



Global  
Entrepreneurship  
Monitor



# Kingdom of Saudi Arabia

National Report  
2022–2023



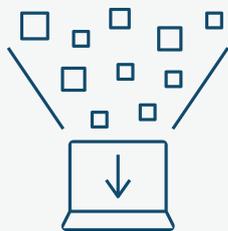




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Entrepreneurship  
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# Kingdom of Saudi Arabia

**National Report**  
2022–2023



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# Foreword



Mr. Sami Alhussaini  
Governor of Monsha'at

If the infrastructure of a strong ecosystem can be measured in public perceptions, the latest Global Entrepreneurship Monitor (GEM) report contains good news: Never has starting a new business in Saudi Arabia been more popular. Backed by robust public policies, ample funding opportunities, and strong consumer demand, Saudis are creating new companies like never before. According to the GEM 2022 National Entrepreneurship Context Index, of the participating economies, the Kingdom now has the second-best conditions to start a business.

That is hardly the only metric in which we are excelling. The Kingdom also came first in terms of the percentages of adults who perceive good opportunities to start a business in their area, who feel

they have the skills and experience to start a business, and who know someone who has recently started a business—a remarkable 15% increase on 2021–2022. Saudi Arabia also ranked fifth in Entrepreneurial Education Post-School and second in Ease of Entry: Market Dynamics among the countries surveyed.

Figures such as these suggest that something far more extensive than growing access to finance is at play: A virtuous cycle has been set in motion that is empowering individuals, creating widespread knock-on effects, and enriching an ecosystem in the process.

Monsha'at is proud to be supporting entrepreneurs throughout this change. In addition to issuing 409 licenses

for business incubators, we also helped over 14,000 benefit from our franchise platform and over 54,000 from our entrepreneurship promotion programs last year. Altogether, 66,000 were hosted by Monsha'at's Support Center by the end of 2022, while Monsha'at Academy's training services had more than 186,000 beneficiaries. I extend my admiration to the entrepreneurs behind these remarkable data and invite all of you to read in full this timely, insightful, and captivating report.

# Note from the Dean



Prof. Zeger Degraeve,  
Executive Dean, MBSC

The seventh annual GEM Kingdom of Saudi Arabia report demonstrates yet again the continuous improvement of the national ecosystem for entrepreneurship in Saudi Arabia. Entrepreneurial leaders continue to feel energized by the potential business opportunities that exist across the Kingdom. We are delighted the measures confirm tremendous progress. This year 95% of respondents stated that entrepreneurship was a desirable choice for a career. Prince Mohammed Bin Salman College of Business & Entrepreneurship (MBSC) will continue to serve 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 the Babson Global Center for Entrepreneurial Leadership, Emaar, The Economic City, Misk 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 57.3% of respondents having stated that fear of failure would prevent them from taking the risk to start a business. It is important to lead by example; therefore, at MBS College, one of our priorities has been to support those who decided to launch or expand their entrepreneurial careers during uncertain times. Our Signature Learning experience has remained an opportunity for our students to bring to life ideas with the potential for greatness or to put an end to those that did not make the cut. Even as a young School, our entrepreneurial graduates have been able to create more than 600 jobs through their various ventures.

However, there is room in our role as educators to highlight that risk and failure should be accepted and leveraged for success. For example, this year's report tells

us that 80% of entrepreneurs consider environmental and/or social implications when starting a business. When failure arises due to factors outside of a leader's control, such as a pandemic or global economic and geopolitical uncertainty, then the role of a 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 does arise.

MBS College has and will continue to instill an entrepreneurial mindset in future business leaders. Our students are driven, creative, energized, extremely hard-working, engaging, embrace diversity, and are confident. They practice teamwork and collaboration during their learning journey.

The College, while proud, is not surprised. It is my privilege as an expat to witness the evolution of the Saudi entrepreneurial landscape and the particular impact of MBS College's contribution.

# Funding and sponsoring institutions



## Prince Mohammed Bin Salman College (MBSC)

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

## Prince Mohammed bin Salman bin Abdulaziz Foundation (Misk)

Misk is a nonprofit 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 2022 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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Leadership at MBSC**

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# Executive summary



The Global Entrepreneurship Monitor (GEM) conducted its 24th annual survey in 2022. Academic research teams in each participating economy, representing 117 economies since 1999, collected and analyzed data on a comprehensive range of indicators representing entrepreneurship rates, motivations, impact, attitudes, and other characteristics. This was the seventh consecutive year in which Saudi Arabia participated in GEM. Here are some select findings from the report.

## Impact of COVID-19

16%

- In 2022, 16% of the entrepreneurs surveyed in Saudi Arabia thought that COVID-19 made it more difficult to start a business, compared to 25% in 2021 and 50% in 2020.

79%

- In 2022, 79% of both entrepreneurs and established business owners said they had adopted or enhanced their use of digital technologies in response to the COVID-19 pandemic.

20%

- Among established business owners, 20% stated that their expectations for growth were lower in 2022 than they had been a year earlier, compared to 18% in 2021 and 63% in 2020.

62%

- In 2022, 62% of entrepreneurs and 72% of established business owners expected to use more digital technologies to sell their products and services in the following 6 months.

72%

67%

- In 2022, 67% of entrepreneurs felt that COVID-19 provided new opportunities, compared to 50% in 2021 and 54% in 2020. Among established business owners, the percentages for this indicator were 51% in 2022, 30% in 2021, and 56% in 2020.

6.6

- Ratings from the National Expert Survey demonstrated moderate agreement with statements that hiring has returned to pre-pandemic levels (6.6 on a 10-point scale) and that businesses have recovered their economic activity (6.1) and shifted from global to local supply chains as a result of the pandemic (6.7). The highest level of expert agreement, however, concerned the increase in the use of digital technologies among businesses in recovering from the effects of the pandemic (8.0).



95%

## Societal attitudes, affiliations, and self-perceptions

- Societal attitudes toward entrepreneurship in Saudi Arabia remained high in 2022 and similar to the levels reached in 2021. Most working-age adults (18–64 years old) thought that entrepreneurship is a good career choice (95%), that entrepreneurs are afforded high status in society (97%), and that successful entrepreneurs receive positive media attention (95%).
- There was a decrease in positive attitudes toward the ease of starting a business (89% in 2022 compared to 94% in 2021).
- In 2022, 88% of adults surveyed in Saudi Arabia knew an entrepreneur personally, an increase of over 50% on the 2020 and 2021 values (57% and 58%, respectively).
- In 2022, 90% of adults surveyed stated that they saw many opportunities around them to start a business and 88% believed they had the capabilities to do so.
- Fear of failure continued to rise, as it has done since 2017. Among adults who stated they saw opportunities to start a business, 57% said they would be deterred from doing so by fear of failure.

89%

88%

90%

57%

## Phases of entrepreneurship

36%

- In 2022, entrepreneurial intentions rebounded to the pre-pandemic (2019) level (36%), following the low levels reported in 2021 (23%).

19%

- The total entrepreneurial activity (TEA) rate in 2022 was similar to the 2021 level: 19% of adults surveyed in Saudi Arabia were starting or running a new business in 2022, compared to 20% in 2021.

9.7%

- Established business ownership jumped from 5.3% in 2021 to 9.7% in 2022, the highest level reported in the 7 years of the GEM survey in Saudi Arabia.

3.5%

- Business closure rates were down from 5.7% in 2021 to 3.5% in 2022.

22%

- While the highest TEA rate was among those aged 35–44 years (22%), the 2022 results also show a high rate of entrepreneurship among the youngest age group (18–24-year-olds), with 19% starting or running a new business. Established business ownership was highest among 45–54- and 55–64-year-olds (13% for both groups).

87%

- The strongest motivators for entrepreneurs in Saudi Arabia were income related, with over 87% citing a desire to create great wealth or earn a very high income, and 85% identifying the need to earn a living because jobs are scarce.

## Social and environmental actions

80%

- At least 80% of entrepreneurs and established business owners stated that they consider environmental and/or social implications when making decisions for their businesses. Approximately 75% of each group stated that they prioritize social and/or environmental impact above profitability or growth.

60%

62%

- Among entrepreneurs, 60% had taken steps to minimize their businesses' environmental impact and 62% had taken steps to maximize their businesses' social impact. Among established business owners, the percentages for these indicators were 65% and 69%, respectively.

6.2

- Experts completing the National Expert Survey generally agreed that new and growing firms prioritize their social contribution over profits and that they integrate social-responsibility principles into their business operations (6.2 on a 10-point scale for both indicators). They also indicated a moderate level of interest among investors in funding new firms focused on social responsibility (6.1).

5.5

6.3

5.9

- There were lower levels of agreement among the experts concerning the implementation of environmentally conscious practices by new and growing businesses (5.5). They generally agreed, however, that the national government has specific regulations to support sustainability-focused startups (6.3) and were somewhat in agreement that the government provided grants, special rights, and/or tax cuts for these businesses (5.9).

## Impact characteristics of entrepreneurship and established business ownership

89%

- The sector distribution of entrepreneurs and established business owners in 2022 shows the continuing dominance of the consumer-oriented sector in Saudi Arabia, accounting for 89% of entrepreneurs and 85% of established business owners.

6.8%

- Although only 6.8% of entrepreneurial businesses in Saudi Arabia had 20 or more workers, this may be because these businesses were just getting started and may not have been ready to hire many employees. Even among established business owners, however, only a few had 20 or more employees (5.8%).

46%

73%

- In regard to job-creation expectations, both new entrepreneurs and established business owners expected to hire more new staff in the future, with 46% of the former and 73% of the latter expecting to hire six or more new employees over the following 5 years.

18%

- In Saudi Arabia, entrepreneurial activity is chiefly local or national, but 18% of entrepreneurs and 11% of established business owners indicated that they were selling to international markets.

## Comparison of Saudi nationals and expatriates

- Expatriates and Saudi nationals had nearly equal perceptions in terms of societal attitudes: whether entrepreneurship is considered a good career choice, whether entrepreneurs have high status and receive positive media attention, and the extent to which it is easy to start a business.
- Expatriates were as likely as Saudi nationals to identify opportunities and they had a similar fear of failure.

85% vs 89%

83% vs 90%

- Expatriates were slightly less likely than Saudi nationals to know an entrepreneur (85% vs 89%). They were also less likely to state that they have entrepreneurship capabilities (83% vs 90%).

11% vs 22%

5.3% vs 11%

- Regarding business phases, expatriates were nearly as likely as Saudi nationals to have intentions to start a business in the following 3 years. However, expatriates exhibited only half the entrepreneurship rate (11% vs 22%) and less than half the established business ownership rate (5.3% vs 11%) of Saudi nationals.



## Comparison of high-income economies

- Compared to 28 other high-income economies participating in the GEM 2022 survey, Saudi Arabia had the highest results on four societal-attitude measures: whether people believe that entrepreneurship is a good career choice, whether entrepreneurs are accorded high social status, whether entrepreneurs receive positive media attention, and whether people believe that starting a business is easy.
- Saudi Arabia exhibited the highest percentage of adults who know an entrepreneur.
- Saudi Arabia ranked highest on self-perception indicators in regard to perceiving business opportunities and having entrepreneurship capabilities.
- Entrepreneurial intentions were comparatively high in Saudi Arabia, with only three Latin American countries (Panama, Chile, and Uruguay) and three Middle Eastern countries (the United Arab Emirates, Oman, and Qatar) exhibiting higher rates.
- Entrepreneurship rates were comparatively high, and rising, in the Kingdom and on a par with the United States.
- There was a notable rise in established business ownership activity in Saudi Arabia in 2022, placing the country near the top of the high-income group. Previously, it ranked low among high-income economies on this measure.
- Business closure rates in Saudi Arabia place the country in the middle of the high-income economies, close to the overall average.
- Among the 29 high-income economies, Saudi Arabia had the highest proportion of both entrepreneurs and established business owners operating in the consumer sector. Indeed, the proportion of entrepreneurs in the consumer sector was one third higher than in Panama, the country with the next highest percentage. The proportion of established business owners in this sector in Saudi Arabia was 48% greater than in the United Arab Emirates, which had the next highest concentration.

48%

## Comparison of high-income economies continued

1.7%

- Only 1.7% of entrepreneurs and 1.8% of established business owners were starting up or operating in the medium- and high-technology sectors, the lowest percentage reported among the high-income economies.

14%

- In Saudi Arabia, 14% of entrepreneurs expected to create at least 10 new jobs and increase their employment levels by 50% or more in the following 5 years, below the 20% average for high-income economies. However, established business owners in Saudi Arabia demonstrated higher levels of growth expectation (15%), surpassing the high-income economy average of 8%.

15%

- Compared to its high-income peers, Saudi Arabia had a comparatively lower proportion of international entrepreneurs and established business owners.



## Informal investors

13%

- In 2022, 13% of adults in Saudi Arabia informally invested in entrepreneurs, similar to the results in 2021.

26,339  
SAR

- The median investment amount was 26,339 SAR (approximately \$7,000), the highest level recorded in the past 7 years.

45%

- An analysis of the relationship between the recipient of the investment and the investor shows that most people invested in either a close family member (45%) or another relative (33%). About 11% invested in each of the categories of work colleagues, friends, or neighbors. No one in the survey invested in someone they did not know.

33%

11%



## The National Entrepreneurship Context Index (NECI)

- Saudi Arabia had a high overall average ranking on the NECI, below the United Arab Emirates and a little higher than Taiwan.
- The highest-rated condition in Saudi Arabia was physical infrastructure: services and structures that facilitate communication, transportation, and other business operations.
- Internal market dynamics—the extent to which there is a free and open market—and cultural and social norms that encourage acceptance, support, and high regard for entrepreneurship were highly rated.
- Incremental improvements were observed in government policies in terms of support and relevance, and taxes and bureaucracy; commercial and professional infrastructure; and school and post-school entrepreneurship education and training.
- Despite showing the most improvement, entrepreneurial education—at primary- and secondary-school levels, and in higher education and vocational training—remained among the lowest-rated conditions.
- Research and development (R&D) transfer—the movement of R&D from universities and research centers to the business sector and the degree to which engineers and scientists can commercialize research findings—was among the lowest-rated conditions in Saudi Arabia.
- While the results show many strengths in Saudi Arabia, the experts identified five areas that may benefit from greater attention and thus further improve the environment for entrepreneurship in the country: government policies, commercial infrastructure, education and training, cultural and social norms, and financial support.



## Concluding remarks

The rate of entrepreneurial activity in Saudi Arabia has increased steadily, which may be attributed to the measures implemented, such as those facilitating the inclusion of women in the business world; the promotion of events focused on entrepreneurship; the provision of formal and informal investment; the establishment of incubators, accelerators, contests, and prizes for entrepreneurs; and the delivery of a number of other business-development services.

When the pandemic hit in 2020, entrepreneurial intentions fell to the lowest rate in the 7 years of GEM surveys in the country. Yet the number of entrepreneurs and established businesses continued to grow, maintaining a high level in 2022. Looking to the future, progress needs to be made to ensure that the key factors that contribute to an economy—employment, international competitiveness, innovation, and diversification—continue to make strides in the Kingdom.

# Introduction



Entrepreneurial spirit is vital to the well-being and prosperity of any society. It also serves as a potent contributor to national prosperity. Whether it is addressing the Sustainable Development Goals of the United Nations or the economic shockwave caused by the COVID-19 pandemic, entrepreneurship encourages the vital innovation needed to tackle some of society's greatest difficulties. In light of the severe economic effects of the pandemic, many governments around the world have prioritized support for entrepreneurship to promote a healthy economy and society.

In order to make crucial decisions that encourage sustainable forms of entrepreneurship and foster healthy entrepreneurship ecosystems worldwide, governments and other stakeholders require an increasing amount of reliable and informative data. The Global Entrepreneurship

Monitor (GEM) has been in existence for 24 years and has made numerous contributions to knowledge and decision-making about entrepreneurship worldwide. For instance, GEM helped policymakers recover from the 2008 recession by shedding light on the important role of entrepreneurship in their economies.

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



- **academics** apply unique methodological approaches and use an extensive data set to study entrepreneurship at national and global levels
- **policymakers** make well-informed decisions that help entrepreneurs and entrepreneurial ecosystems thrive
- **entrepreneurs and entrepreneurship stakeholders** improve their knowledge on where to invest often scarce resources and how to influence the people they need to support their endeavors
- **sponsors** advance their organizational interests and gain a higher profile through their association with GEM
- **educators** use GEM data to develop and disseminate knowledge about entrepreneurship globally
- **international organizations** leverage insights and can also incorporate or integrate GEM indicators in their own data sets, or use GEM data as a benchmark for their own analyses.

### GEM has an impressive and highly credible track record, including:

- 24 years of data, allowing longitudinal analysis in and across geographies on multiple levels
- more than 200,000 annual interviews with experts and adult populations, including entrepreneurs of all ages
- data from 117 economies on all continents
- collaboration with over 500 specialists in entrepreneurship research
- involvement of more than 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 across the globe, publishing not only the annual GEM Global Report but also a range of national and special topic reports each year. GEM's first annual study covered 10 countries; since then, 117 economies from every continent have participated in GEM research. As a result, GEM has developed from a startup project to become the highly networked organization that it is today. It can confidently stake a claim to being the largest ongoing study of entrepreneurial dynamics in the world.

