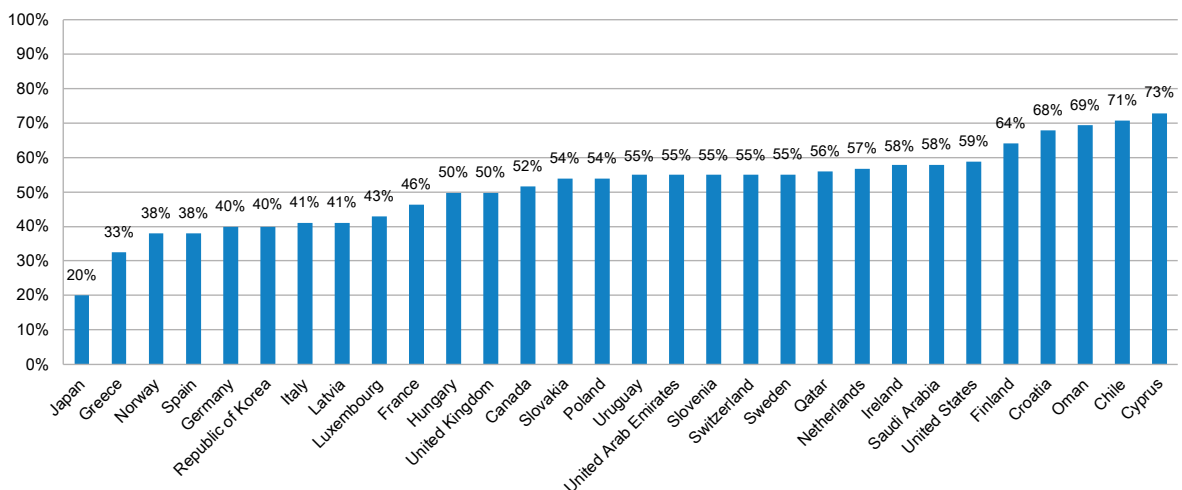


Source: GEM, 2021

## 7.2 Affiliations and self-perceptions

In terms of whether one knows an entrepreneur personally, Saudi Arabia is on par with the United States and Ireland, two countries regarded as highly entrepreneurial (Figure 31). These affiliations can provide inspiration and mentors for entrepreneurs, as well as involvement in their activities in such roles as co-founders, employees, board members, and value chain partners.

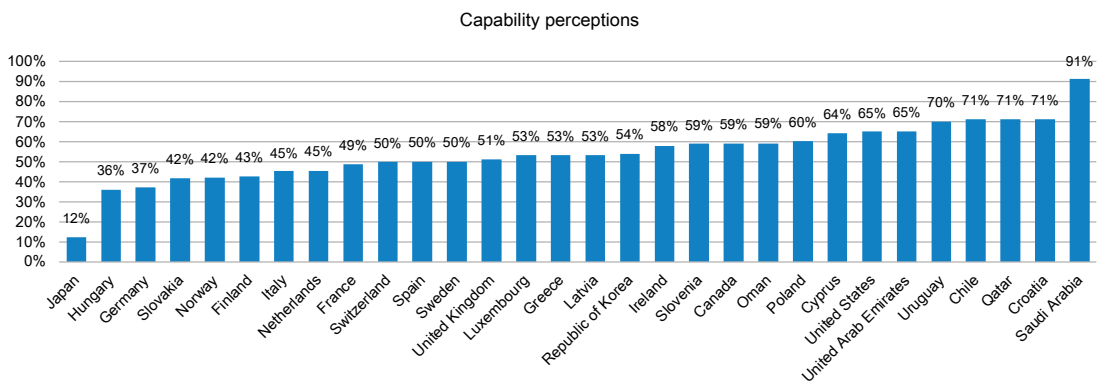
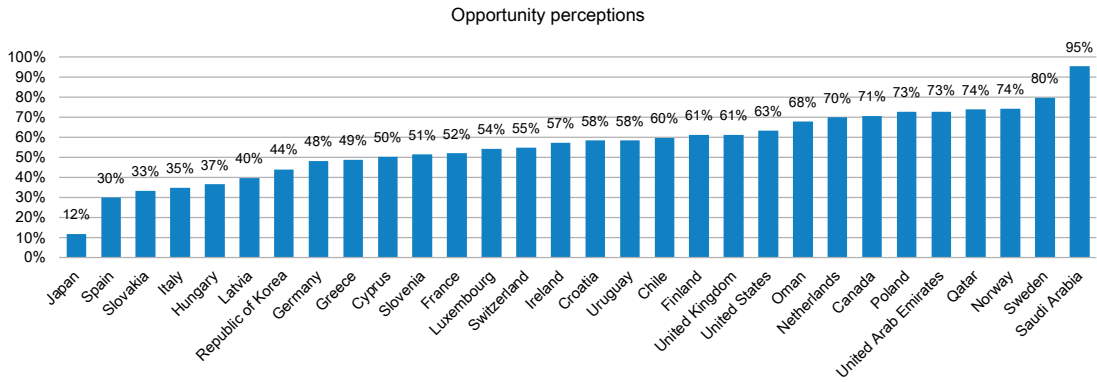
**Figure 31. Entrepreneurial affiliations in high-income countries, 2021**



Source: GEM, 2021

In terms of self-perceptions about seeing business opportunities and having capabilities for entrepreneurship, Saudi Arabia is once again in first position, showing the confidence and opportunity recognition that is prevalent across this society (Figure 32).

Figure 32. Opportunity and capability perceptions in high-income countries, 2021



Source: GEM, 2021

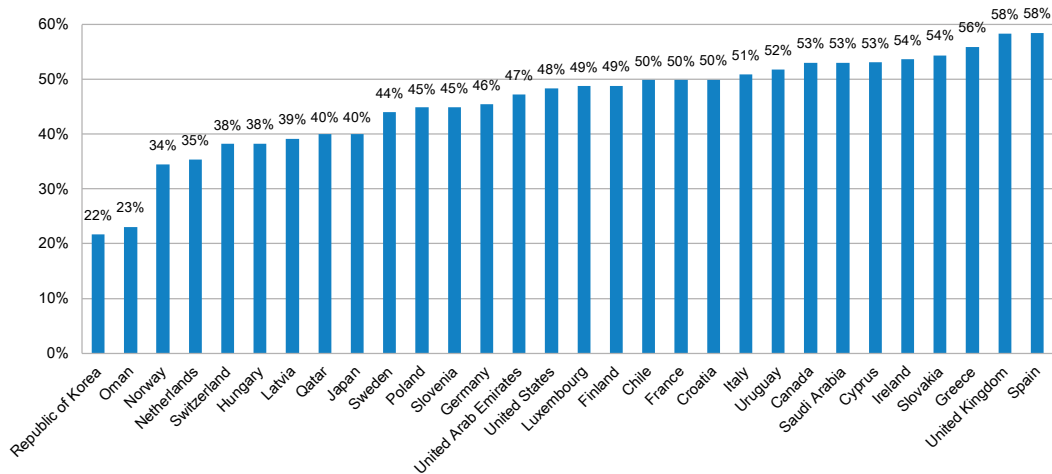
One issue that should not be neglected is fear of failure, which is a sentiment that is deeply rooted in Saudi Arabian culture in general (Figure 33). It should also be noted that in high-income economies, where other employment options exist, engaging in entrepreneurship involves significant opportunity cost in that one must often forgo a well-paid job to start a business that might or might not develop as envisaged.

Still, Saudi Arabia ranks among those countries where over half of people who perceive that there are good opportunities for starting a business would nonetheless decline to start one because of fear of

failure. An additional contributor mentioned previously in this report is the entrepreneur's personal liability for a failed business. Additionally, in some countries, there are job protections for employees that impose liabilities for entrepreneurs if they downsize or close their business and employees lose their jobs. Other inhibitors include how prospective employers view job applicants with failed businesses on their record: this is not only about the risk of leaving a perhaps promising career path but also about whether it would be possible following a failed attempt at entrepreneurship to re-enter the workforce at the same or a better level.



**Figure 33. Fear of failure among those seeing opportunities in high-income countries, 2021**



Source: GEM, 2021

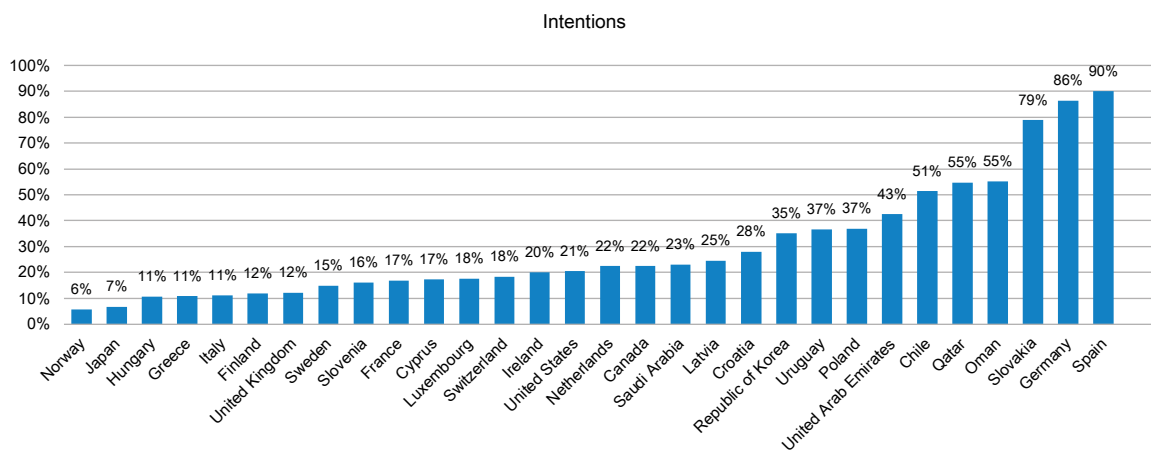
### 7.3 Phases of entrepreneurship

Saudi Arabia was one of the economies showing a low rate of entrepreneurial intentions in 2021 compared with other high-income economies (Figure 34). Intentions among the Saudi Arabian population dropped from 33% in 2020 to 23% in 2021. One possible reason for this could be the public sector’s heavy investment in several new projects and initiatives, which created high demand for capable and qualified local human resources. This could increase the opportunity cost of starting a business in Saudi Arabia over the next few years. In addition, the economic and social impact of COVID-19, as well as the uncertainty it brings, may increase risk perceptions and undermine willingness to consider future entrepreneurial endeavors.