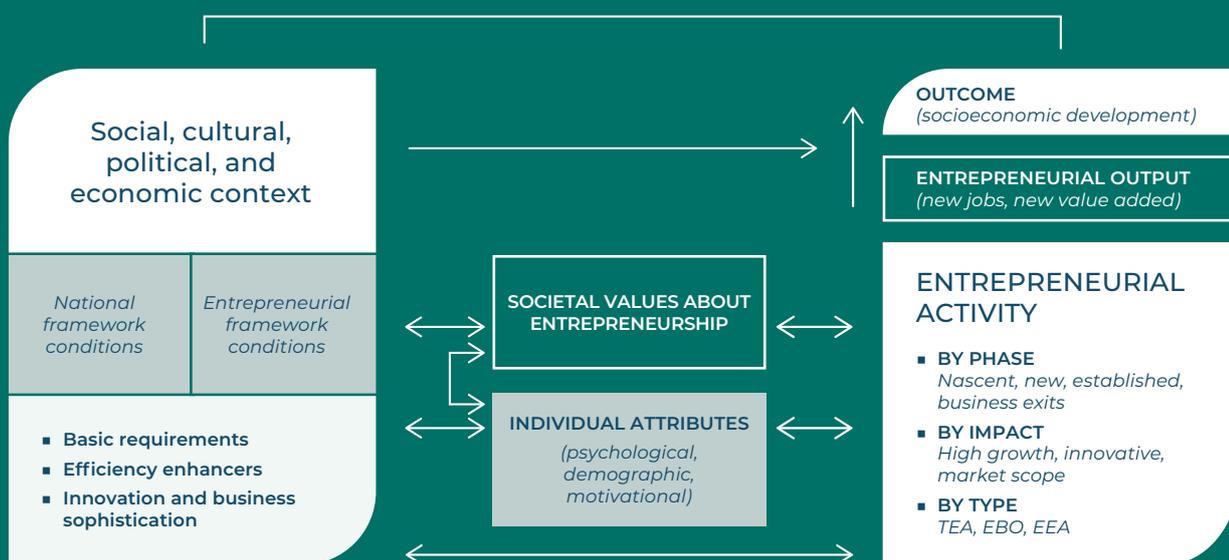


GEM's conceptual framework, shown in Figure 1, illustrates the relationship between entrepreneurship and its environment. The framework shows how the social, cultural, political, and economic context influences entrepreneurship directly, as well as indirectly, through its impact on societal values and individual attributes. These influences can be positive or negative. Entrepreneurship, in turn, creates added value and jobs, which then contribute to socioeconomic development.

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.

Figure 1

The GEM framework



Source: GEM Global Report, 2019

EBO, established business owner;  
EEA, employee entrepreneurial activity;  
TEA, total entrepreneurial activity

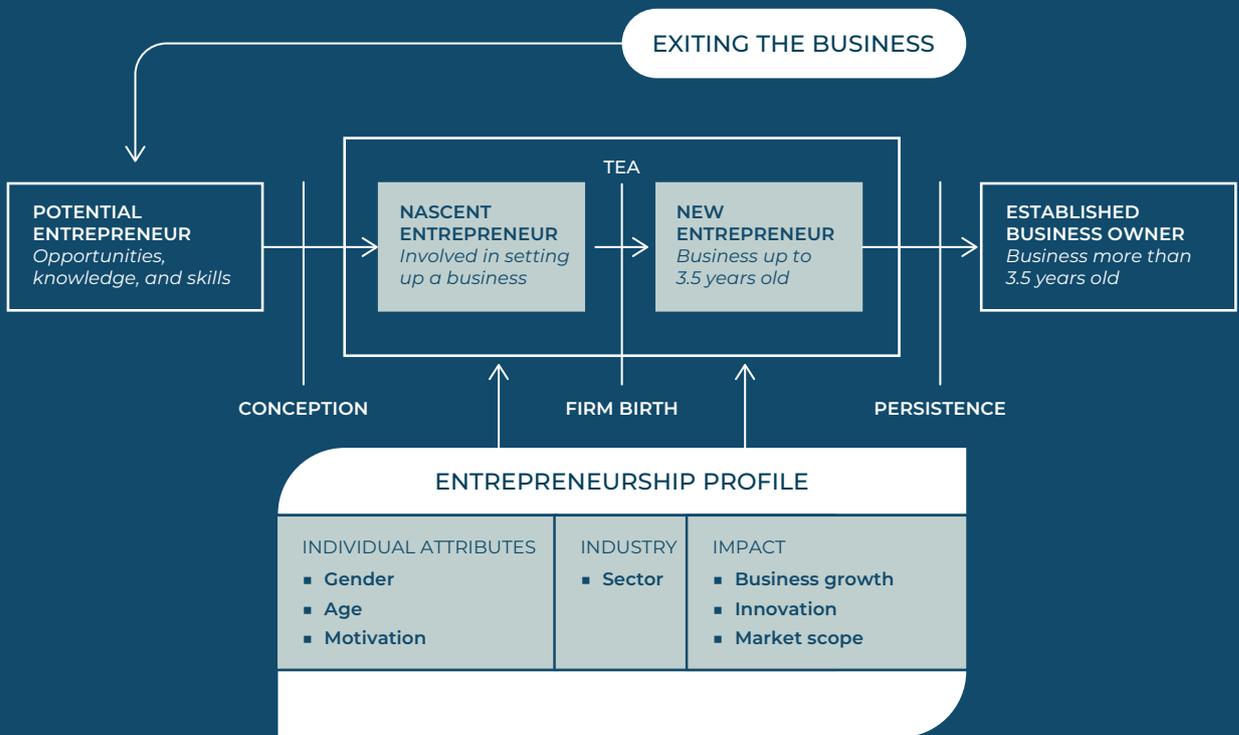
Societal values related to entrepreneurship include: the extent to which entrepreneurship is considered a good career choice; whether or not entrepreneurs have high social status; and the extent to which the media represent entrepreneurs positively. Individual attributes include: demographic characteristics (gender, age, etc.); self-perceptions (perceived capabilities, perceived opportunities, fear of failure); motivations for starting a business; reasons for discontinuing a business; and involvement in entrepreneurship as an informal investor.

Figure 2 shows GEM's key entrepreneurship indicators, which include participation in various phases of business development—its conception, the starting and running of a new business, and the mature phase of established business ownership. Figure 2 also shows business exits and closure, 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. Each year, the Saudi Arabia national GEM report presents the current year’s most salient findings on the state of entrepreneurship and its supporting infrastructure in the country, with longitudinal comparisons reaching back to 2016. This year’s findings are generally encouraging and confirm that entrepreneurship and business ownership in Saudi Arabia has overcome many pandemic-related challenges.

Figure 2

GEM entrepreneurship indicators



Source: GEM Global Report, 2019

As a result of government intervention, entrepreneurs have been able to weather the effects of this health crisis better than their counterparts in many other economies and continue to build upon the significant progress made in recent years. The results of the survey highlight that the rate of effective closures is at its lowest since 2016 and is over one-third lower than that of 2021, while the rate of entrepreneurial intentions among the population has reached its highest level since Saudi Arabia reentered GEM in 2016. Also, according to expert analysis of a ranking of the national context for entrepreneurship, Saudi Arabia now sits in second place among the economies participating in GEM in 2022, behind the United Arab Emirates only.

# Chapter 1:

## Impact of COVID-19



### 1.1

#### Startups

The pandemic and consequent lockdowns disrupted business activities in Saudi Arabia, as in many other economies. Many entrepreneurial ambitions were affected or put on hold as markets shrank or disappeared. However, economic activities in the Kingdom of Saudi Arabia started to improve by the middle of 2021.

While 2022 was a year of stagnation and setbacks for many countries, it brought achievements and optimism for Saudi Arabia. Saudi Arabian people breathed a collective sigh of relief early in the year as many of the remaining COVID-19 mitigation measures were eased. For example, in March, social distancing and the wearing of face masks were no longer mandatory. The Kingdom

reopened its borders in July to allow hundreds of thousands of Hajj and Umrah pilgrims to visit the holy cities of Mecca and Madinah for the first time in 2 years.<sup>1</sup>

In the summer of 2020, half of the entrepreneurs surveyed in Saudi Arabia thought that COVID-19 made it more difficult to start a business. The Saudi Arabian government, like many others in the world, provided support packages to existing businesses and announced several measures to encourage new business creation. By 2021, perceptions had changed and only a quarter of entrepreneurs surveyed that year thought that starting a business was more difficult because of the pandemic. This percentage dropped to 16%

in 2022, suggesting that COVID-19 was having a less negative impact on business startup activity or that entrepreneurs felt less constrained by the pandemic. With COVID-19 rates declining and fewer precautionary measures at the start of the year, business activity rebounded and businesses had time to adapt to any lasting changes that had taken place.

Another noteworthy point is the increased, unprecedented institutional support for startup companies during COVID-19. The Saudi government allocated new funds to small and medium-sized enterprises through Monsha'at, the Saudi Venture Capital Company, the

Social Development Bank, and others. Several regulations were changed to make the startup process easier and smoother. For example, the Ministry of Investment of Saudi Arabia strengthened the entrepreneurial ecosystem in the Kingdom through licensing and other directives that helped local founders and permitted foreign startups and foreign venture capital to enter the country.



## 1.2

### Established business owners' growth expectations

Established business owners were also feeling the effects of the pandemic in 2020, with 63% stating that their expectations for growth were lower than a year earlier, before the pandemic. However, by 2021, a lower proportion of these business owners perceived constraints on growth, with just 18% reporting lower growth expectations due to COVID-19. Similar results were reported in 2022, with a figure of 20%. This slight rise is possibly due to the higher structural costs that established businesses were now facing, as well as increased competition in the sectors in which they were operating, making it more difficult to manage an existing business than grow a new one, even during the pandemic.

The government's support strategy (intended to continue the transformation of the country in line with Vision 2030) and the special measures taken by a range of ministries and authorities considerably reduced the impact of COVID-19. Another crucial element is that company owners and entrepreneurs have learned to adjust to and endure a COVID-19 world. Of course, by definition, the GEM survey comprises those who have survived the pandemic and are still operating enterprises. Those who were still running their businesses in 2022 may have started to see new opportunities and have a more upbeat perspective on the state of the economy.

## 1.3

### New opportunities

Just over two thirds of entrepreneurs (indicated by TEA) and over half of established business owners felt that COVID-19 provided new opportunities in 2022 (Figure 3). A possible explanation for the lower value among established business owners is that many of them had already adapted to the new situation.

Furthermore, by definition, established business owners run existing businesses and (even beyond the COVID-19 context) their focus tends to be less geared toward new opportunities. New entrepreneurs, meanwhile, are just setting out in this unusual context and are affected by current conditions as they pursue their opportunities.

<sup>1</sup>"2022 Year in Review: A Time of Strong Post-Pandemic Recovery for Saudi Arabia," *Arab News*, December 29, 2022, <https://www.arabnews.com/node/2223916/saudi-arabia>.



Figure 3

Percentage of entrepreneurs and established business owners in Saudi Arabia who stated that COVID-19 provided new opportunities for their businesses, 2020–2022



Source: GEM Kingdom of Saudi Arabia, 2020–2022

In 2022, the new opportunities indicator demonstrated that both entrepreneurs and established business owners had become more optimistic, with a sharp increase in perceptions compared to the previous year. These results highlight the variety of opportunities presented by Saudi Arabia's economy during the pandemic, which, in some cases, is a result of the government's actions to promote and develop priority sectors, such as tourism and hospitality, healthcare and life sciences, agriculture and food processing, mining and metals, and financial services and products. Similar results were presented in a recent report (published by the Riyadh Bank in January 2023) on Saudi Arabia's Purchasing Managers' Index, which revealed a sharp growth in demand, supporting further expansion in activity and quickening job creation, but a slowdown in purchasing growth and the fastest rise in value-added tax collections on sales since March 2022.<sup>2</sup>

A principal reason for this positive outlook may be the launch of the National Investment Strategy (in 2021) as one of the main enablers to achieve the objectives of the Kingdom's Vision 2030. The strategy aims to considerably increase investment volume and quality, as well as the private sector's contribution to the local economy through the growth of critical industries. In addition to conventional industries, the plan also focuses on biotech, renewable energy, enhanced transportation and logistics, and creative startups and entrepreneurship. One pillar of this strategy is "competitiveness and enablers," which aims to increase the Kingdom's attractiveness to domestic and foreign investors by enacting laws, regulations, and norms pertaining to, among other things, encouraging the involvement of the private sector and enhancing transparency, clarity, and predictability. Another reason for this optimism may be government initiatives in regard to the provision of financing and nonfinancial business-development services through Monsha'at and other entities.



<sup>2</sup> Riyadh Bank Saudi Arabia PMI, "Job numbers rise at strongest rate since January 2018," news release, January 3, 2023, <https://www.pmi.spglobal.com/Public/Home/PressRelease/1023738dddc24711bde3951d42bb5e52>.

# 1.4

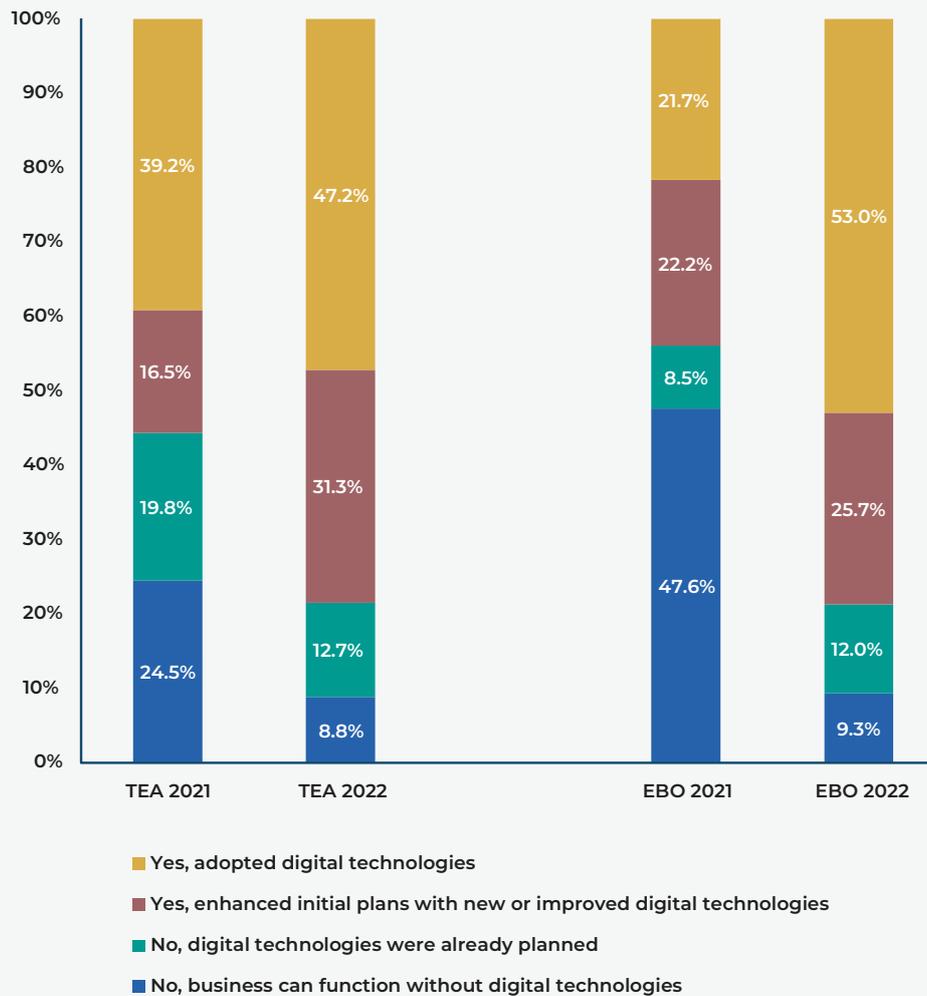
## Use of digital technologies

The pandemic has accelerated digital transformation in all areas, including business, across the globe. The GEM data reveal that while entrepreneurs were more likely than established business owners to adopt or enhance their use of digital technologies (56% vs 44%) in 2021, both groups were equally likely to do so in 2022 and the likelihood had increased (79% for both groups) (Figure 4).

These results suggest that an increasing number of potential and existing entrepreneurs realize that technology may provide them with benefits such as locating new revenue streams, creating software licenses, protecting their intellectual property, engaging with their customers, and accessing business-critical data. Entrepreneurs need to deliver not only products and/or services but also value, convenience, and/or experiences; technology can help them achieve this in a more effective and efficient manner.

Figure 4

Percentage of entrepreneurs and established business owners in Saudi Arabia who used digital technologies in response to COVID-19, 2021-2022



Source: GEM Kingdom of Saudi Arabia, 2021-2022

Another possible reason for the increase in the use of digital technologies is that entrepreneurs and established business owners are leveraging the country's reliable digital infrastructure, made possible by Saudi Arabia's advances in digital transformation. To keep pace with this positive change, which is making lives more convenient, both new entrepreneurs and established business owners have found new ways of doing business, reaching their customers, and even retaining their employees by enabling them to work remotely.

In 2022, compared to 2021, more entrepreneurs and established business owners expected to increase their use of digital technologies to sell their products and services in the following 6 months (Figure 5). It is important to note the dramatic increase among established business owners in this regard, with a nearly threefold increase between 2021 and 2022, which surpassed expectations among entrepreneurs. This is not surprising because, as a result of the use of technology in both traditional and nontraditional industries, the pandemic has spawned new business models that present opportunities for both aspiring and established businesses.

Figure 5

Percentage of entrepreneurs and established business owners in Saudi Arabia who stated that they expected to use more digital technologies to sell their products or services in the following 6 months, 2021–2022



Source: GEM Kingdom of Saudi Arabia, 2021–2022



A further possible explanation for this increase in the use of digital technologies is that the population is comparatively young, with a large number having been born in the digital age. Considered together, these results on the use of digital technologies illustrate the important role technology has played in enabling people to adapt to the fundamental changes caused by the pandemic—not only those starting new businesses but also, more broadly, across all business activity. Nearly half of established business owners felt they could function without

digital technologies in 2021, but less than 10% felt this was the case in 2022 (Figure 4). Nearly two thirds of established business owners did not use digital technologies to sell their products or services in 2021, declining to less than a quarter in 2022 (Figure 5). Even though they may have entered the market when such technologies were less important, established business owners have realized the importance of being able to use digital technologies to gain an advantage over their competitors during the pandemic.



## 1.5

### Changes in the national context

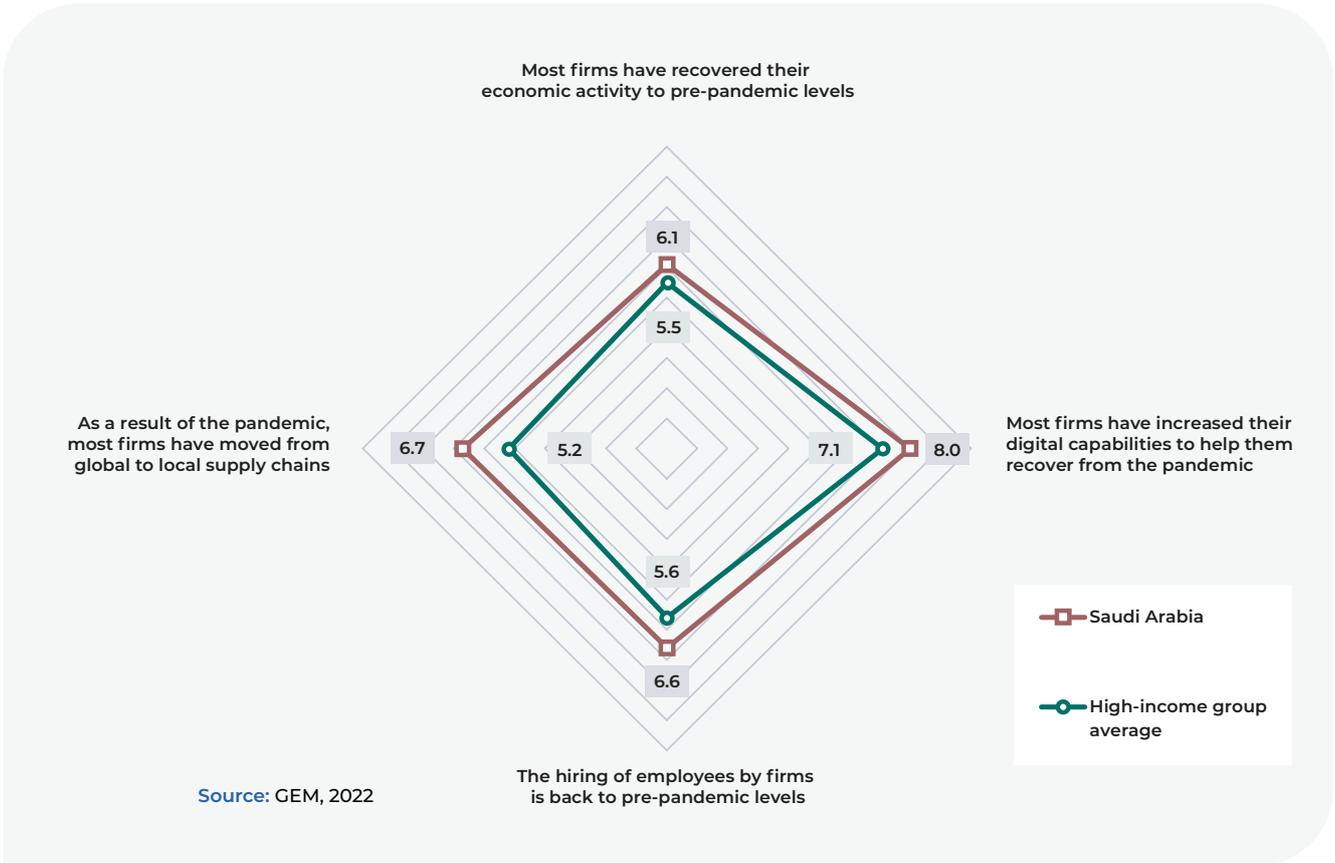
COVID-19 has brought widespread changes to the lives and livelihoods of entrepreneurs worldwide. Numerous companies have downsized, altered how they operate, and dealt with a great deal of uncertainty because of the pandemic and subsequent market, societal, and government responses. The widespread economic effects of the crisis have changed consumer demand and behavior, and its global impact has had implications for supply chains.

Every year, GEM consults national experts in participating economies on the prevailing business environment in their countries. This year, given the relevance of economic conditions

for the startup and growth of entrepreneurial ventures, survey questions considered whether levels of economic business activity have returned to pre-pandemic levels and how firms have progressed in developing their digital capabilities to help them recover from the effects of the pandemic. Questions were also asked about the local or global nature of the supply chain as a result of the pandemic and whether the hiring of employees has returned to pre-pandemic levels.

Figure 6

Average expert ratings (scale of 0–10) on business recovery after the COVID-19 pandemic in Saudi Arabia and in 28 other high-income economies participating in GEM, 2022



A number of workers lost their jobs or worked for less pay as a result of lockdowns and firm closures, which caused a special kind of job shock in the worldwide labor market. In Saudi Arabia, hiring was curtailed or stopped as a consequence of the business situation. Expert ratings from the National Expert Survey demonstrated moderate agreement with the statement that hiring had returned to pre-pandemic levels (Figure 6). This shows that the market is recovering, the economic activity of businesses is picking up, and the demand for workers is increasing, which is encouraging entrepreneurs to hire more employees.

The experts were also somewhat in agreement that the economic activity of businesses had recovered. This is consistent with the findings of the Central Department of Statistics and Information that “Saudi Arabia’s gross domestic product grew by 8.8% year-

on-year in Q3 of 2022, compared with an 8.6% rise in the preliminary reading and after a 12.2% advance in Q2.”<sup>3</sup> The supply chain has been impacted by the COVID-19 pandemic, which has altered shipping practices. However, entrepreneurs have learned to adapt to change. The experts were in moderate agreement that businesses have shifted from global to local supply chains as a result of the pandemic.

The highest levels of expert agreement, however, concerned the increase in the use of digital technologies in recovering from the effects of the pandemic, which is consistent with results from the GEM Adult Population Survey. Although the results do not necessarily reveal strong positive opinions about business recovery from the pandemic, Saudi Arabia’s scores were nonetheless higher than the average for the other 28 high-income economies participating in GEM in 2022.

<sup>3</sup> Saudi Central Department of Statistics and Information, accessed January 9, 2023, <https://www.stats.gov.sa/>.



# Chapter 2:

## Societal attitudes, affiliations, and self-perceptions



### 2.1

#### Societal attitudes

Societal attitudes toward entrepreneurship in Saudi Arabia remained high in 2022, similar to the levels reached for the variables of career choice, status, and media attention in 2021 (Figure 7). In terms of all the variables relating to societal attitudes, Saudi society has greatly endorsed entrepreneurship as the driving force of the country's economic engine over the last 3 years. This places the Kingdom at the top of the rankings of countries participating in GEM in 2022, as Chapter 7 reveals.

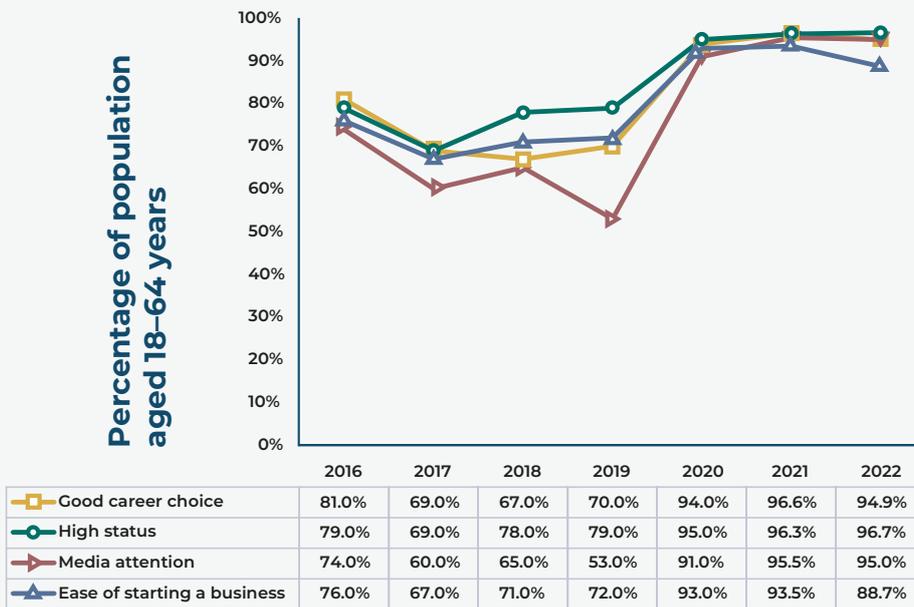
Few economies have displayed such impressive societal support for entrepreneurship in all the elements evaluated by GEM as Saudi Arabia has shown since 2016. The indicators appear to follow the same trajectory as those for most developed nations through to 2019. Entrepreneurship activity and societal support for entrepreneurship often decline as countries' economies

grow and present more opportunities for paid employment in both public and private sectors. In many countries, development has led to a sharp decline in the general public's interest in entrepreneurship, including among young people. Many people prefer to work for others rather than take risks and engage in an area of work that demands much passion and persistence, and many resources. An entrepreneur generates employment, contends with the market and rival businesses, and faces everyday issues and adversities; not everyone is prepared to make the necessary effort. Consequently, a steady decline in entrepreneurial activity can have a negative impact on innovation, job creation, and self-actualization motivation in a society. However, despite Saudi Arabia being an affluent economy, societal attitudes toward entrepreneurship have shown a sharp improvement from 2020 onward.



Figure 7

Societal attitudes of the adult population in Saudi Arabia, 2016–2022



Source: GEM Kingdom of Saudi Arabia, 2016–2022

One possible explanation for this trend is that, as part of government initiatives to achieve Vision 2030, more people are becoming aware of the importance of diversifying the nation’s economy away from the oil and gas industry, pursuing competitiveness, and building human capital, while fewer individuals continue to believe that the public sector can offer an endless stream of lucrative employment. Over the past 7 years, government initiatives to lower administrative barriers and regulations and promote investment and entrepreneurship have also changed how people view starting up a new company.

The media has also highlighted the availability of both formal and informal investment, the importance of creating one’s own world—full of opportunities—and

the provision of nonfinancial business-development services (by Monsha’at) to potential and existing entrepreneurs. Both mainstream and social media have featured entrepreneurs as role models for the younger generation, placing a strong emphasis on their high status and material accomplishments.

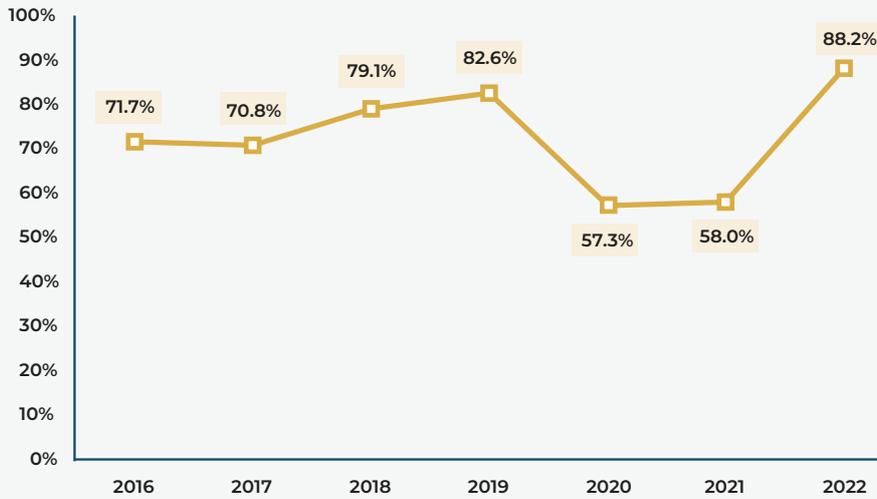
Overall, the results show that people have had strong positive impressions of entrepreneurship in the Kingdom since the start of the pandemic (Figure 7). In 2022, however, there was a decrease (of 5% compared to 2021) in positive attitudes toward the ease of starting a business, despite numerous government efforts to introduce multiple incentives and change the regulations to make the startup process smoother and swifter.

## 2.2 Affiliations and self-perceptions

Compared to 2019, over 30% fewer adults in Saudi Arabia knew an entrepreneur in 2020, with a similar result in 2021 (Figure 8). Possible explanations for this low level of affiliation (both awareness of new venture creation and knowing someone who has embarked on their entrepreneurial journey) are the lockdown and other precautionary measures imposed during the COVID-19 pandemic. In 2022, however, this indicator increased by over 50% of the 2020 and 2021 values, to the highest level seen in the 7 years since 2016. The increase in entrepreneurship rates and the visibility and popularity of entrepreneurs (on both mainstream and social media) may have enhanced the likelihood that people know an entrepreneur. This outcome is supported by a repeat of 2021’s high TEA rate and the drop in the rate of company closures, as reported in Chapter 3.

Figure 8

Percentage of the adult population in Saudi Arabia that knows someone who started a business in the previous 2 years, 2016–2022



Source: GEM Kingdom of Saudi Arabia, 2016–2022

Perceptions of both opportunity and capability increased to their highest levels in 2021 (Figure 9), possibly due to increased attention being paid to entrepreneurship in schools and colleges, and the large number of training programs offered by both public and private sectors in the Kingdom. Other possible explanations are the increase in digitalization and the availability of cheaper, even free, online training programs during the pandemic.

In 2022, however, opportunity perceptions dropped by 6% of the level reported in 2021. Capability perceptions exhibited a more modest drop (Figure 9). However, these results suggest that there are many opportunities for new businesses in Saudi Arabia, and the majority of the adult population both identifies these prospects and has the confidence and ability to pursue them.

Figure 9

Opportunity and capability perceptions of the adult population in Saudi Arabia, 2016–2022



Source: GEM Kingdom of Saudi Arabia, 2016–2022

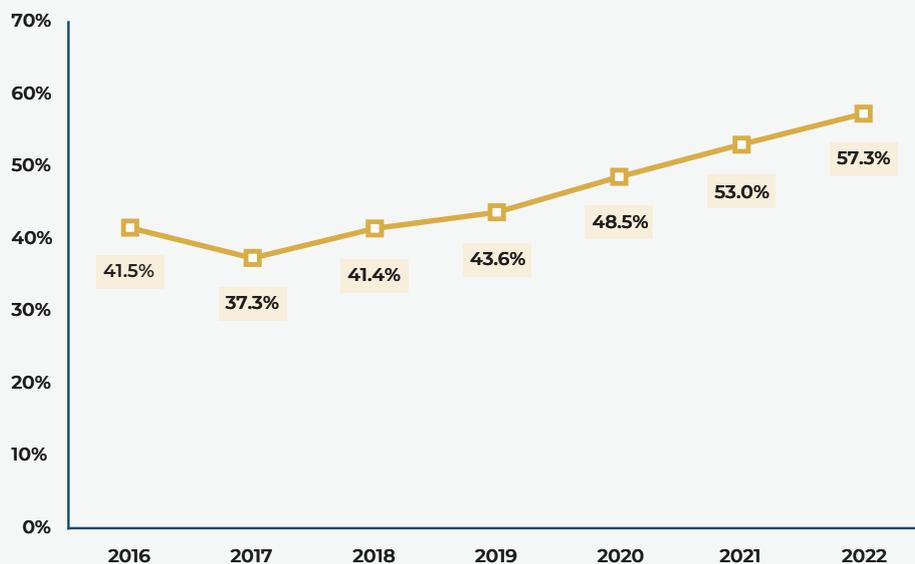
In 2017, fear of failure was at its lowest point in the 7-year period. Since then, it has steadily increased, with the 2022 level being over one and a half times that reported in 2017 (Figure 10). This is a somewhat curious result given the high regard for entrepreneurship and the high level of confidence and skills expressed in capability perceptions among the adult population in Saudi Arabia.

There are several possible reasons for the increasing levels of fear of failure, despite high levels of opportunity and capability perceptions. Primarily,

not everyone who identifies opportunities is willing to act on them, especially if this means forgoing attractive employment options or other interests that compete for one's time and career development prospects. Another possible cause is the stigmatization of failure in Middle Eastern culture. Indeed, viewed another way, 43% of those who saw opportunities and were not deterred by fear of failure may be considered a reasonably high percentage in a country where a lack of bankruptcy legislation may act as a disincentive to embarking on an entrepreneurial career.

Figure 10

Fear of failure among those seeing opportunities in the adult population of Saudi Arabia, 2016–2022



Source: GEM Kingdom of Saudi Arabia, 2016–2022



In summary, the attractiveness of entrepreneurship changes as awareness and regard increase in society and as people develop a better understanding of what is involved, leading some to aspire to pursue this path, while others admire entrepreneurs but do not want to become one themselves. This has implications for education and training, and other factors that can make entrepreneurship seem more viable.

# Chapter 3:

## Phases of entrepreneurship



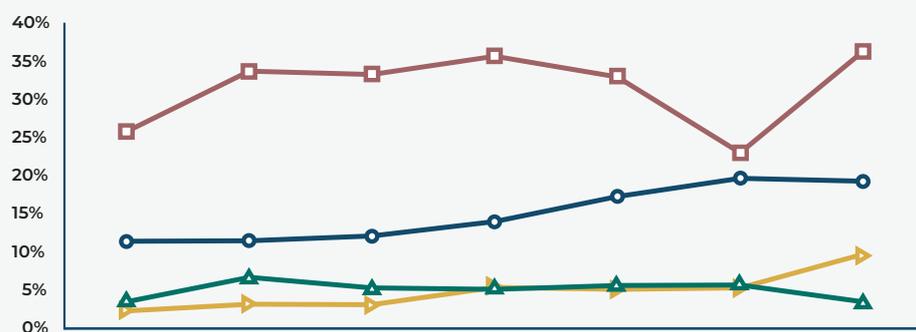
### 3.1

#### Entrepreneurial intentions

GEM measures entrepreneurial intentions as the percentage of the population aged 18–64 years who expect to start a new business in the next 3 years (Figure 11). In Saudi Arabia, after a substantial drop in 2021, entrepreneurial intentions have rebounded to the pre-pandemic (2019) level (Figure 11). These results are in line with the societal attitudes and self-perceptions reported in Chapter 2. However, they are in contrast to increases in fear of failure since 2017.