Still, it is notable that some of the countries exhibiting the highest intentions are also those with the lowest TEA rates. Of course, there could be a time lag, meaning we might expect TEA to increase in subsequent years. But it also calls into question why so many people—in some cases the vast majority of citizens—state that they want to become entrepreneurs in these countries, but few actually do start businesses. Saudi Arabia is among those countries where there is a closer match between the two indicators, suggesting that intentions are a more accurate predictor of future TEA than in countries exhibiting a large disparity between the measures.

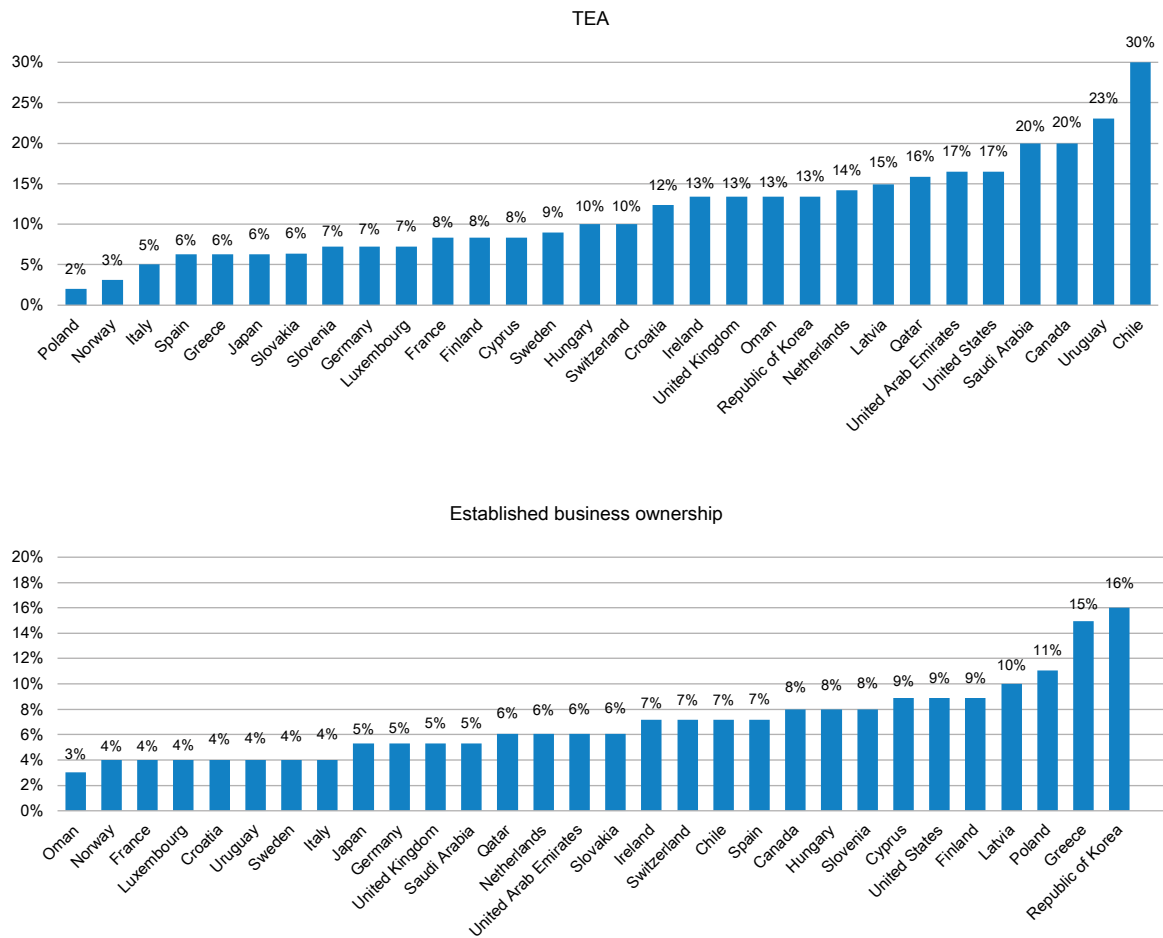
Additionally, despite the drop in intentions, the TEA rate continued to rise in Saudi Arabia in 2021. This illustrates the continuity of entrepreneurship amid adverse conditions during the pandemic and suggests that government actions and policies mitigated the negative effects of the pandemic on the business sector. The falling rate of entrepreneurial intentions could, however, lead this indicator to plateau in 2022.

**Figure 34. Phases of entrepreneurship in high-income countries, 2021**



Source: GEM, 2021

Figure 34. Phases of entrepreneurship in high-income countries, 2021 (continued)



Source: GEM, 2021

The situation facing established businesses is rather different. Established business ownership was previously low in Saudi Arabia, and although it is now rising, the country remains toward the lower end of the group. High-income economies are usually better able to support higher levels of established business ownership relative to TEA than low-income economies because entrepreneurs are better able to keep their businesses going in favorable environments. In some countries, though, established business ownership always sits at a lower level than TEA. This could reflect business volatility, which has recently been compounded by the effects of the pandemic.



AFZAL KHAN MAHEEN / Shutterstock.com

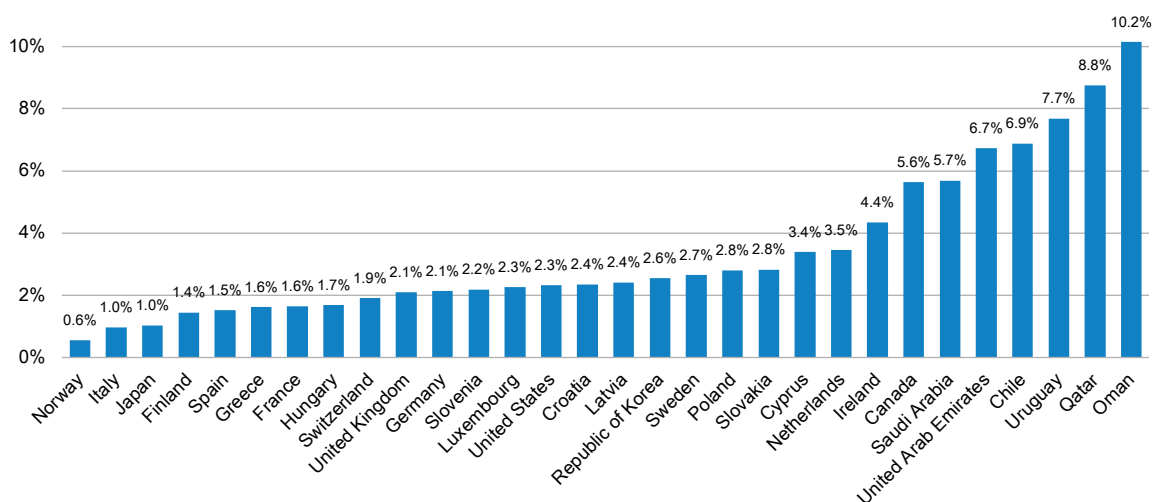
## 7.4 Closures

Saudi Arabia's low rate of established business activity, relative to both its own TEA rate and the established business rates of other developed economies, indicates possible concerns with business sustainability when examined in conjunction with business closure rates (Figure 35). However, higher business closures could reflect the country's moderately high startup rates. For there to be a sufficient number of entrepreneurs in any economy, people must try their hand at starting a business on the understanding that some will fail. Established business rates have increased in recent years, and the increase in the TEA rate may continue to be reflected in growing mature business activity.

Yet it is also worth addressing business sustainability by focusing on the elements that lead an entrepreneur to have the willingness and ability to take their ventures forward into maturity. These may include a range of factors that not only develop and support entrepreneurs but also reduce the barriers they face along their entrepreneurial journeys. It is also important to note that an overemphasis on consumer-oriented businesses could be an issue, to the extent that these businesses are often characterized by low margins and crowded with competitors. Low innovation levels and a local market focus can also indicate challenges with maintaining competitiveness.