Figure 11

Entrepreneurial intentions and rates of entrepreneurship, established business ownership, and business closure in the adult population of Saudi Arabia, 2016–2022



	2016	2017	2018	2019	2020	2021	2022
Intentions	25.8%	33.7%	33.3%	35.7%	33.0%	23.0%	36.3%
TEA	11.4%	11.5%	12.1%	14.0%	17.3%	19.7%	19.3%
EBO	2.3%	3.2%	3.1%	5.4%	5.1%	5.3%	9.7%
Closures	3.5%	6.7%	5.3%	5.1%	5.6%	5.7%	3.5%

Source: GEM Kingdom of Saudi Arabia, 2016–2022

## 3.2

### TEA rate

The TEA rate includes both nascent entrepreneurs (those who just started a business, in operation for less than 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. In 2022, TEA rates were at roughly the same level (slight decline) as in 2021, suggesting some stability in the recent high level of startup activity and consistent with the results for entrepreneurial intentions (Figure 11).

The sustainability of TEA rates for Saudi Arabia in 2022 can be attributed, at least in part, to the favorable economic and social climate, as well as other factors such as interventions and

regulations that impact the entrepreneurship sector. One of the main contributing factors is the availability of finance for startup ventures. The year 2022 was a defining moment for venture capital in Saudi Arabia. The Kingdom saw unprecedented first-quarter, half-year, and full-year financial investments, totaling close to \$1 billion in 2022: “The VC [venture capital] ecosystem surpassed FY [fiscal year] 2021’s numbers by 72%[,] aggregating \$987M [million] in funding across 144 deals.”<sup>4</sup> In 2022, Saudi Arabia ranked second in the Gulf region’s venture-capital market in terms of public-sector financing. The number of business angels and their per-venture financing also increased substantially in 2022.<sup>5</sup>

## 3.3

### Established business ownership

The rate of established business ownership in 2022 nearly doubled from that of the previous year (Figure 11), suggesting a lagged effect of prior rises in TEA. This is a positive result as rates of established business ownership have been traditionally low in the Kingdom, previously lagging behind its high-income peers.

These results imply that entrepreneurs are entering a mature stage of their business journey, possibly as a result of experience gained in entrepreneurship and business development, as well as changes made to the regulatory and business environment, such as government initiatives to create a robust business-support system. The effect has been compounded by enormous investment across Middle Eastern and African regions, for example, the Kingdom’s three “Mega Deals”: \$170 million Series C by Foodics, \$100 million Series B by FinTech Tamara, and \$100 million Series C by TruKker.<sup>6</sup> Moreover, a record first quarter drove 32% of the total funding, continuing the funding heights of 2021.<sup>7</sup>



<sup>4</sup> Magnitt, *FY2022 KSA Venture Investment Report*, accessed January 21, 2023, [https://magnitt.com/research/ksa-fy-2022-venture-investment-report-50851?utm\\_source=landingpage&utm\\_medium=research&utm\\_campaign=2023reports](https://magnitt.com/research/ksa-fy-2022-venture-investment-report-50851?utm_source=landingpage&utm_medium=research&utm_campaign=2023reports).

<sup>5</sup> Magnitt, *2022 Saudi Arabia Venture Capital Report*, accessed January 21, 2023, <https://magnitt.com/research/2022-saudi-arabia-venture-capital-report-50848>.

<sup>6</sup> Magnitt, *FY2022 KSA Venture Investment Report*, accessed January 21, 2023, [https://magnitt.com/research/ksa-fy-2022-venture-investment-report-50851?utm\\_source=landingpage&utm\\_medium=research&utm\\_campaign=2023reports](https://magnitt.com/research/ksa-fy-2022-venture-investment-report-50851?utm_source=landingpage&utm_medium=research&utm_campaign=2023reports).

<sup>7</sup> *Ibid.*



## 3.4

### Exits and closures

Closure rates were slightly lower in 2022 compared to the previous 3 years (Figure 11). Combined with higher rates of established business ownership, this suggests improved business sustainability. It is important to continue tracking both these indicators in order to determine whether this will be a lasting effect or whether it is a 1-year anomaly only.

The slight decline in closure rates suggests that business owners may be more securely established in the market and have more resources than before to address business challenges. It could also be influenced by policy interventions to address the economic effects of COVID-19 and to encourage entrepreneurship.

One must not overlook the reality that some firm closures should be anticipated when people take the entrepreneurial plunge, with all its related uncertainties and problems, including the possibility of failure.

Another notable result this year is the increase in exits, which jumped from 2.9% in 2021 to 8% in 2022. This may involve leaving a business to a partner, selling a business, or making another arrangement whereby the business continues operating. On the whole, it is a positive indication that although individuals may enter and exit entrepreneurship, they leave ongoing businesses in the market.

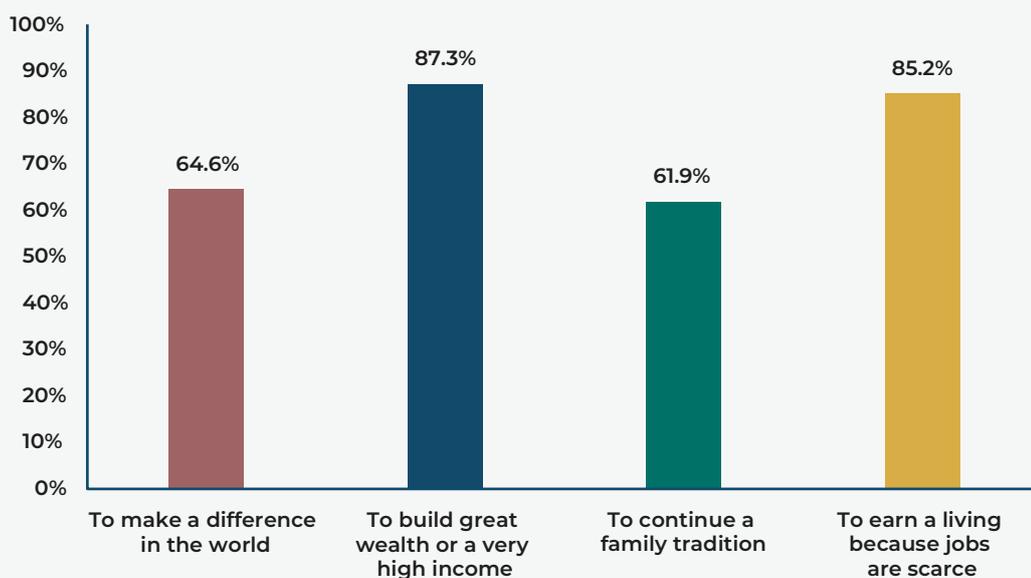
## 3.5

### Motivations

As in previous years, the greatest motivators for entrepreneurs in Saudi Arabia were income-related. Over 87% cited a desire to create great wealth or earn a very high income, while 85% identified the need to earn a living because jobs are scarce (Figure 12).

Figure 12

Entrepreneurial motivations among entrepreneurs in Saudi Arabia, 2022 (percentage within TEA)



Source: GEM Kingdom of Saudi Arabia, 2022

The motivation to continue a family tradition increased during the pandemic and remained popular in 2022, leading to a hypothesis that spending more time with family during lockdown and other precautionary measures may have led to more options and preferences for families to work together.

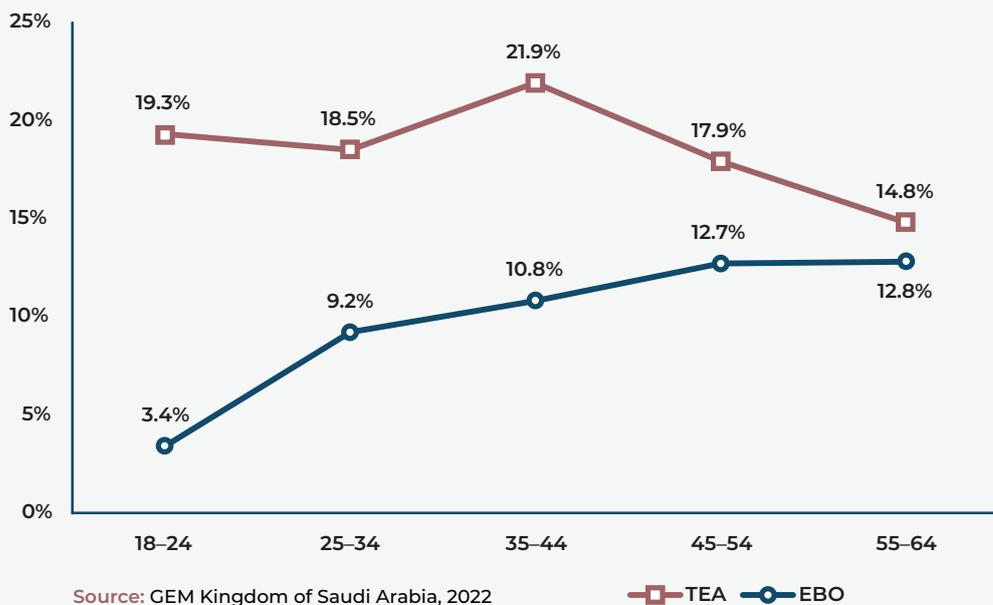
In addition, entrepreneurs frequently cited the motivation of making a difference in the world, which could mean effecting positive social, environmental, or economic impact. This may reflect greater awareness of global environmental and social concerns, as well as the breakthrough ideas that entrepreneurs introduce into their communities and greater society.

## 3.6 Age

In Saudi Arabia, as in most economies, entrepreneurship rates typically peak in early to mid-career, that is, among 25–34- and 35–44-year-olds. People in these age groups likely have experience, a track record that demonstrates legitimacy, networks, and access to resources that they can leverage in the businesses they are starting.

Figure 13

Rates of entrepreneurship and established business ownership by age group (in years) in Saudi Arabia, 2022



It may be assumed that 18–24-year-olds are in college or obtaining some initial work experience and therefore are less likely to be starting businesses. However, the 2022 results show a high rate of entrepreneurship among this youngest age group (Figure 13). One must not ignore that almost 70% of the Saudi population is under 30 years old, which is much younger than the average age of most of the developed economies participating in the GEM study. In the past few years, there has been an enormous increase in awareness of financing opportunities and nonfinancial business-development services. Schools and colleges have been promoting entrepreneurship, developing programs, and offering skills-building activities to help prepare

young people to start their own business ventures. The combination of these skills and tools among people with young, creative energy, who may feel they have little to lose at this point in their lives, may help explain the high rate of startups in this age group.

There is a tendency for higher rates of established business ownership among older age groups. Older people are less likely than those in the younger age groups to be starting new businesses, but, instead, they may be running mature businesses that they started when they were young. They may have experimented with other businesses or worked as employees before settling into running their current venture.

# Chapter 4:

## Social and environmental actions



The pandemic has changed many aspects of life. Among those that affect the business world, there is now a greater need than ever to consider the issue of environmental and social sustainability when both starting and managing businesses. Entrepreneurs can no longer focus solely on producing goods and services for financial gain. They must also act in a sustainable way by contributing to the society in which they operate. Moreover, since the introduction of the United Nations 2030 Agenda and its 17 Sustainable Development Goals, there has been a greater emphasis on how

entrepreneurship can help to achieve these goals throughout the world. GEM started examining entrepreneurship in the Kingdom of Saudi Arabia from the standpoint of its contribution to overall sustainability efforts in 2021, so 2022 is the second year this data have been collected.



# 4.1

## Social and environmental behavior

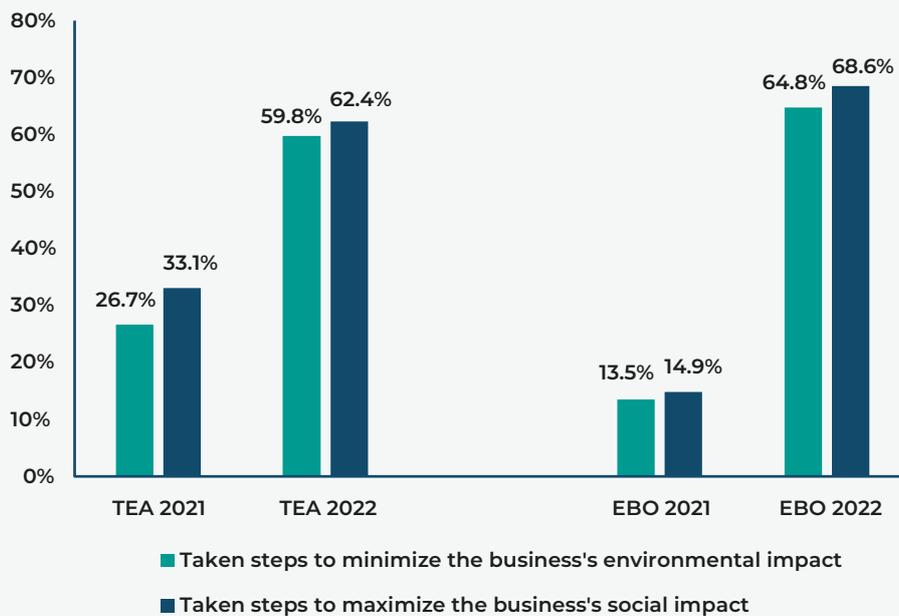
Last year's (2021) data suggested that a relatively small proportion of business owners were implementing strategies that enabled their companies to successfully meet the sustainability objectives. The 2022 GEM data reveal that at least 80% of entrepreneurs and established business owners consider environmental and/or social implications when making decisions for their businesses, and approximately 75% prioritize social and/or environmental impact above profitability or growth. These results likely reflect good intentions or even a social desirability bias—at least in some cases—because, in behavioral terms, fewer have taken steps to minimize negative environmental effects or to maximize the social benefits of their businesses.

Even more interesting, however, is the increase in social and environmental actions reported in 2022. Entrepreneurs were around twice as likely to report these actions in 2022 as they were in 2021 (Figure 14), while established business owners were over four and a half times as likely to do so.

This reflects not only the opportunities for solving social and environmental problems but also the responsibility taken by entrepreneurs and business owners to create value through actions that reflect environmental and social awareness. One possible reason for this is the government's recent commitment to and prioritization of the environment and sustainability.



**Figure 14** Social and environmental behavior among entrepreneurs and established business owners in Saudi Arabia, 2021–2022



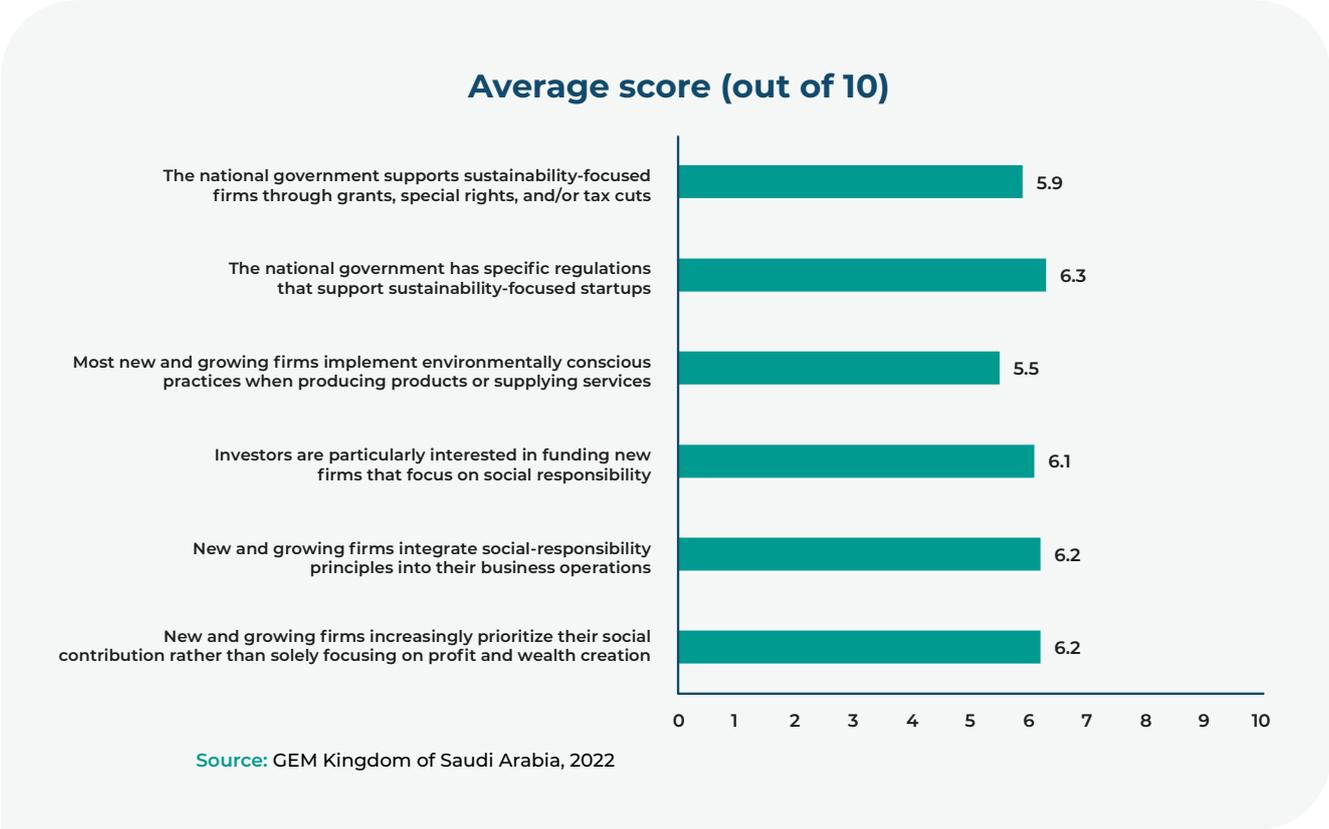
Source: GEM Kingdom of Saudi Arabia, 2021–2022

# 4.2

## Experts' perceptions of social and environmental dimensions

Experts completing the National Expert Survey indicated moderate levels of agreement about social and environmental sustainability. Figure 15 shows selected results on this topic.

**Figure 15** Saudi Arabia experts' perceptions of social and environmental dimensions, 2022



There was general agreement among experts that new and growing firms prioritize their social contribution over profits and that they integrate social-responsibility principles into their business operations (Figure 15). A similar rating indicates a moderate level of interest among investors in funding new firms focused on social responsibility.

The implementation of environmentally conscious practices by new and growing businesses was rated somewhat lower. However, the experts generally agreed that the national government has specific regulations to support sustainability-focused startups and were somewhat in agreement that the government provided grants, special rights, and/or tax cuts for these businesses.

The results further indicate that the government has begun to implement measures that reward enterprises with a focus on sustainability and to

design legislation that promotes startups with this focus. However, the experts' perceptions were moderated when they analyzed new and developing enterprises' implementation of environmentally conscious practices when manufacturing goods or providing services, which is consistent with findings among entrepreneurs and business owners.

In conclusion, Saudi experts, like entrepreneurs and established business owners, agreed more strongly with statements about companies taking social-responsibility actions than environmental ones. They also stated that incorporating such activities in a startup plan is a good idea because investors are currently interested in funding new firms that focus on social responsibility. These results suggest not only an awareness of and concern about social and environmental issues but also a need for continued actions that will encourage and guide behavior and lead to real impact.

## Chapter 5:

# Impact characteristics of entrepreneurship and established business ownership



### 5.1

#### Industries

The sector distribution of entrepreneurs and established business owners in the 2022 GEM survey shows the continuing dominance of the consumer-oriented sector in Saudi Arabia (Figure 16). As in the previous year (2021), sector diversification remains low for both groups, which is contrary to the diversification goal of Vision 2030. Since the resumption of the GEM study in Saudi Arabia, the results have shown a growing concentration of entrepreneurial activity in the consumer-oriented sector, which is incompatible with the country's sought-after diversification.

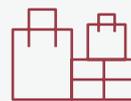
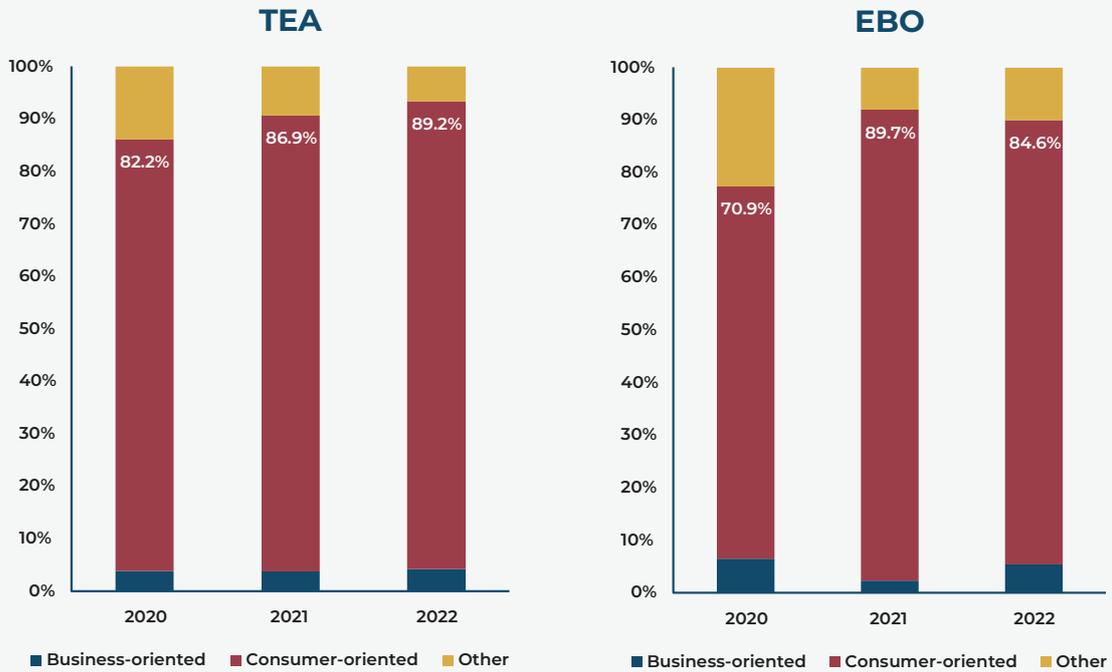


Figure 16

Sector distribution of entrepreneurship and established business activity in Saudi Arabia, 2020–2022



Source: GEM Kingdom of Saudi Arabia, 2020–2022

This greater concentration of business activity in the consumer sector may be driven by market demand and the ease of operating in this sector in terms of costs, infrastructure, bureaucratic procedures, and permits. The recent regulatory change that permits women to start their own businesses has likely contributed to not only an increase in entrepreneurship but also a concentration of this activity in consumer-oriented industries. Historically, and with few exceptions, women have generally had fewer means to establish large firms that demand a substantial capital investment and that are typically centered in the extractive and industrial sectors.

It is important to note that businesses selling food, personal care, leisure, and other offerings directly to customers are often plagued by low margins and crowded competitive contexts. There is an urgent need to investigate the underlying cause of the tendency of entrepreneurs to work in the consumer-related sector, and efforts should be made to divert entrepreneurial energy into other industries.



Overall high rates of entrepreneurship and established business ownership in Saudi Arabia indicate a high absolute number of entrepreneurs in other types of business, despite the percentages being comparatively low. Nonetheless, opportunities must be created in other business sectors, and both private and government sectors should make significant efforts to determine whether they are accessible and attractive to potential entrepreneurs.

# 5.2

## Current and expected employment

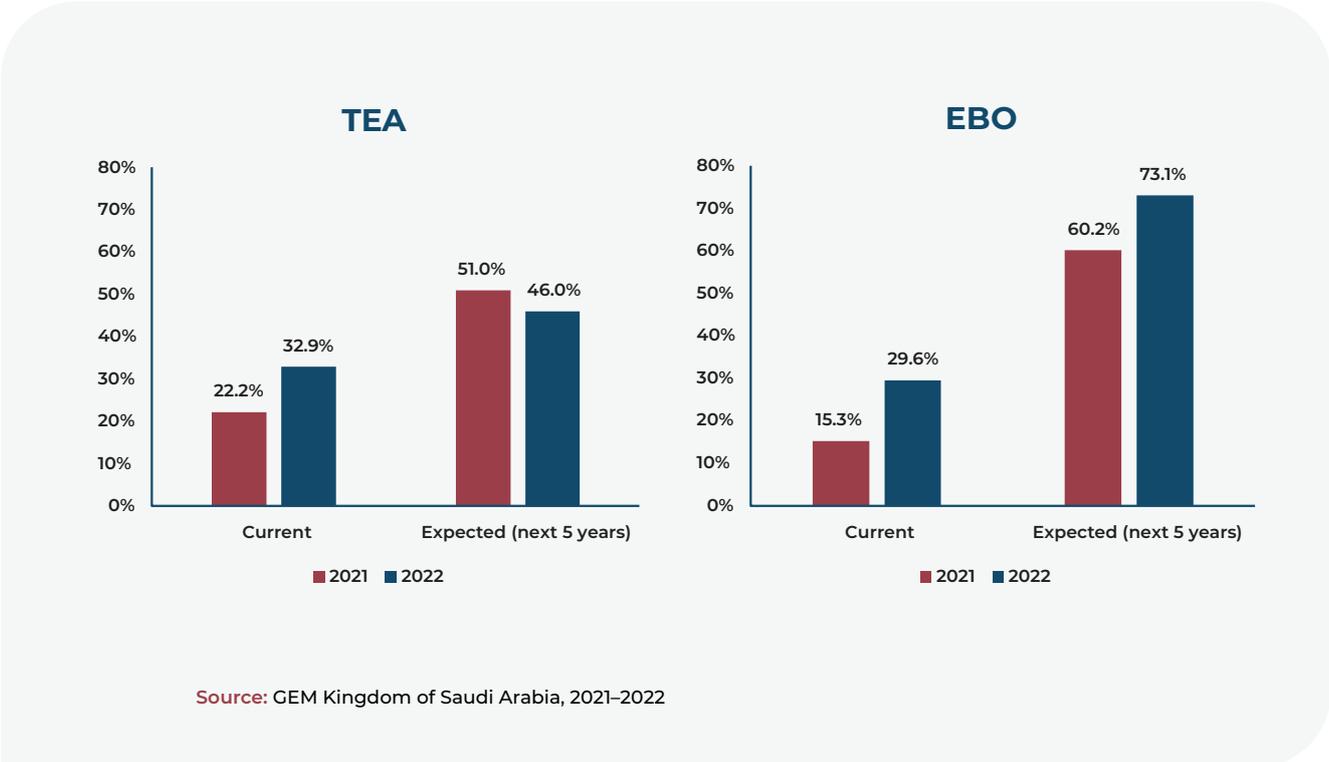
Job creation is one of the most intriguing outcomes of entrepreneurial activity and one of the most apparent manifestations of entrepreneurs' social responsibility. However, in all countries, micro- and small companies comprise a high percentage of all entrepreneurial activity. Therefore, it is not surprising that a relatively low percentage (6.8%) of entrepreneurs in Saudi Arabia had 20 or more workers in their businesses, although this may be because these businesses were just getting started and may not have been ready to hire many people. Even among established business owners, however, only a few had this number of employees (5.8%).

In many economies, a minority of entrepreneurs and established business owners employ six or more people. This is the case in Saudi Arabia, although the 2022 results show increases since the previous year (Figure 17).

But with regard to job-creation expectations, both new entrepreneurs and established business owners expected to hire more new staff over the following 5 years. This reflects optimism about the future, but this may also indicate that some entrepreneurs are currently in the startup phase and may not yet have made substantial hiring decisions, although they anticipate doing so in the future.

While hiring expectations in 2022 were slightly below the 2021 results among entrepreneurs, established business owners demonstrated higher optimism in 2022, with expectations rising by more than one fifth (Figure 17). Perhaps this optimism reflects renewed prospects for businesses that were hit hard during the first few years of the pandemic. Inflation can dampen job-creation expectations for entrepreneurs because it has a direct impact on labor costs and developing firms typically have fewer resources and mechanisms to address this type of problem. Business owners who have downsized their operations may be planning to ramp them back up and need to hire more people.

**Figure 17** Percentage of entrepreneurs and established business owners in Saudi Arabia with six or more current and expected employees, 2021–2022



# 5.3

## Market scope

The breadth of an entrepreneur’s market reach can help determine his or her level of ambition. In Saudi Arabia, as in most other countries, entrepreneurial activity is chiefly local or national, with only a few entrepreneurs venturing into international markets. In 2022, nearly all entrepreneurs and established business owners in the country sold locally (98% or more for both groups). Additionally, 47% of both groups indicated that they used national markets for their products or services.

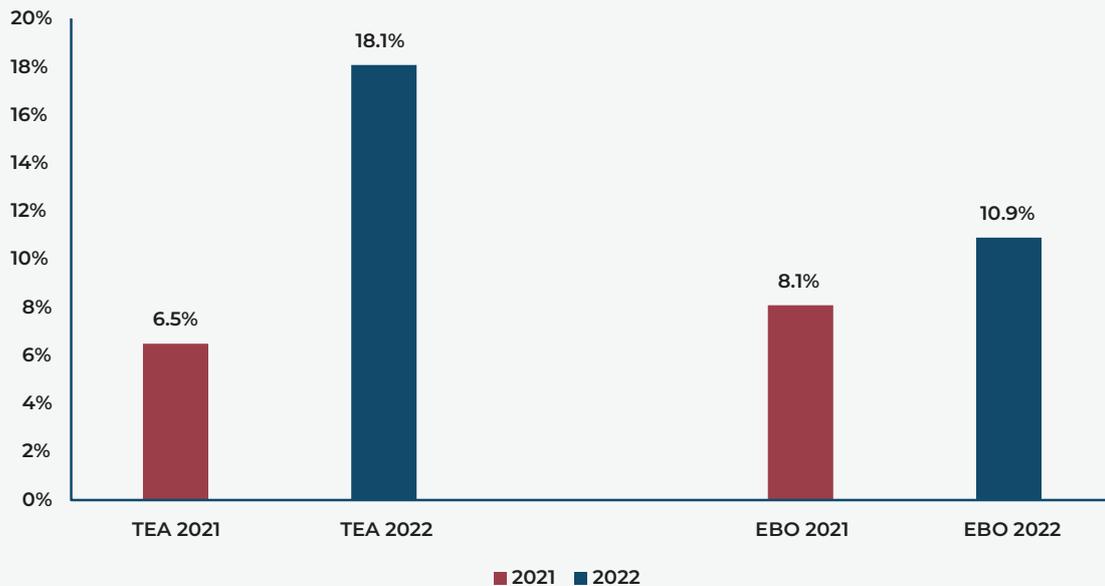
Technological advancements, global regulations, and the digitalization of many types of business enable an increasing number of companies in some industries to provide services or sell products not only locally and nationally but also internationally. While fewer entrepreneurs and established business owners in Saudi Arabia sell internationally, the number increased in 2022. There was nearly a threefold increase in international sales for entrepreneurs and over a one-third increase for established business owners on this indicator (Figure 18).

The dominance of consumer-oriented businesses reported at the beginning of this chapter suggests a reliance on local and, for some, national markets. International trade, however, opens up a range of new markets for businesses and contributes to Saudi Arabia’s global competitiveness. This is best accomplished through a diversity of industries, support for adapting products and services for foreign markets, and the facilitation of trade.



Figure 18

International market scope for entrepreneurs and established business owners in Saudi Arabia, 2021–2022



Source: GEM Kingdom of Saudi Arabia, 2021–2022

# Chapter 6:

## Comparison of Saudi nationals and expatriates



Saudi Arabia is undergoing a series of social and economic reforms to increase the Kingdom's economic potential in line with Vision 2030. This is creating unprecedented business opportunities in the country, such as letting expatriates own 100% of a business. Before HRH King Salman bin Abdulaziz Al Saud announced Vision 2030, many foreigners wanted to start businesses in Saudi Arabia but were not allowed to do so. Now, they can legally start businesses in the country without a local (national) partner. It is expected that easing ownership restrictions for expatriates in many sectors will attract high-quality entrepreneurs, innovators, and investors, giving them access to untapped opportunities in this large, expanding Group of 20 economy.

### 6.1 Societal attitudes, affiliations, and self-perceptions

Chapter 2 reported on social attitudes for the adult population of Saudi Arabia. Dividing this population into expatriates and Saudi nationals reveals essentially no differences in societal attitudes: whether entrepreneurship is considered a good career choice, whether entrepreneurs have high status and receive positive media attention, and the extent to which it is easy to start a business. Expatriates were also as likely as Saudi nationals to identify opportunities and they had a similar fear of failure. This suggests that Saudi Arabia may benefit from

the entrepreneurial enthusiasm of expatriates and the different perspectives and international connections they bring to Saudi society.

However, expatriates were slightly less likely than Saudi nationals to know an entrepreneur (85% vs 89%). They were also less likely than Saudi nationals to state that they have entrepreneurship capabilities (83% vs 90%). This may reflect fewer affiliations and lower levels of confidence in operating in a less familiar market environment.

## 6.2

### Phases of entrepreneurship

Regarding business phases, expatriates were nearly as likely as Saudi nationals to have intentions to start a business in the following 3 years (Figure 19). However, expatriates were only half as likely as Saudi nationals to currently be entrepreneurs. While 2022 entrepreneurship rates among Saudi nationals remained relatively constant compared to 2021, the rates among expatriates declined by one third.

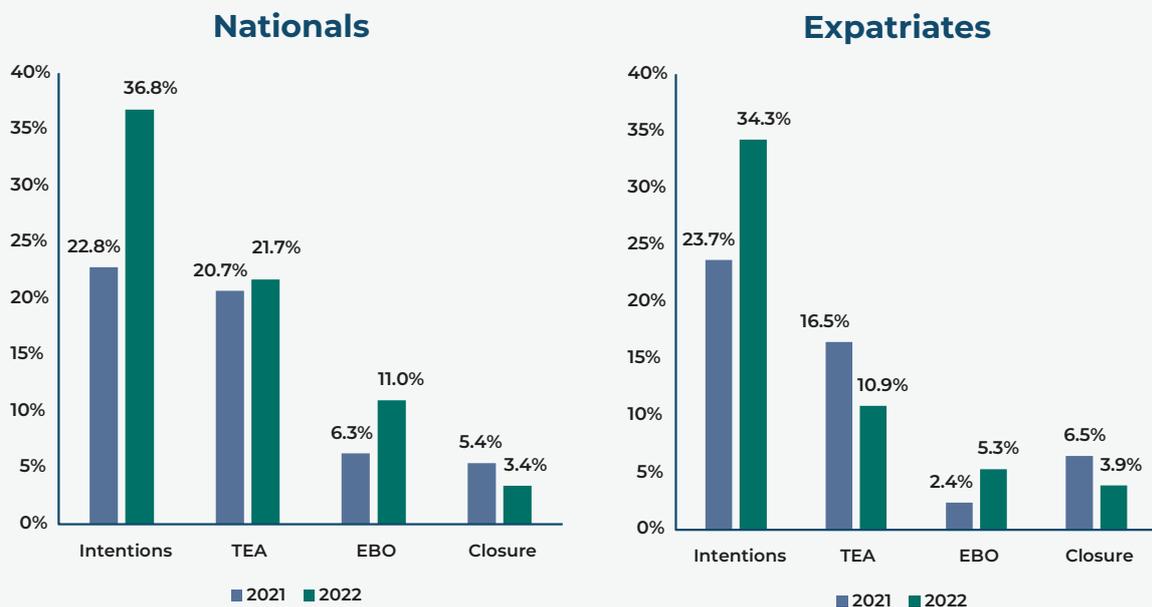
One possible explanation for this decline is that most expatriates are in Saudi Arabia on work visas, doing paid jobs with lucrative tax-free salaries and other benefits. There are hardly any push factors motivating them to leave their secure jobs and take a risk in a foreign country.