Figure 35. Business closure rate in high-income countries, 2021



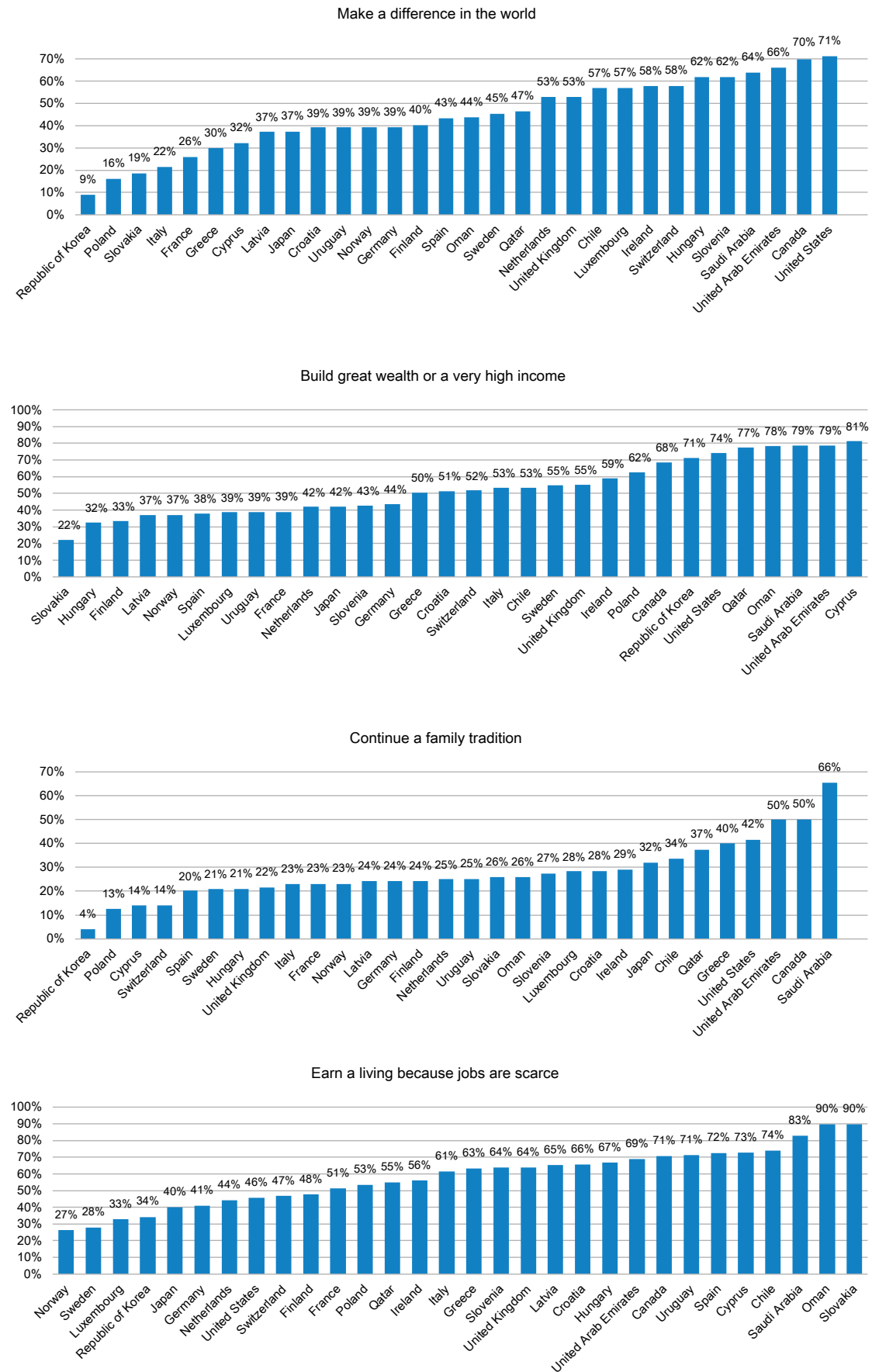
Source: GEM, 2021

## 7.5 Motivations

Among the four motivations that the GEM 2021 data identified for starting a business, Saudi Arabia rated comparatively highly in all, with especially high results for "continuing a family business/tradition" relative to the other developed countries (Figure 36).



Figure 36. Startup motivations among entrepreneurs in high-income countries, 2021



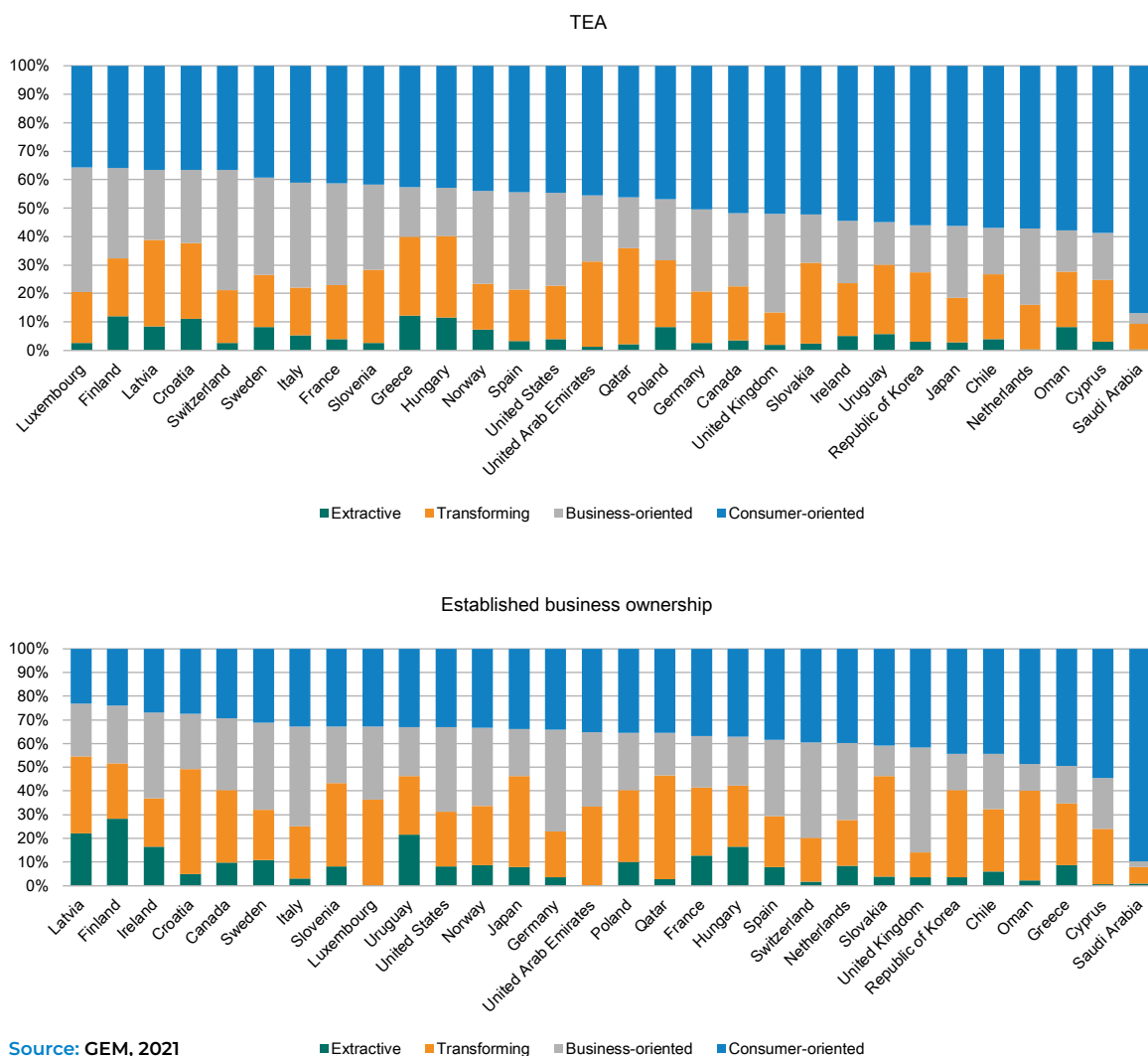
Source: GEM, 2021



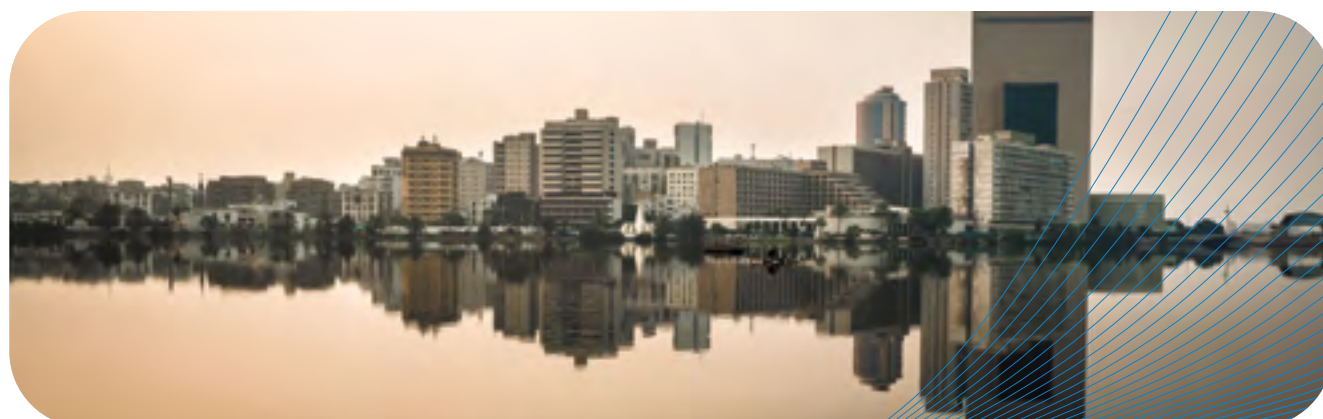
## 7.6 Sectoral distribution

A comparison of the sectoral distribution of Saudi Arabian businesses with that of other high-income countries clearly shows the extent to which both entrepreneurs and established business owners were concentrated in the consumer-oriented sector in Saudi Arabia in 2021 (Figure 37). Vision 2030 emphasizes diversification and encourages entrepreneurial activity and thinking across multiple sectors. The current situation could be one for policymakers to investigate and act upon.

**Figure 37.** Industry sector distribution for entrepreneurship and established business ownership in high-income countries, 2021



Source: GEM, 2021



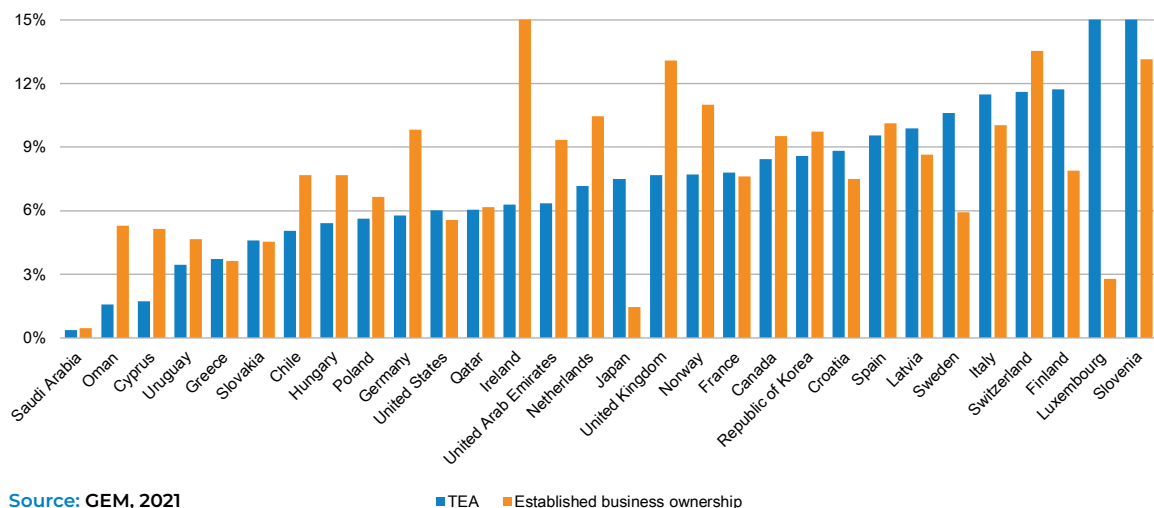


## 7.7 Medium- and high-technology sector

The near dominance of consumer businesses in their activities means that Saudi entrepreneurs also maintain only a limited presence in technology sectors (Figure 38). In light of the country's ambitious plans for the next decade and beyond, it should craft strategies to correct this deficit and achieve greater alignment of its entrepreneurial activities in the technology sector with those of other high-income economies. A comparison of high-income economies in the region shows that neighboring countries such as Qatar and the United Arab Emirates have achieved a better balance in terms of the participation of entrepreneurs and established business owners in the medium- and high-technology sectors.