Although expatriates are now permitted to open their own businesses in the Kingdom, they still have to meet several requirements in order to obtain a license to operate. This involves a substantial initial investment and many associated risks before they can operate successfully and profitably.

Both expatriates and Saudi national entrepreneurs cited similar motives for starting their businesses (the results presented in Figure 12, Chapter 3, are for all entrepreneurs, but there was little difference between expatriates and Saudi nationals). Making money was high on the list, which is often a key reason people give for moving from one country to another.

Figure 19

Participation in phases of business activity among nationals and expatriates in Saudi Arabia, 2022



Source: GEM Kingdom of Saudi Arabia, 2021–2022



Compared to 2021, the rate of established business ownership more than doubled among expatriates in 2022 but still represented half the level reported by Saudi nationals, which increased by 75% (Figure 19). This raises questions of whether expatriates have the same access to resources and support, and, if so, how this might lead to differences in rates of startup and business ownership, and the implications of this for the Saudi economy.

# Chapter 7:

## Comparison of high-income economies



GEM uses the World Economic Forum (WEF) categorization to group participating economies by income level. For the purposes of GEM's global and national reports, the economies classified by the WEF as low income or lower-middle income are together referred to as the "low-income group." The economies categorized by the WEF as upper-middle income are termed the "middle-income group." The economies classified by the WEF as high income are the largest group of economies participating in GEM. In this chapter, Saudi Arabia is compared to 28 other high-income economies participating in the GEM 2022 survey. These are economies whose gross domestic product per capita is above \$40,000.

### 7.1

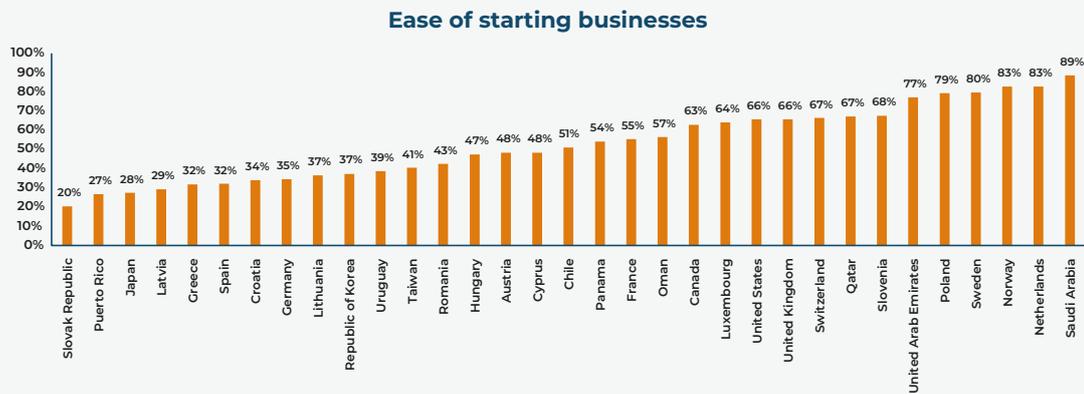
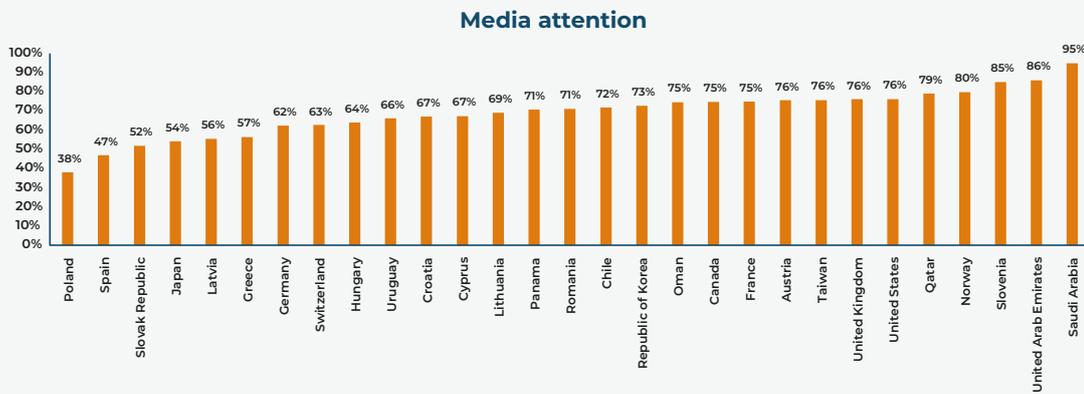
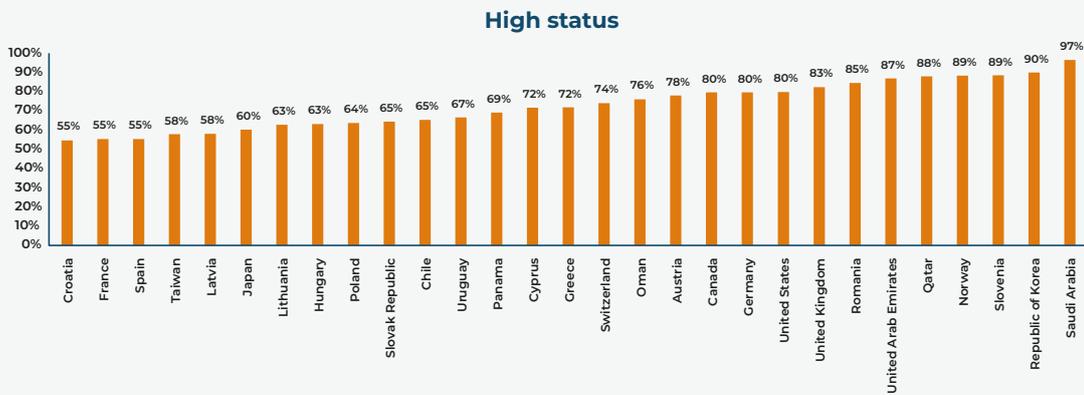
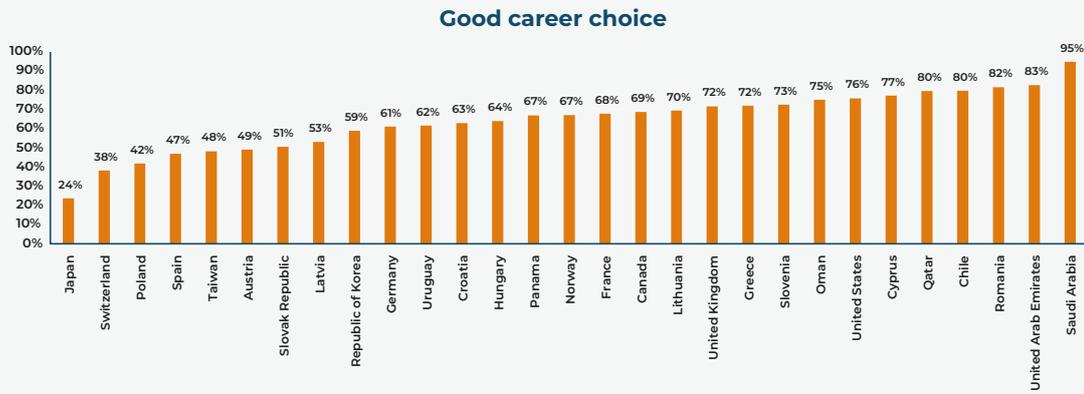
#### Societal attitudes

Saudi Arabia's high level of societal attitudes place it at the top of the high-income economies (Figure 20) in all four categories for the second consecutive year. These categories are whether people believe that entrepreneurship is a good career choice, whether entrepreneurs are accorded high social status, whether entrepreneurs receive positive media attention, and whether people believe that starting a business is easy.

In light of these rankings, Saudi society seems to have recognized the urgency of the government's message that the economy of the Kingdom needs to be diversified through the promotion of entrepreneurial endeavors. It is also possible that these results are the fruit of the numerous initiatives launched by the government in recent years to improve the environment in which entrepreneurial activity occurs.

Figure 20

Societal attitudes toward entrepreneurship in 29 high-income economies, 2022



Source: GEM, 2022

# 7.2

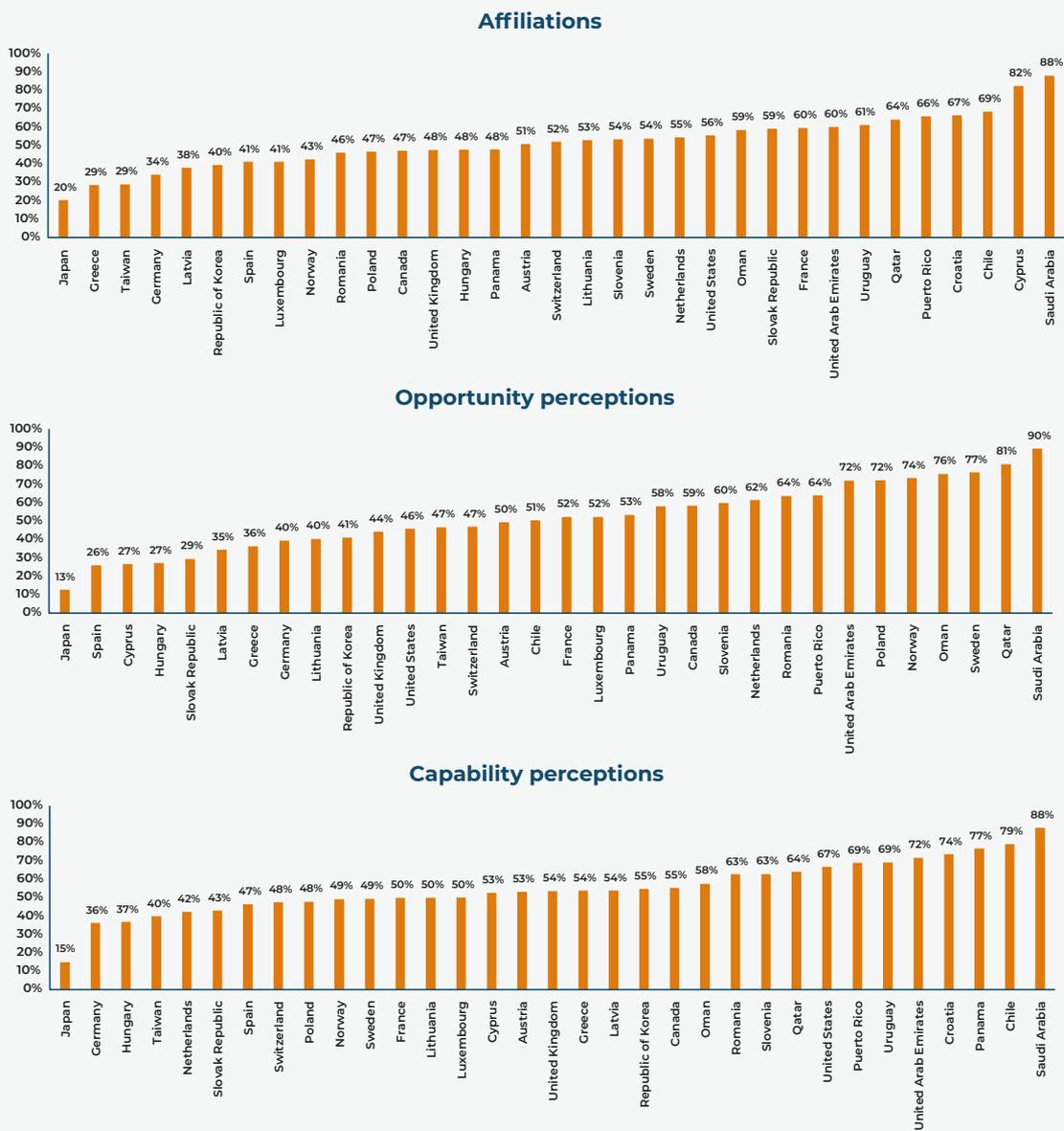
## Affiliations and perceptions

In 2022, Saudi Arabia had the highest percentage of adults who know an entrepreneur (Figure 21). Entrepreneurs can gain insight and guidance from these affiliations (connections), and may involve them in a startup's operations as investors, board members, employees, or co-founders.

Additionally, Saudi Arabia was in first place in terms of self-perceptions regarding identifying business opportunities and having entrepreneurship capabilities (Figure 21). This demonstrates the confidence and opportunity recognition that is pervasive throughout this society. However, fear of failure among those seeing opportunities was comparatively high in the Kingdom, but on a par with several European countries and the United States.

Figure 21

Affiliations and self-perceptions about entrepreneurship in 29 high-income economies, 2022



Source: GEM, 2022



Source: GEM, 2022

## 7.3

### Phases of entrepreneurship

Entrepreneurial intentions were comparatively high in Saudi Arabia, with only three Latin American countries (Panama, Chile, and Uruguay) and three Middle Eastern countries (the United Arab Emirates, Oman, and Qatar) exhibiting higher rates (Figure 22). Nonetheless, it is notable that some of the nations that exhibited the strongest intentions also had the lowest entrepreneurship rates. This may be a temporal lag, so entrepreneurship rates could rise in the future.

When compared to other high-income economies, Saudi Arabia had one of the lowest rates of entrepreneurial intentions in 2021, falling to 23% from 33% in 2020. However, in 2022, this figure jumped by 57% compared to the previous year (Figure 22), demonstrating a change in the country's outlook on entrepreneurship. This implies that government initiatives and policies have minimized the negative effects of COVID-19 on the business sector and demonstrates the resilience of entrepreneurship in the face of difficult conditions during the pandemic. Entrepreneurship rates were also comparatively high, and rising, in the Kingdom and on a par with the United States (Figure 22).

There was a notable rise in established business ownership activity in Saudi Arabia in 2022 (Figure 22), placing the country near the top of the high-income group. Previously, the country ranked low among the high-income economies on this measure.

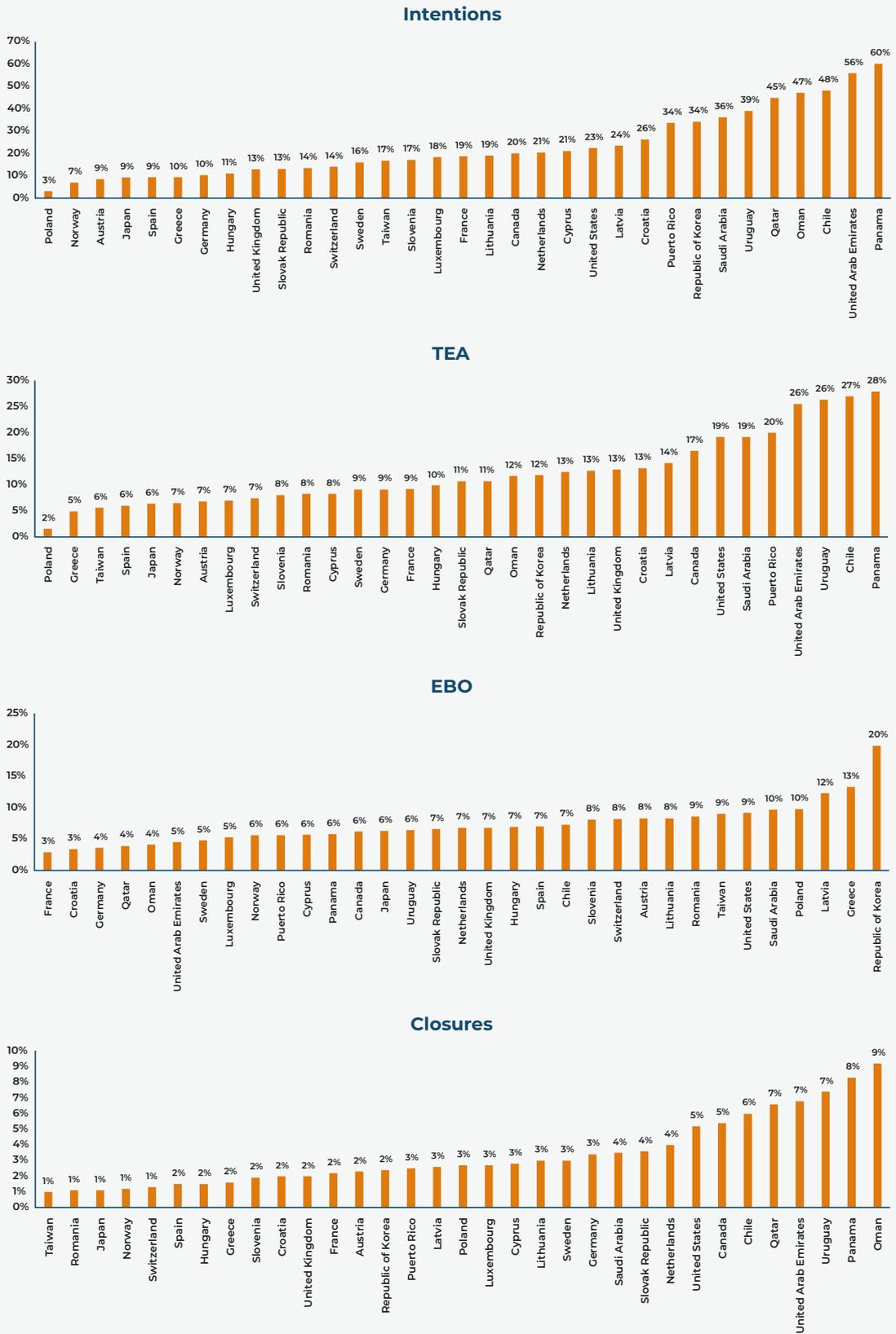
Business closure rates in Saudi Arabia place the country in the middle of the high-income economies, close to the overall average (Figure 22). When a sufficient number of people are willing to take the risk of starting their own businesses and accept that some of them will inevitably fail, the economy benefits greatly. Thus, Saudi Arabia's placing for this indicator reflects, to some extent, the country's high entrepreneurship rates.