In Saudi Arabia, technological innovation is being pursued only in large corporations; the country must develop an environment with favorable conditions for SMEs to participate more effectively in other sectors. Public-sector support is critical for achieving this goal, just as it was needed to develop and create an entrepreneurial ecosystem, favorable regulations, and swift and uncomplicated access to resources over the last decade. The goal of these steps has been to intensify general social support for entrepreneurship.

**Figure 38.** Participation in medium- and high-technology sectors among entrepreneurs and established business owners in high-income countries, 2021



Source: GEM, 2021

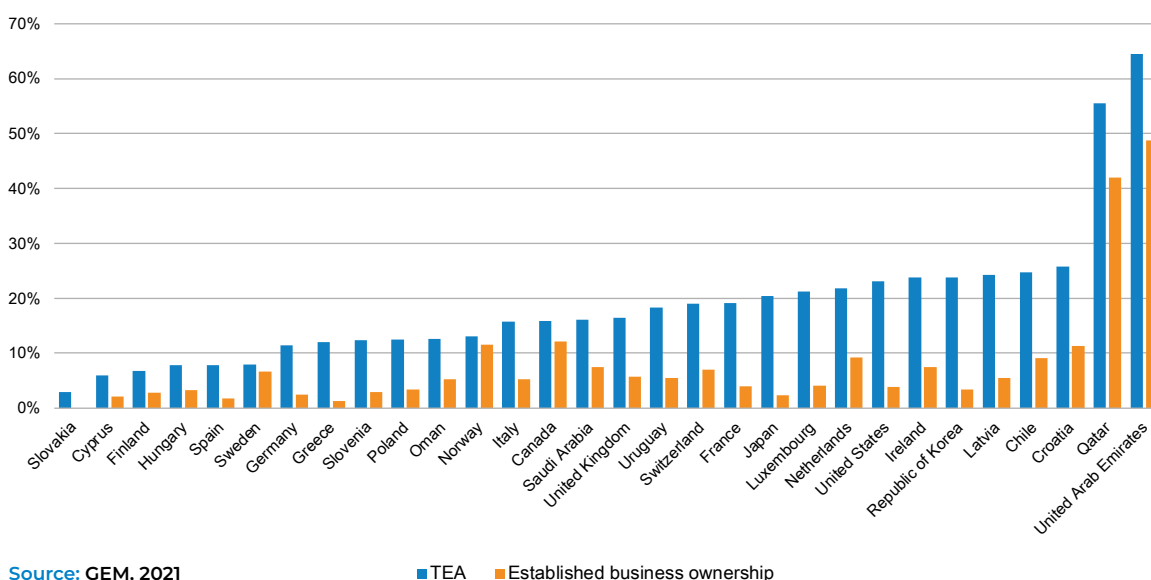
■ TEA ■ Established business ownership

## 7.8 Job creation expectations

Expectations of job creation through entrepreneurial activity were quite moderate across almost all high-income economies in 2021, including Saudi Arabia (Figure 39). The only two exceptions to this were Qatar and the United Arab Emirates.

In Saudi Arabia's case, this can be explained by the concentration of entrepreneurial activities in the consumer-oriented sector which, combined with low innovation and a local emphasis, gives rise to mostly micro-enterprises that create few jobs. Diversification of entrepreneurial activity plays a crucial role in job creation, and the effects of this lack of diversity on employment can be seen in Saudi Arabia.

**Figure 39.** High job creation expectations (10+ new jobs and a 50%+ increase in 5 years) among entrepreneurs and established business owners in high-income countries, 2021



Source: GEM, 2021

■ TEA ■ Established business ownership

## 7.9 Market scope

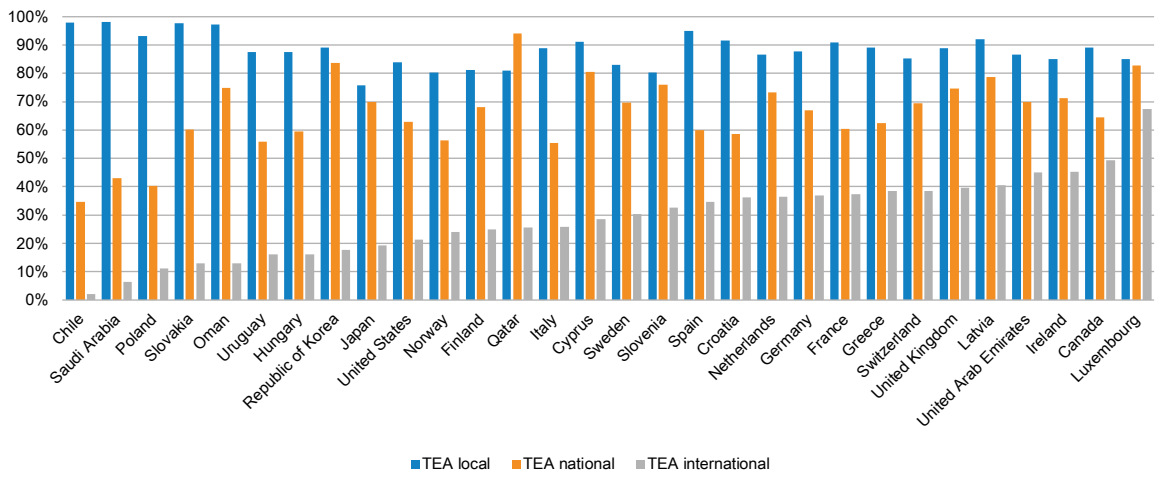
The need for diversification becomes even more obvious when looking at the GEM 2021 findings on market scope for Saudi Arabia compared with other high-income countries. The rankings shown in Figure 40 confirm that the prevalence of small-scale, consumer-oriented entrepreneurship limited the scope of the market for entrepreneurial activity, which mostly existed at the local level, with some national presence but negligible international activity.

There are many factors that contribute toward a country's international reach. Size can make a difference. For example, Luxembourg and Ireland have relatively small populations, and many businesses would need to look outside of these markets to stay competitive. Trade can also be affected by factors such as proximity, similar languages and cultures, and ease of travel and transport between countries. Additionally, businesses in countries with strong legal practices that enable the enforcement of contracts and intellectual property, for example, need to ensure

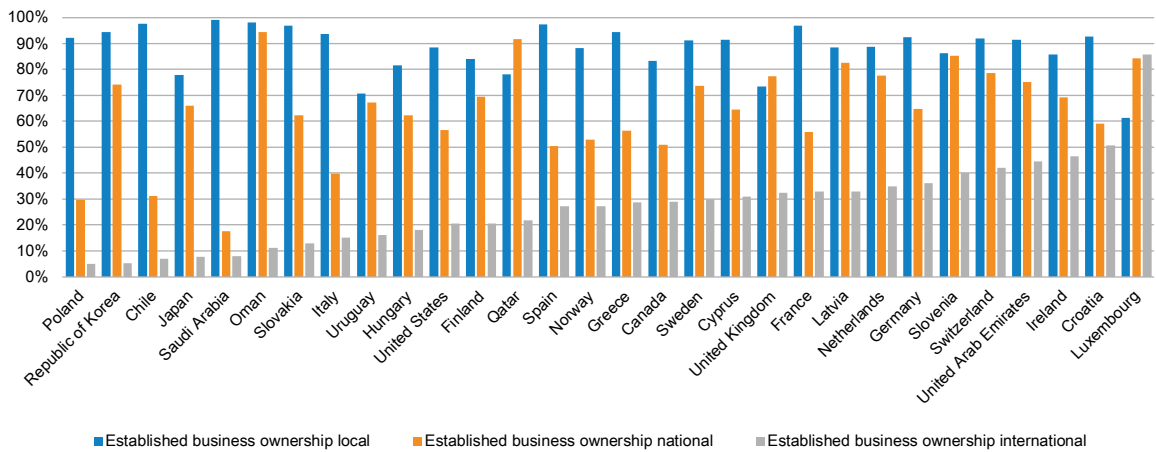


they will have this protection in other countries. Small and new businesses, meanwhile, may not have the resources needed to expand beyond familiar markets. In addition, the types of businesses started would need to have an international market. However, even amid uncontrollable and slowly evolving factors, there are still policies and programs that can promote international trade, which is important to the global competitiveness of many economies and in which entrepreneurship can play a key role.

Figure 40. Market scope among entrepreneurs and established business owners in high-income countries, 2021



AFZAL KHAN MAHEEN / Shutterstock.com



Source: GEM, 2021



# Chapter 8 Informal investors



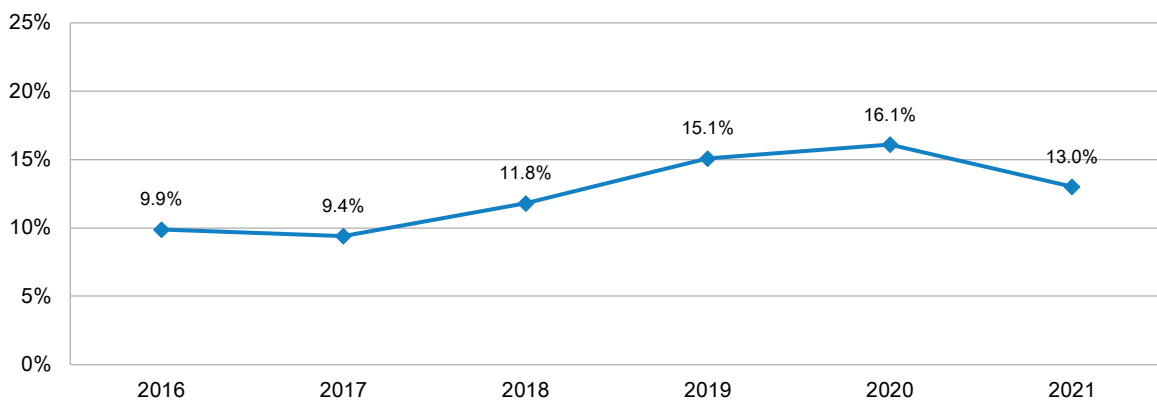
## 8.1 Rate of informal investment

The percentage of the population that provided informal investment to entrepreneurs grew to its highest point in the study period during the first year of the pandemic despite—or perhaps even because of—the difficulties precipitated by COVID-19. Solidarity with entrepreneurs thus appeared to be maintained in a time of difficulty. However, it should be noted that the survey respondents were referring to a period of 3 years, so at least part of the investment reported for 2020 could in fact have been disbursed in 2018 and 2019. As Figure 41 shows, however, this activity declined in 2021.