It is equally important to address company sustainability by looking at the factors that motivate and enable entrepreneurs to pursue their businesses. These may include elements that not only create and encourage entrepreneurs but also reduce the number of barriers they encounter during their entrepreneurial journey. An excessive focus on consumer-oriented enterprises may be problematic as such industries are well known for low profit margins and an excess of competition. Being uncompetitive may also signal a lack of innovation or a narrow emphasis on domestic markets.



Figure 22

Phases of entrepreneurship in 29 high-income economies, 2022



Source: GEM, 2022

# 7.4

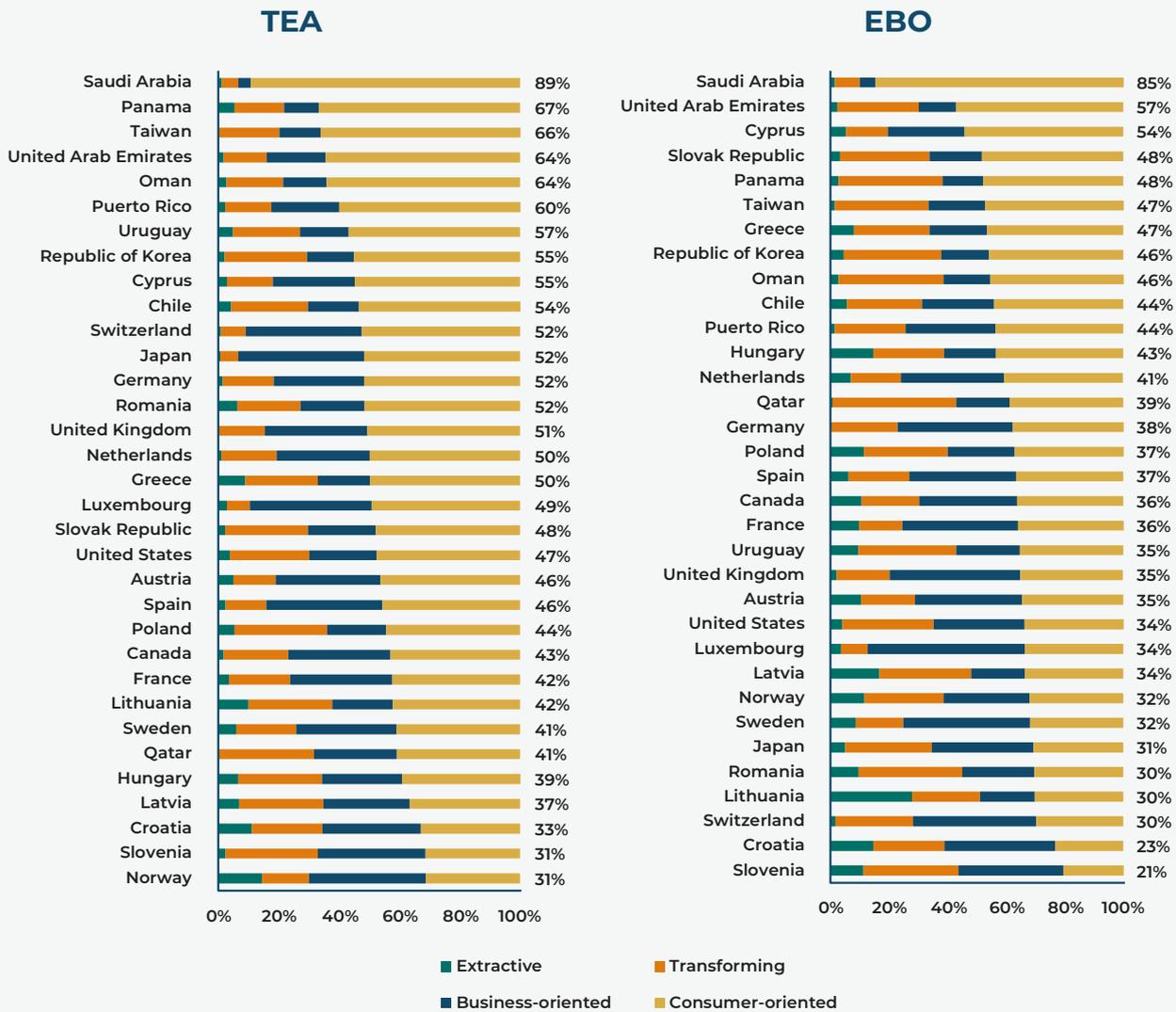
## Sectoral distribution

The dominance of the consumer-oriented sector in Saudi Arabia was even more distinct in 2022 than in previous years, especially when compared to other high-income economies. The Kingdom had the highest proportion of both entrepreneurs and established business owners operating in this sector (Figure 23). Indeed, the proportion of entrepreneurs in the consumer sector was one third higher than in Panama, the country with the next highest percentage. And

the proportion of established business owners in this sector in Saudi Arabia was 48% greater than in the United Arab Emirates, which had the next highest concentration (Figure 23).

Vision 2030 places an emphasis on diversity and stimulates entrepreneurial activity and thought across various areas. The current scenario may warrant investigation and action from politicians.

**Figure 23** Industry-sector distribution for entrepreneurship and established business ownership in high-income economies, 2022



Source: GEM, 2022

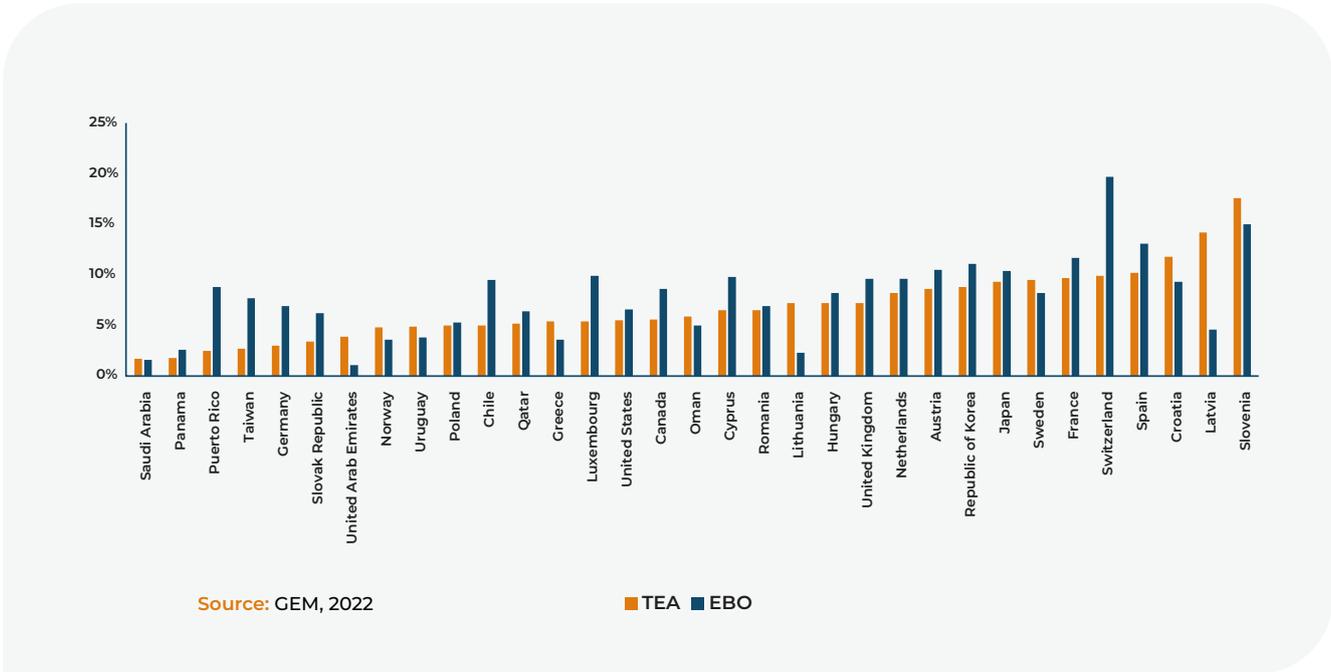
# 7.5

## Medium- and high-technology sector

As most of Saudi Arabia's entrepreneurial activity takes place in the consumer-oriented sector, a relatively small proportion of entrepreneurs in this country are starting their businesses in technology industries. In 2022, only 1.7% of entrepreneurs and 1.8% of established business owners were starting up or operating in the medium- and high-technology sector (Figure 24). Considering its ambitious goals for the next decade and beyond, Saudi Arabia needs to develop plans to address this shortfall and bring its technological entrepreneurship levels more in line with those of other high-income economies.



**Figure 24** Participation in the medium- and high-technology sector among entrepreneurs and established business owners in high-income economies, 2022



In Saudi Arabia, only large corporations are actively pursuing technological innovation; thus, the country needs to create conditions that enable small and medium-sized enterprises to operate in the medium- and high-technology sector. As with the government's other groundbreaking efforts to foster an entrepreneurial ecosystem, ease rules, and increase the availability of funding, this also requires public-sector, as well as private-sector, backing to succeed.



# 7.6

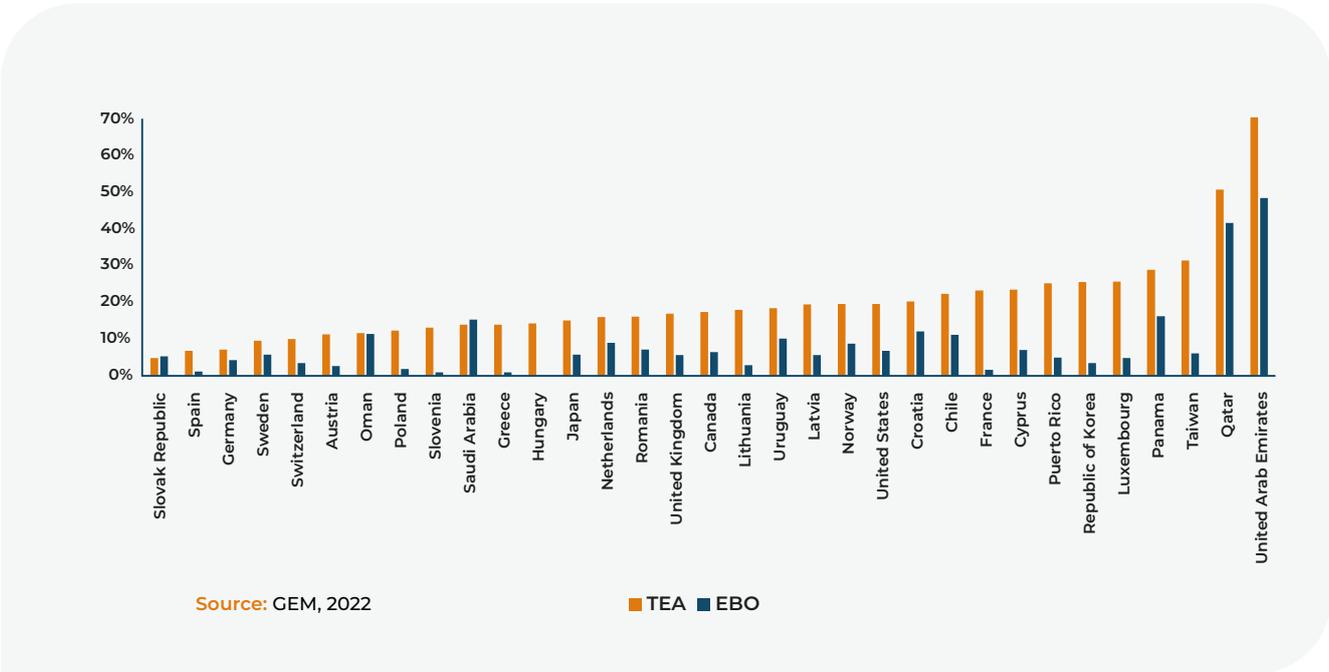
## Job-creation expectations

The dominance of the consumer-oriented sector in Saudi Arabia and low participation in medium- and high-technology industries may explain why few people in the country have high job expectations. This is especially evident among entrepreneurs, where 14% expected to create at least 10 new jobs and increase their employment levels by 50% or more in the following 5 years (Figure 25). This is below the 20% average for high-income economies. Most of these economies exhibited moderate

job expectations, although the figures for two countries in the Gulf region (the United Arab Emirates and Qatar) were fairly high for both 2022 and 2021.

These results suggest an opportunity for investment in more diverse and growth-oriented businesses. However, established business owners in Saudi Arabia demonstrated a higher level of growth expectation (15%), surpassing the high-income economy average of 8% (Figure 25).

**Figure 25** High job-creation expectations (10+ new jobs and a 50%+ increase in 5 years) among entrepreneurs and established business owners in high-income economies, 2022



# 7.7

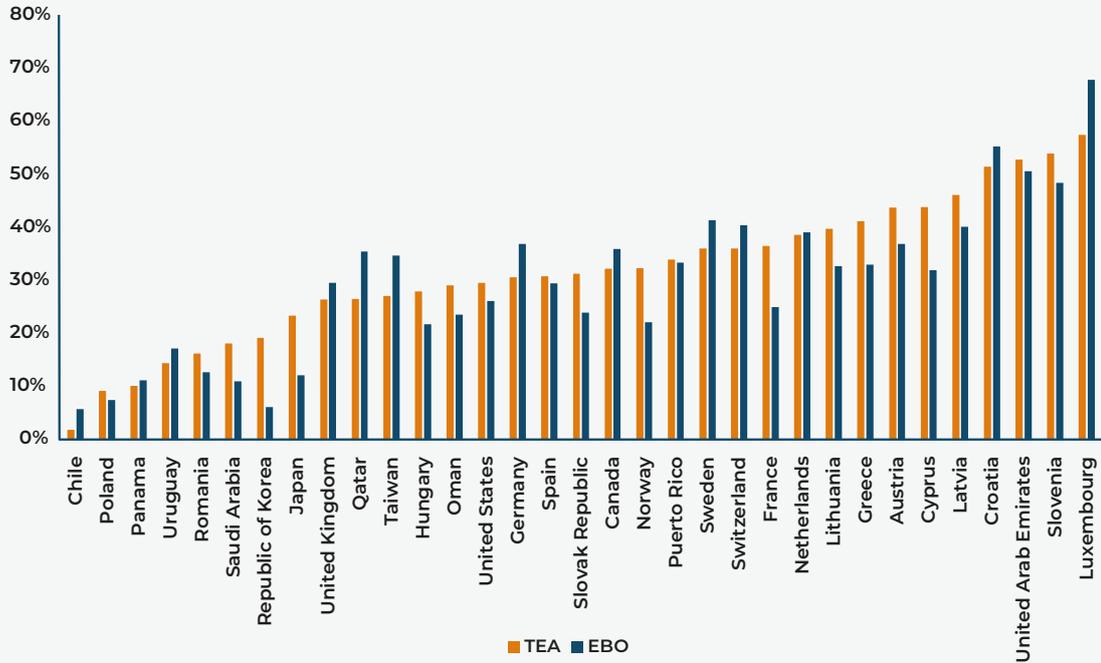
## Market scope

Consumer-oriented businesses often operate locally, which, together with the low percentage of entrepreneurs competing in the technology sector, may explain why Saudi Arabia has a comparatively lower proportion of international entrepreneurs and established business owners. However, other factors also influence an economy's international reach, such as the size and diversity of the market. This is

demonstrated by small economies exhibiting the greatest international reach, for example, Luxembourg, Slovenia, and the United Arab Emirates (Figure 26). Other factors include the easing of trade, an increase in cooperation between economies, travel, the extent to which the business environment is familiar and/or can be navigated, and sharing a similar culture and/or language.

Figure 26

International market scope among entrepreneurs and established business owners in high-income economies, 2022



Source: GEM, 2022

When the GEM 2022 findings concerning Saudi Arabia’s market scope are compared to those of other high-income countries, the necessity for diversification becomes even more apparent. The rankings (Figure 26) illustrate that the prevalence of small-scale, consumer-oriented entrepreneurship has restricted the market for entrepreneurial activity to regional and national levels, with just a small amount of entrepreneurial activity taking place on a global scale.



## Chapter 8: Informal investors



Close family members, distant relatives, acquaintances, neighbors, co-workers, and occasionally unknown individuals who decide to invest in a company are referred to as “informal investors”; they are not always professionals or certified financiers. The survival and expansion of entrepreneurial initiatives depend on this source of funding, which for many entrepreneurs—especially those in the startup phase—is their only option. The proportion of people that make this form of investment is relatively high in several nations, including Saudi Arabia.