The term “informal investment” refers to investment by close family members, distant relatives, friends, neighbors, co-workers, and sometimes even unknown individuals who choose to invest in or share ideas and experience with a startup; these are not necessarily professional or qualified investors. This source of financing is vital for the survival and growth of entrepreneurial ventures and is in fact the only option available to innumerable entrepreneurs, especially in the startup phase. In several countries, including Saudi Arabia, the percentage of the population that engages in this kind of investment is quite high.

The decline seen in Saudi Arabia in 2021 was not as sharp as in other countries, however, and may have been triggered by several factors. People may have been exercising a certain amount of financial conservatism in response to an uncertain economic environment. Conversely, there may have been less demand for funds of this type once the worst of the pandemic passed. Additionally, public-sector support may also have reduced demand for informal investment.

Figure 41. Informal investment activity in Saudi Arabia, 2016–2021

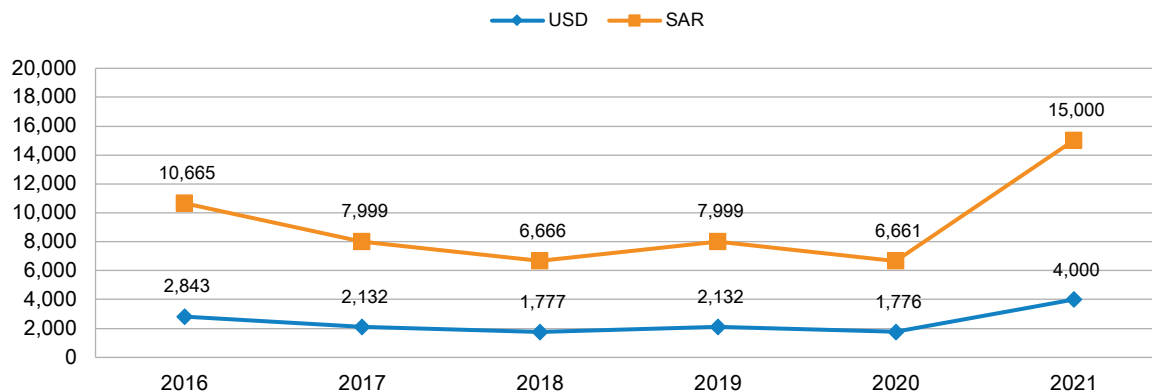


Source: GEM Kingdom of Saudi Arabia, 2016–2021

## 8.2 Median investment amounts

With regard to funding amounts, 2021 was the best year since 2016 in terms of the median level of funding invested informally in Saudi Arabia. Despite the drop in the investment rate discussed above, those who did invest did so at more than double the level of previous years (Figure 42). One reason for this could be the increased needs arising from the economic downturn. In these difficult times, thanks to the strong ties of social capital, informal investors were the first point of contact for many entrepreneurs. This is perhaps more critical to the extent that other funding sources favored more established or larger businesses.

Figure 42. Median investment levels for informal investment activity in Saudi Arabia, 2016–2021



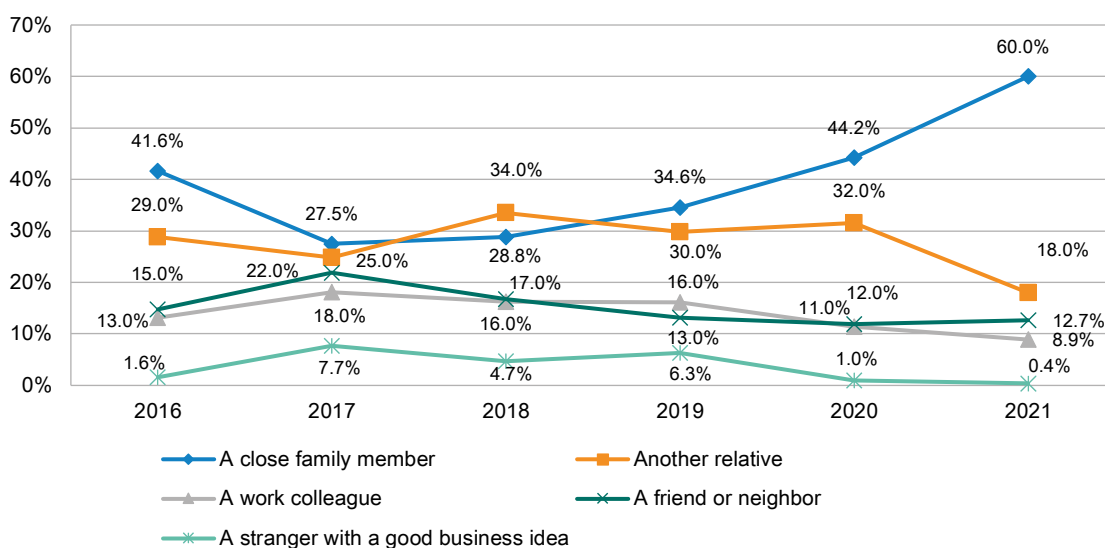
Source: GEM Kingdom of Saudi Arabia, 2016–2021

### 8.3 Investors and their beneficiaries

In 2021, close family members contributed the majority (60%) of informal investment in Saudi Arabia (Figure 43). This once again demonstrates the importance of family ties in Saudi Arabian culture and is a reminder that, in times of uncertainty, close relatives continue to lend meaningful support. This trend, first noted in 2020, intensified significantly in 2021 and materially changed the distribution of the relationship between investors and beneficiaries. Thus, while there were fewer informal investors in 2021, those who did invest were overwhelmingly close family members and providing higher median amounts of funding.

Figure 43 also reveals the extent to which other types of informal investors (including other relatives and, especially, strangers) withdrew during the pandemic. The GEM data do not provide evidence as to whether the pandemic-related restrictions and social distancing measures contributed to the diminishing role of these types of investors. It is, however, clear that extended lockdowns led to fewer business events and face-to-face meetings during the pandemic, thereby limiting these essential opportunities for undertaking due diligence before taking the risk of investing in entrepreneurial ventures. An uncertain economic situation, which reduces the chances that an entrepreneurial venture will survive or grow, could also be one of the principal factors behind a fall in willingness to invest in strangers' ideas.

Figure 43. Types of investors in Saudi Arabia, 2016–2021



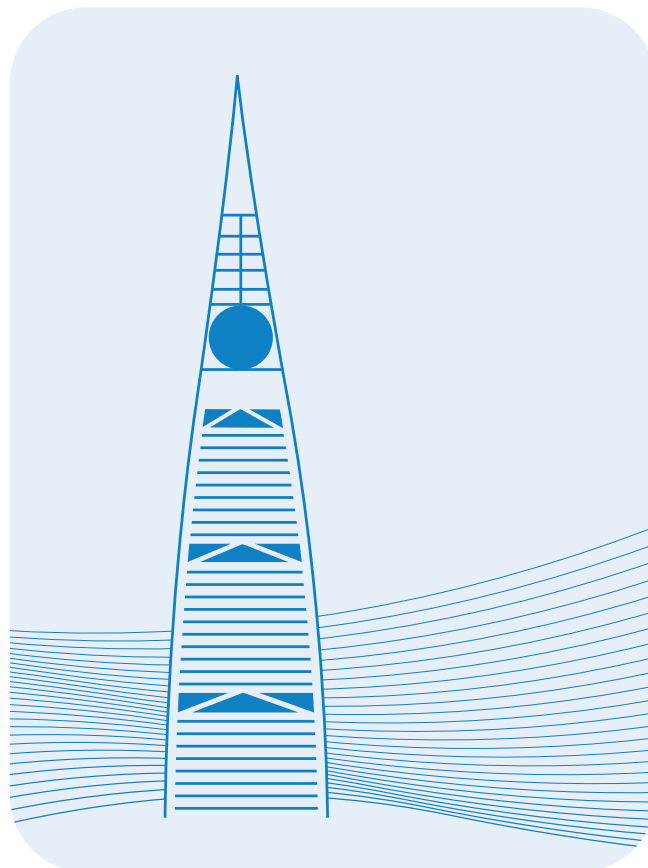
Source: GEM Kingdom of Saudi Arabia, 2016–2021

# Chapter 9

## National context for entrepreneurship

Each year, GEM conducts a survey on the national conditions for entrepreneurship in Saudi Arabia among a representative set of experts from across the country. The survey focuses on environmental conditions that GEM uses to assess the context in which entrepreneurs carry out their activities. In 2021, the measurement of the variables relating to financing for entrepreneurs was improved by adding a new block of items for the first time. This made it possible to assess the ease of obtaining funds for entrepreneurial activity in the country in addition to the availability and sufficiency of sources of financing.

The other conditions (relevance and support of government policies; taxes and bureaucracy; government programs; entrepreneurship education; R&D transfer; commercial and professional infrastructure; internal market dynamics; internal market barriers and regulations; physical infrastructure and services; and social and cultural norms) remained the same. To ascertain the overall environment for entrepreneurship in an economy, an average was calculated constituting the NECI indicator—a single number that encapsulates the entrepreneurial environment in all GEM's participating economies.



### 9.1 NECI in Saudi Arabia

The experts felt that, despite the pandemic, the national context for entrepreneurship in Saudi Arabia continued to improve in most regards in 2021 (Figure 44). Cultural and social norms were moving in a clearly positive direction, as was confirmed by the findings reported earlier on societal attitudes (whether entrepreneurship was considered a good career choice, whether entrepreneurs received high status and media attention, and whether it was easy to start a business).

In addition, a marked advancement was obvious in other factors such as financing for entrepreneurs, government programs, relevance and support of government policies, commercial and professional infrastructure, internal market burdens (absence of regulations and other constraints to entering a market), taxes and bureaucracy, and R&D transfer. These findings were also supported by the experts' satisfaction with the measures taken by the government to counter the economic consequences of the pandemic and the improvement in market regulations, among others.

The new variable for ease of access to financing returned a moderately positive score for Saudi Arabia in its first year. The areas that the experts pinpointed for improvement included physical infrastructure and internal market dynamics. The latter refers to the extent to which there is a free and open market where changes in demand can be met with supply. This may have been negatively influenced by the restrictions applied during the worst moments of the pandemic.

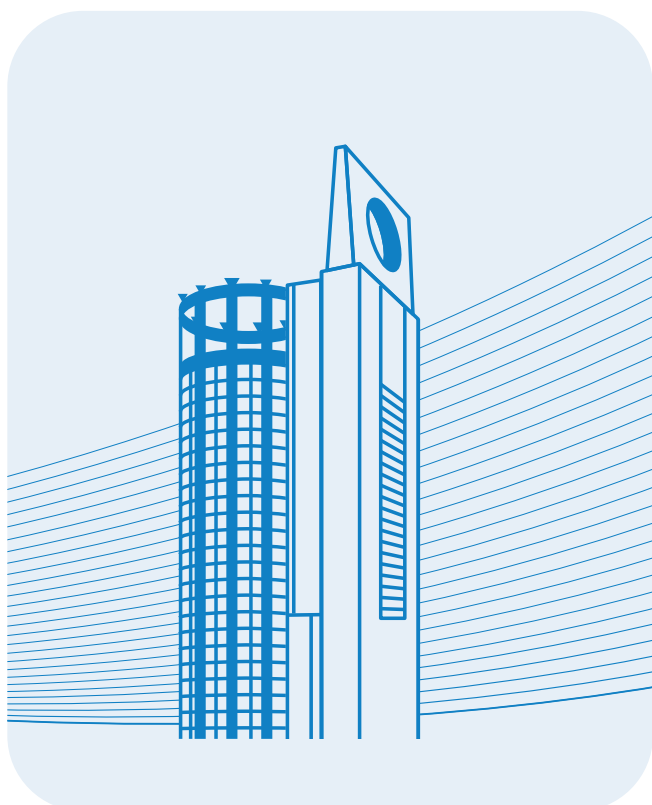
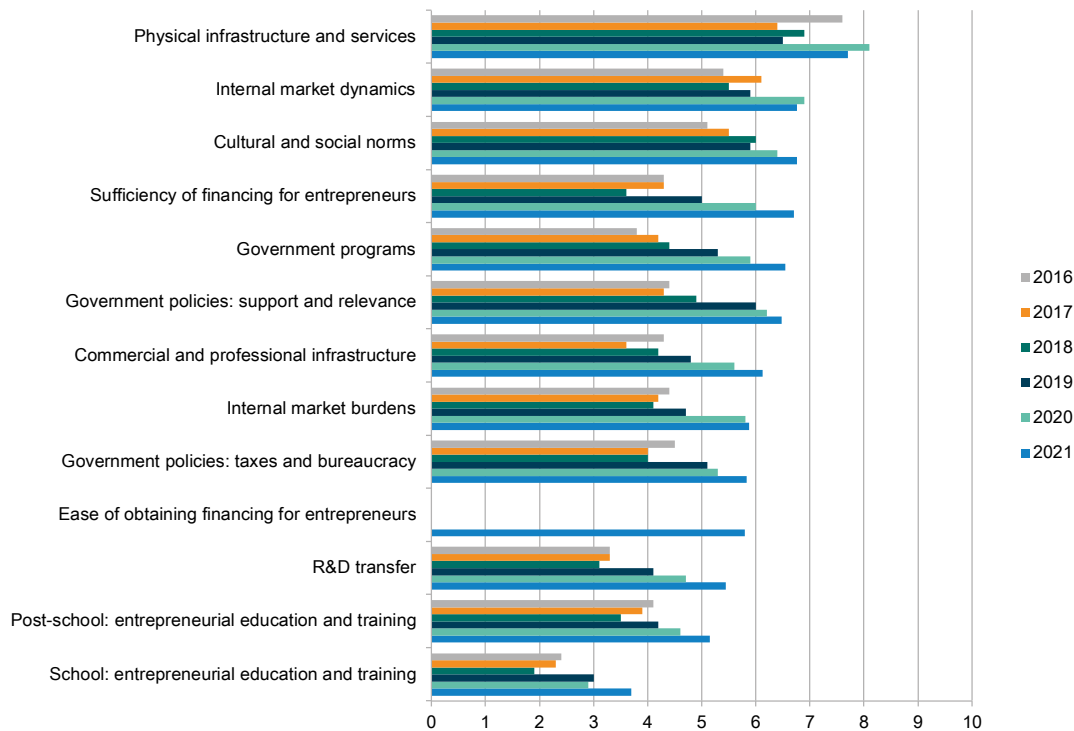


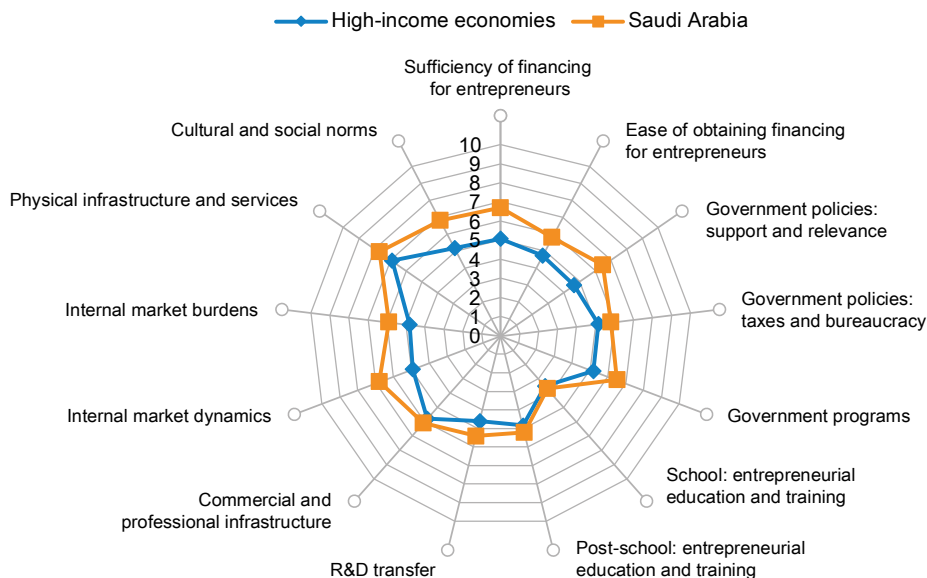
Figure 44. Average expert ratings of 13 national entrepreneurship conditions in Saudi Arabia



Source: GEM Kingdom of Saudi Arabia, 2016–2021

As Figure 45 shows, relative to the average position of the other countries that made up the high-income group, in 2021, Saudi Arabia ranked more highly in all conditions except school and post-school entrepreneurship education, a problem that needs to be addressed in most countries that regularly participate in GEM. This indicator showed some improvement in 2021 compared with previous years but still needs considerable further work. Again, due to the pandemic, online schooling as a substitute for face-to-face studies may explain these shortcomings. Either way, immediate action is needed to ensure that the next generation has a solid foundation for developing an entrepreneurial mindset. These efforts may then enable much-needed diversification into relevant sectors to balance the contribution of entrepreneurship within the national GDP.

Figure 45. Average expert ratings of 13 national entrepreneurship conditions in high-income economies, 2021

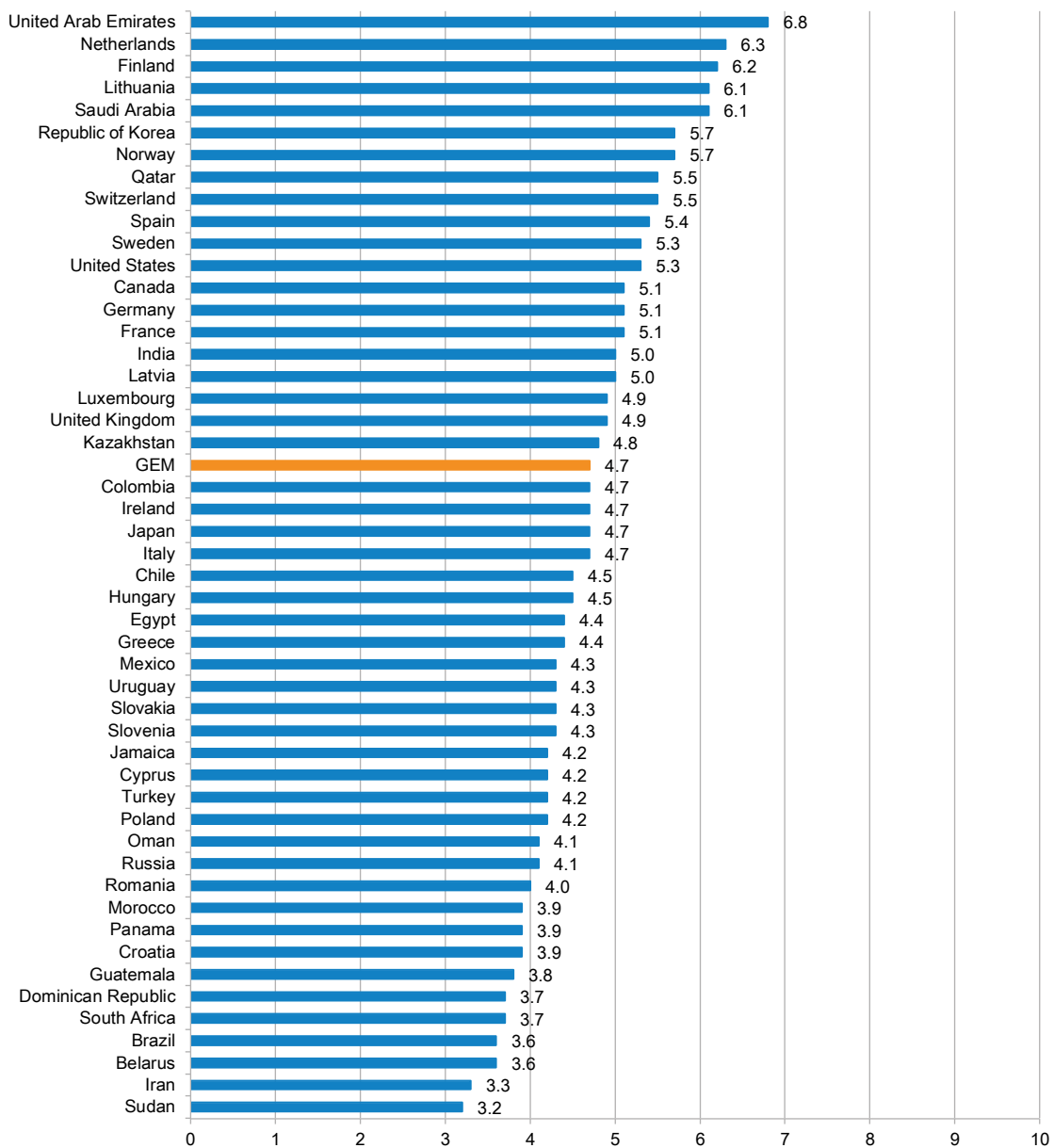


Source: GEM Kingdom of Saudi Arabia, 2016–2021



## 9.2 The NECI: Overview of conditions for entrepreneurship

Figure 46. NECI ranking of 49 economies and GEM average, 2021



Source: GEM, 2021

Figure 46 shows the NECI ranking for the economies participating in the GEM study in 2021. Despite the pandemic, 17 economies (34%) achieved an average score deemed sufficient with regard to their context for entrepreneurship in 2021. At the top of the ranking was the United Arab Emirates, where during the past year Expo 2020 has likely injected dynamism and improvement in the conditions for doing business. Saudi Arabia stood in fifth position among the 49 economies, with the same average score as Lithuania and very close to those of Finland and the Netherlands.

Tremendous efforts to improve the national conditions in Saudi Arabia have been made in the past few years. The conditions that determine entrepreneurial activity have in many cases moved quite rapidly from being insufficient to sufficient or even better. However, there is a pressing need for both the government and the private sector to make further efforts to foster diversification so that those made so far are not wasted. The government should design strategies to take this important step, in which improvement in education—at both the school and post-school levels—should play a crucial role.

### 9.3 Experts' comments

In addition to their quantitative responses, the experts were asked open-ended questions about their perceptions of business support in Saudi Arabia and called upon to make recommendations for how to improve the context for entrepreneurship. Their contributions are enlightening and provide suggestions for how policymakers can design actions to improve the situation further.

The Saudi Arabian experts highlighted government policies as the top entrepreneurship-enabling endeavor

in the country (Figure 47). This is testament to the game-changing efforts made by the government in this area in recent years and the relief they have brought to the private sector to help it combat the effects of the pandemic. They also mentioned the recent work done by the government to improve the country's commercial infrastructure, as well as financial support. This confirms the success of efforts of private venture capital firms and of the Saudi Venture Company under the patronage of Monsha'at. Moreover, entrepreneurship education provided by several local players and government programs was mentioned as a recent development enabling entrepreneurial activities.



Figure 47. National conditions for entrepreneurship in Saudi Arabia and experts' assessment of government policies in response to the COVID-19 pandemic, 2021

Source: GEM Kingdom of Saudi Arabia, 2021



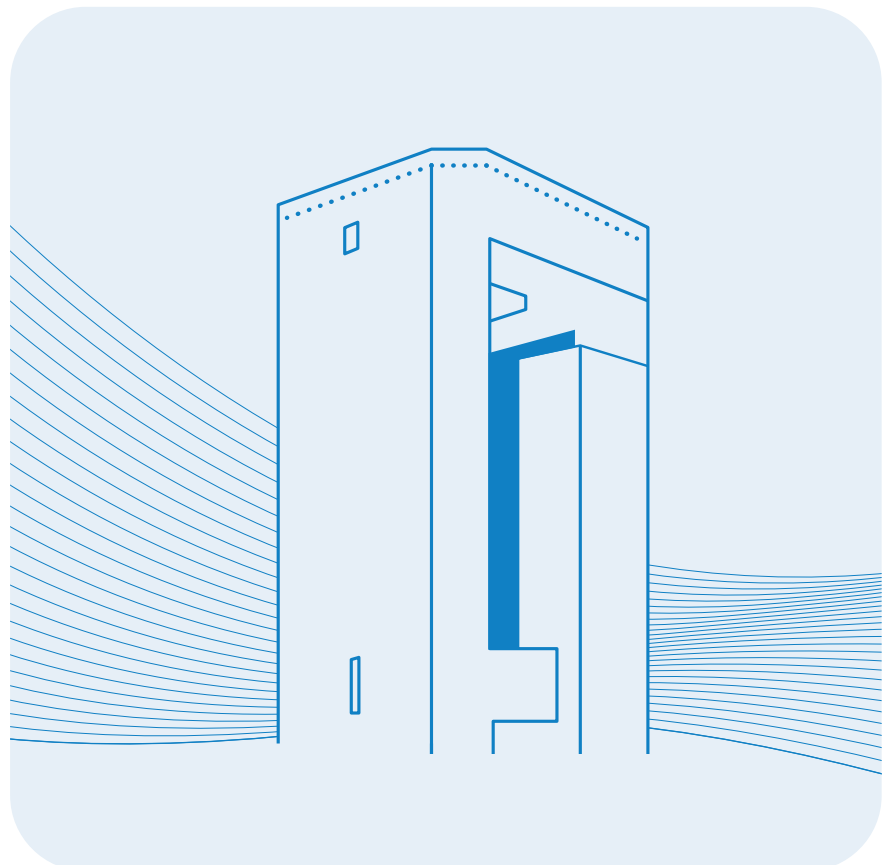
The experts further expressed their recommendations in the areas of government programs, capacity for entrepreneurship, financial support, entrepreneurship education, and commercial infrastructure development to improve the context of entrepreneurship in Saudi Arabia.

as both successful and leaving room for improvement, which is perfectly logical given that personal experiences and observations vary, especially in a complex situation such as that presented by a pandemic. It should be noted, as mentioned in Chapter 1 of the report, that in general the experts

praised the government (through very high average scores) in their overall evaluation of its response to the pandemic. The fruits of those efforts can be seen in the fact that the effects of the pandemic have been decidedly less severe for Saudi Arabia than for many other economies.

Finally, in 2021 the experts were asked to cite measures taken by the government which they considered to have been appropriate or effective in tackling the economic consequences of the pandemic, as well as those that seemed ineffective or unsuccessful (Figure 47). In this section, the five topics most commonly cited as successes were government subsidies for employment preservation and wages, extended periods for certain payments, procedures, and the like, diverse government policies, financial support, and lockdown and other related measures and information.

Conversely, the five topics most often cited as needing improvement were increased taxes and decreased sickness payments or late/insufficient government aid, diverse government policies, lockdown and other restrictions, government subsidies, wages, and the like, and some sanitation or health policies. Some topics were mentioned

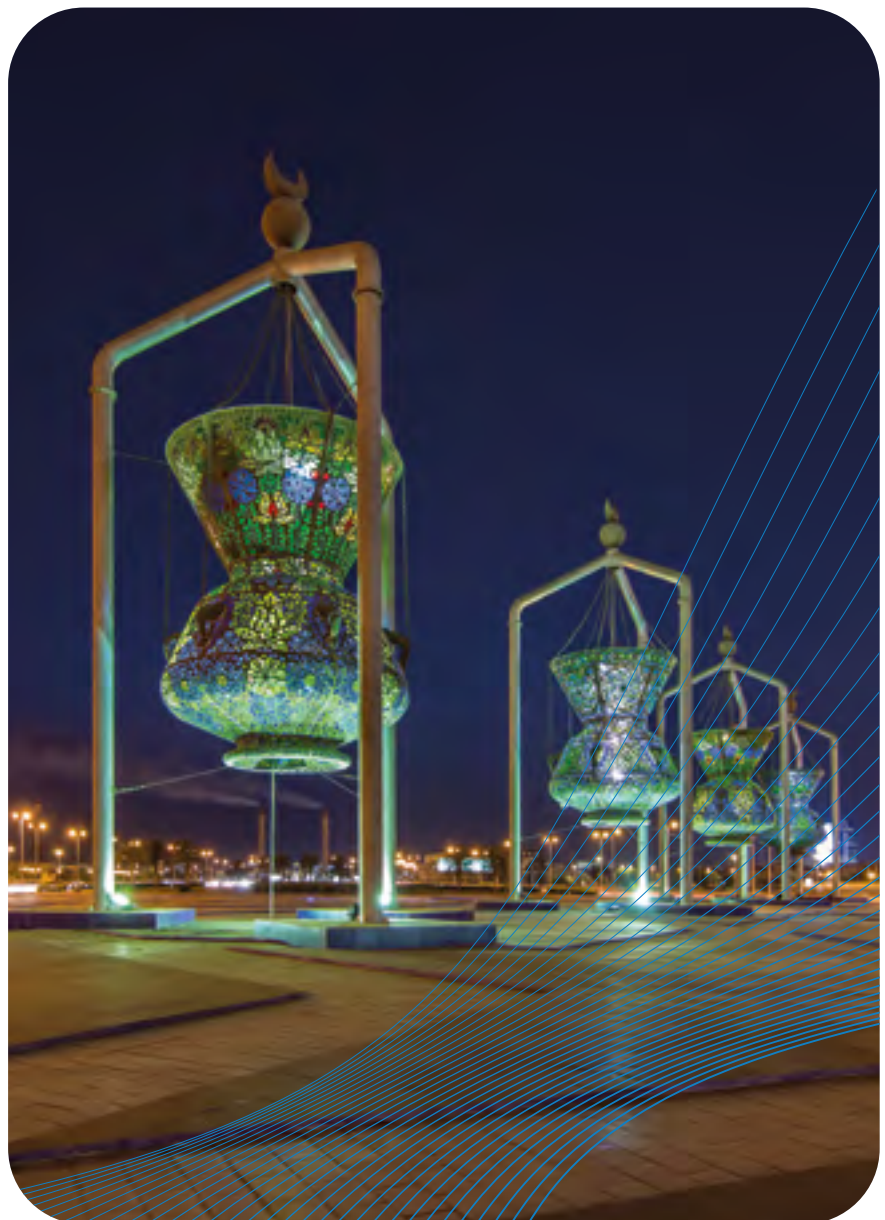


# Conclusions

**The results from the GEM Kingdom of Saudi Arabia National Report 2021–2022 suggest that entrepreneurs experienced fewer challenges getting started because of the pandemic and established business owners saw fewer constraints on their growth compared to 2020. The government played a large role in supporting businesses and stabilizing the economy, and this is reflected in the experts' opinions. Continued assessment of the state of business and the economy in its next phase may require adjustments and perhaps new initiatives to maintain the economy and boost entrepreneurship. A key consideration may be the involvement of the private sector and public–private partnerships.**

Saudi citizens saw entrepreneurship in a highly positive light during the pandemic, and entrepreneurship and established business rates exhibited positive signs. However, the 30% drop in intentions, along with fewer personal relationships with entrepreneurs and high fear of failure, could be concerns for the future. It is likely that restrictions and uncertainty around COVID-19 reduced personal interactions and relationship-building while increasing perceptions about risk. As circumstances around the pandemic begin to stabilize, although it is unclear exactly how, there may be a rebound in these indicators. However, there is some value to facilitating relationship-building in the entrepreneurship sphere, considering training, support, and policies that encourage more risk-taking, and ensuring that those with intentions have what they need to translate these into actions.

Entrepreneurs are concerned about social and environmental issues: Nearly two thirds stated they were motivated to start a business to make a difference in the world, and over two thirds prioritize social and environmental impacts over profits and growth. Yet only a third or less have taken actions that improve social or environmental conditions. The numbers for established business owners taking action are even lower. It could be the case that entrepreneurs and business owners would feel they are acting alone, or almost alone, in prioritizing social and environmental impacts, perhaps



to the extent of threatening the viability of their businesses. This may call for policies and incentives for taking action, particularly as the results suggest there is willingness to address these issues.

The dominance of the consumer-oriented sector, negligible participation in technology sectors, and low innovation levels among entrepreneurs and established business owners in Saudi Arabia





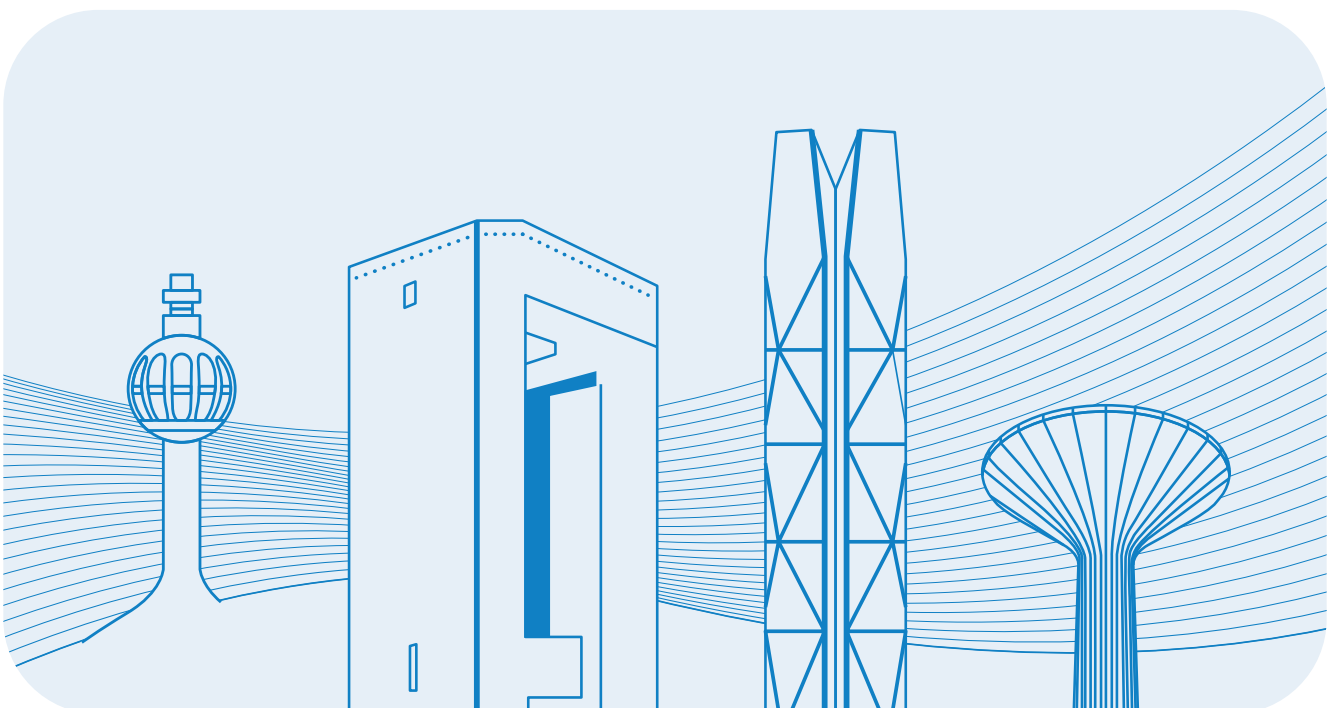
entrepreneurial attitudes and self-perceptions. Leveraging their diversity may benefit Saudi Arabia's entrepreneurial ambitions.

Informal investment is a key source of finance for many early-stage entrepreneurs. While typically leveraging their own personal means at first, entrepreneurs then turn to those they know, or those willing to invest in their ideas. It will be critical to understand the particular financing vehicles across stages of entrepreneurship and ensure their availability and ease of access. Additional attention should be devoted to the specific needs of innovative, technology-based, and globally oriented entrepreneurs.

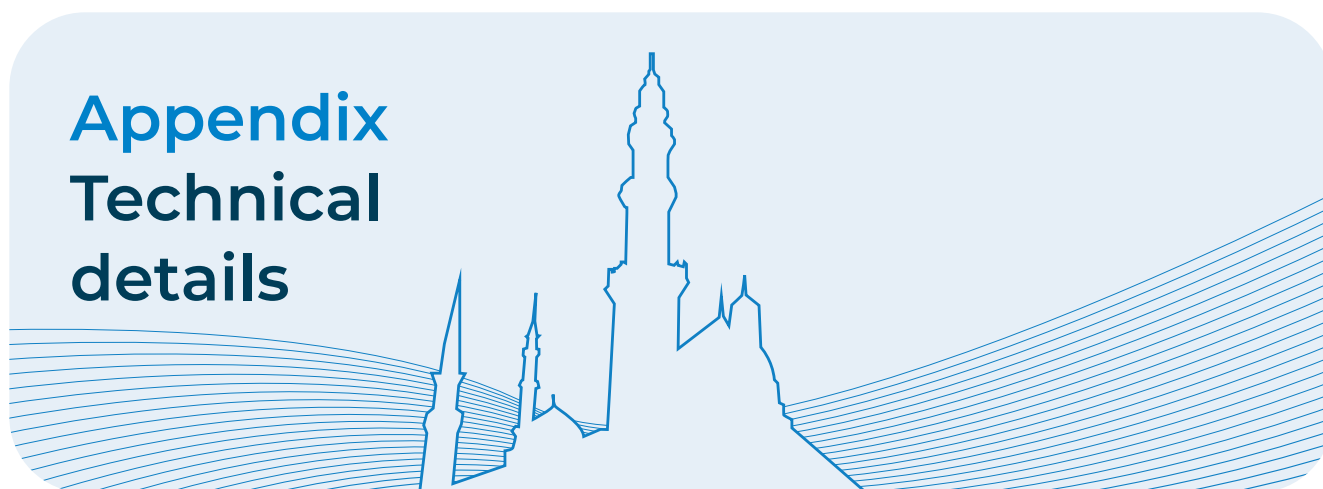
run somewhat counter to the diversification objectives of Vision 2030. While large, long-standing companies may have the resources to diversify, innovate, and invest in technologies, novel ideas and new directions are often led by entrepreneurs in an economy. Investments in technology development and commercialization, and building a healthy entrepreneurship ecosystem to support these efforts, will be critical for Saudi Arabia's future, and entrepreneurs should play key roles.

International trade opens up new markets for Saudi Arabia and enhances the country's global competitiveness. Building the global reach of Saudi's entrepreneurs requires, first of all, products and services with international appeal and uniqueness. Of course, trade policies and assistance are helpful, but some countries also work to attract international talent and promote exchanges of ideas and knowledge with those from other countries. It is perhaps a positive sign that expatriates have

The experts' ratings for the national conditions for entrepreneurship were generally moving in a positive direction, despite the pandemic, in a nod to the government's efforts to protect business and the economy, as well as the health of its citizens during this challenging time. Saudi Arabia ranked near the top of all countries participating in GEM in 2021. Continuing on this path will require frequent assessment and adjustment as circumstances and conditions evolve. One area that warrants attention is school and post-school education and training for entrepreneurship.



# Appendix Technical details



Sampling features	Information
<b>Adult Population Survey</b>	
Target population	Adults (18–64 years of age) resident in Saudi Arabia
Target population size	34.81 million
Sample size	4,032 people
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–July 2021
Interview method	Computer-assisted telephone interviews via mobile and fixed-line telephones
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 <a href="https://fieldinteractive-mr.com/">https://fieldinteractive-mr.com/</a>
Monitoring, quality control, and final verification	Institute Opinometre <a href="http://es.opinometre.com">http://es.opinometre.com</a>
<b>National Expert Survey</b>	
Target population	Experts in nine entrepreneurship conditions
Sample	38 experts
Type of sample	Purposive sample
Sampling period	April–July 2021
Interview method	Online
Fieldwork carried out by	GEM Saudi Arabia national team
Data recording and SPSS database creation	GEM Saudi Arabia national team

Table 1. GEM Saudi Arabia 2021: Adult Population Survey and National Expert Survey fieldwork sheet





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