## 8.1

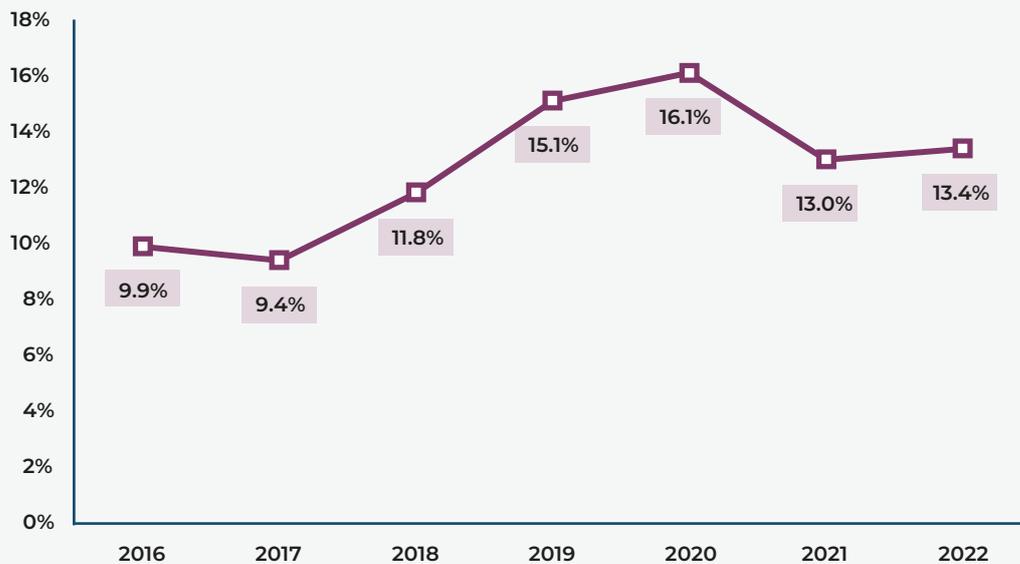
### Rates of informal investment

Informal funding is one of the oldest methods of financing for aspiring entrepreneurs who want to start a business. This claim is simple to verify in the case of Saudi Arabia. As GEM has now amassed 7 years of observations, it is possible to calculate the linear correlation between the rate of informal investment and the rate of entrepreneurial activity over this period. The result (0.62) indicates that the financial backing provided by informal investors has a positive and significant correlation with the rate of entrepreneurial activity, which has an impact on the capacity for such activity in the Kingdom.

The GEM data for 2022 reveal that informal investment activity in Saudi Arabia remained unchanged from 2021, when this indicator showed a slight decline from the high level reached in 2020 (Figure 27). The increase in informal investment activity in 2020 is an indication of investors' remarkable perseverance in the face of the economic effects of the pandemic. This resilience undoubtedly helped to maintain the high rate of activity in challenging times.

Figure 27

Informal investment activity in Saudi Arabia, 2016–2022



Source: GEM Kingdom of Saudi Arabia, 2016–2022

## 8.2

### Median investment amounts

The median investment amount increased significantly in both 2021 and 2022. In the most recent year, it increased by just over 75%, reaching a figure of 26,339 SAR (approximately \$7,000), the highest level recorded in the past 7 years (Figure 28). A noteworthy finding is that this metric was unaffected by the drop in the informal investment rate between 2020 and 2022.

Figure 28

Median investment levels for informal investment activity in Saudi Arabia, 2016–2022



Source: GEM Kingdom of Saudi Arabia, 2016–2022

The results for 2021 and 2022—fewer people investing higher amounts—may indicate changes in the investment landscape. Perhaps they signal greater capital needs, either in the current environment or as a lasting trend as the nature of startups changes over time and in more financially demanding sectors. Or they may be due to the increasing demands of the economic crisis as a result of the pandemic. Due to the strong linkages of social capital, informal investors are the first point of contact for many entrepreneurs during these challenging times. This is particularly important if other funding sources favor larger or more established enterprises. Nonetheless, in either case, the data from the past 3 years suggest the willingness of investors to commit substantial funds to entrepreneurship in the Kingdom, which has played a significant role in determining emerging entrepreneurship.

## 8.3

### Investors and their beneficiaries

An analysis of the relationship between the recipient of the investment and the investor shows some notable results (Figure 29). They suggest that relationships are key to these investments, given that no one surveyed indicated that they had invested in someone they did not know. A careful examination of the longitudinal data indicates that informal investing in strangers has declined from its highest level of nearly 8% in 2017, exhibited a significant reduction between 2019 and 2020,

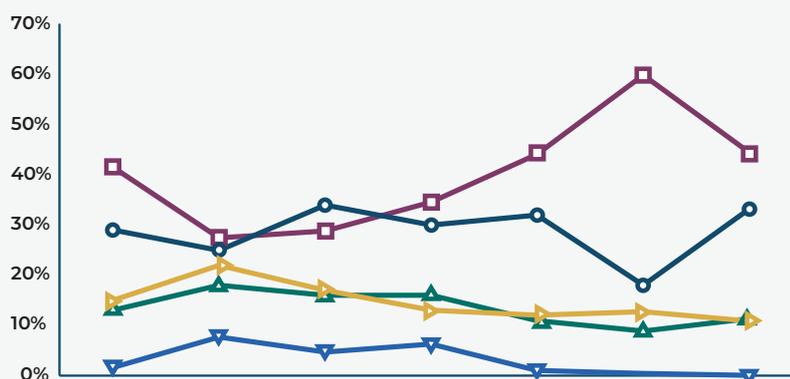
and that the trend is continuing. A likely reason for this is that the pandemic has made investors hesitant to invest in the entrepreneurial ideas of strangers. GEM data do not indicate whether pandemic-related mitigation measures contributed to the declining involvement of these investors. Nonetheless, prolonged lockdowns led to fewer business events and face-to-face interactions, hence reducing opportunities to conduct due diligence before investing in high-risk entrepreneurial initiatives.

Investments in friends or neighbors and work colleagues showed relatively similar results to the previous 2 years, prior to which there had been higher levels of investment in these groups (Figure 29). This indicates less inclination on the part of investors to invest in acquaintances who are unrelated to them. Again, economic uncertainty (caused by the pandemic) may have reduced the likelihood of an entrepreneurial venture surviving or thriving, and this may be one of the key reasons for a fall in investors' desire to invest in the business ideas of acquaintances.

Figure 29

Relationship between investors and the recipients of their investments in Saudi Arabia, 2016–2022

Percentage of informal investors



	2016	2017	2018	2019	2020	2021	2022
Close family member	41.6%	27.5%	28.8%	34.6%	44.2%	60.0%	44.5%
Another relative	29.0%	25.0%	34.0%	30.0%	32.0%	18.0%	33.2%
A work colleague	13.0%	18.0%	16.0%	16.0%	11.0%	8.9%	11.4%
A friend or neighbor	15.0%	22.0%	17.0%	13.0%	12.0%	12.7%	10.9%
A stranger with a good business idea	1.6%	7.7%	4.7%	6.3%	1.0%	0.4%	0.0%

Source: GEM Kingdom of Saudi Arabia, 2016–2022



Investments in close family members increased in 2020 and again in 2021 (Figure 29). The 2022 figures have dropped back to 2020 levels, but this appears to be offset by a return to the 2020 level of investments in other relatives. A possible reason for the latter is the willingness of informal investors to take a chance on entrepreneurs to whom they are not closely related but whom they feel they can trust because of family ties.

Overall, there appears to be a trend toward fewer people making investments in entrepreneurs, while those who do tend to invest higher amounts, typically in the businesses of relatives.

# Chapter 9:

## The National Entrepreneurship Context Index (NECI)



GEM conducts an annual assessment of the national conditions for entrepreneurship in Saudi Arabia among a nationally representative sample of experts. The survey focuses on the environmental conditions that GEM considers to represent the context in which entrepreneurs operate. Since the study's resumption in Saudi Arabia in 2016, average expert ratings of the entrepreneurial environment have substantially improved overall (Figure 30). In 2016, the scores for almost all (11 out of the 12 measured at that time) national

conditions were below the average score of high-income economies. However, in 2022, the scores for all (now a total of 13) national conditions were above the average score of high-income economies, placing Saudi Arabia second highest of all participating economy rankings.

Although the country's total NECI score for 2022 was the highest ever recorded, there were negative variations in the average scores of some individual conditions, which may be linked to the impact of the pandemic on the economy.

# 9.1

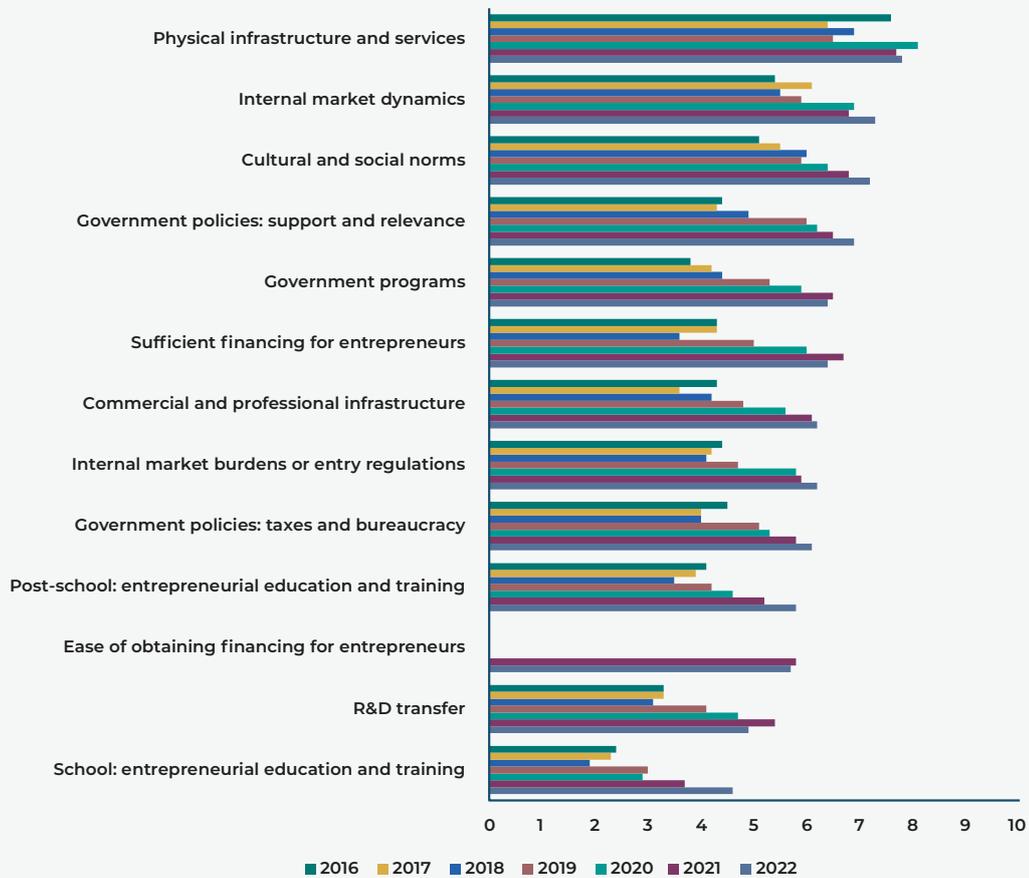
## The NECI in Saudi Arabia

Figure 30 illustrates the evolution of the average scores assigned by Saudi experts to each of the 13 environmental conditions examined by GEM. In 2022, the highest-rated condition in Saudi Arabia was physical infrastructure: services and structures that facilitate communication, transportation, and other business operations. Internal market dynamics—the extent to which there is a free and open market—and cultural and social norms that encourage acceptance, support, and high regard for entrepreneurship were also highly rated. Incremental improvements were observed in government policies in terms of support and relevance, and taxes and bureaucracy; commercial and professional infrastructure; and school and post-school entrepreneurship education and training.

Despite showing the most improvement, entrepreneurial education—at primary- and secondary-school levels, and in higher education and vocational training—remained among the lowest-rated conditions. In the coming years, decision-makers need to pay more attention to the implementation of entrepreneurial education in schools, as well as the transfer of R&D.

Overall, the entrepreneurial environment has improved in many ways since 2016 as a result of efforts made, particularly in the area of government policies and programs; it remained relatively constant between 2021 and 2022 but with minor variations as a result of efforts to overcome the direct and indirect impacts of the pandemic and other difficulties, such as the armed conflict in Ukraine and its effects on the markets.

**Figure 30** Average expert ratings of 13 national entrepreneurship conditions in Saudi Arabia, 2016–2022



Source: GEM Kingdom of Saudi Arabia, 2016–2022

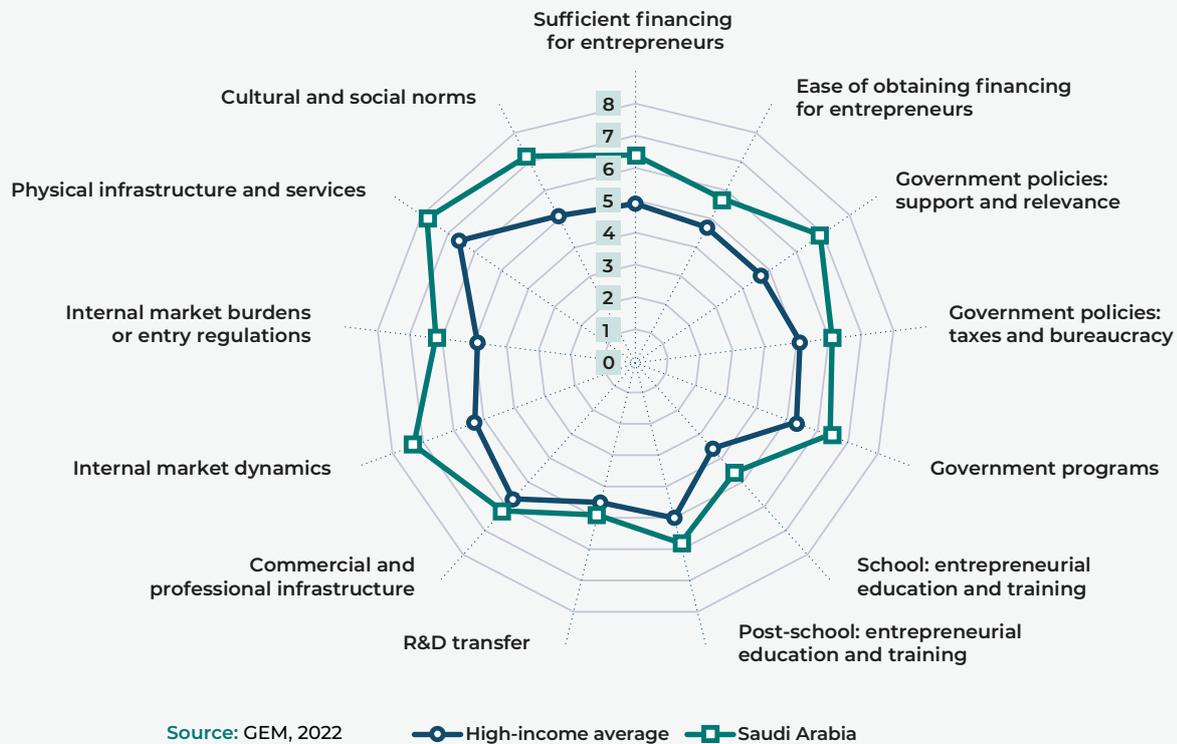
Compared to the average scores for the other 28 high-income economies participating in GEM in 2022, Saudi Arabia ranked higher for all conditions (Figure 31). The government's significant commitment to realizing Vision 2030 has undoubtedly helped to establish a robust entrepreneurial ecosystem in the Kingdom. A distinct difference between countries can be seen in the support offered by and the relevance of government policies, for which Saudi Arabia's rating was nearly one and a half times that of the average score for high-income economies.

R&D transfer refers to the movement of R&D from universities and research centers to the business sector, and the degree to which engineers and scientists can commercialize research findings. In 2022, it was among

the lowest-rated conditions in Saudi Arabia, although it received close to the average score of high-income economies. The government has already recognized its importance and, in a statement released in January 2023, Dr. Khalid Al-Falih, the Saudi Minister of Investment, stated that "Saudi Arabia is on the verge of launching a new research and development strategy as the country progressively advances on its path to diversify an oil-dependent economy." Additionally, in June 2022, HRH Crown Prince Mohammed bin Salman announced a program for the research, development, and innovation sector to enhance the Kingdom's competitiveness.<sup>8</sup> These statements demonstrate the government's strong commitment to improving R&D conditions in the Kingdom.

Figure 31

Average expert ratings of 13 national entrepreneurship conditions in Saudi Arabia and 28 other high-income economies, 2022



<sup>8</sup> "Saudi Arabia to Launch a New Strategy for Research and Development Soon: Minister," *Arab News*, November 24, 2022, <https://www.arabnews.com/node/2205356/business-economy>.



## 9.2

### The NECI: Overview of conditions for entrepreneurship

Figure 32 shows the NECI results for 50 economies participating in GEM in 2022. Saudi Arabia had a high overall average ranking, below the United Arab Emirates and a little higher than Taiwan. It is important to note that the rankings should be interpreted with caution as they do not include all economies and those that are included change on an annual basis. Therefore, an economy's ranking may change based on differences among the participating economies from one year to the next.

In addition, an overall average score does not reveal particular strengths that may artificially boost the overall ranking and thus skew the results. Also, areas that are rated lower may reveal opportunities for action, which could lead to improvements in the overall conditions for entrepreneurship.



While the results show many strengths in Saudi Arabia, the experts identified five areas that may benefit from greater attention and thus further improve the environment for entrepreneurship in the country: government policies, commercial infrastructure, education and training, cultural and social norms, and financial support.

In regard to government efforts to counter the negative effects of COVID-19, the experts made positive comments about government measures and policies in general, specific programs addressing the impact of COVID-19, support for digitalization, employment preservation and wage subsidies, deferment of tax liabilities, credit and loan repayment extensions, and financial support. However, the experts also pointed out areas that could be counterproductive to entrepreneurship and business activity, such as increased taxes and fees, decreased sick pay, and delays with or lack of availability of government aid.

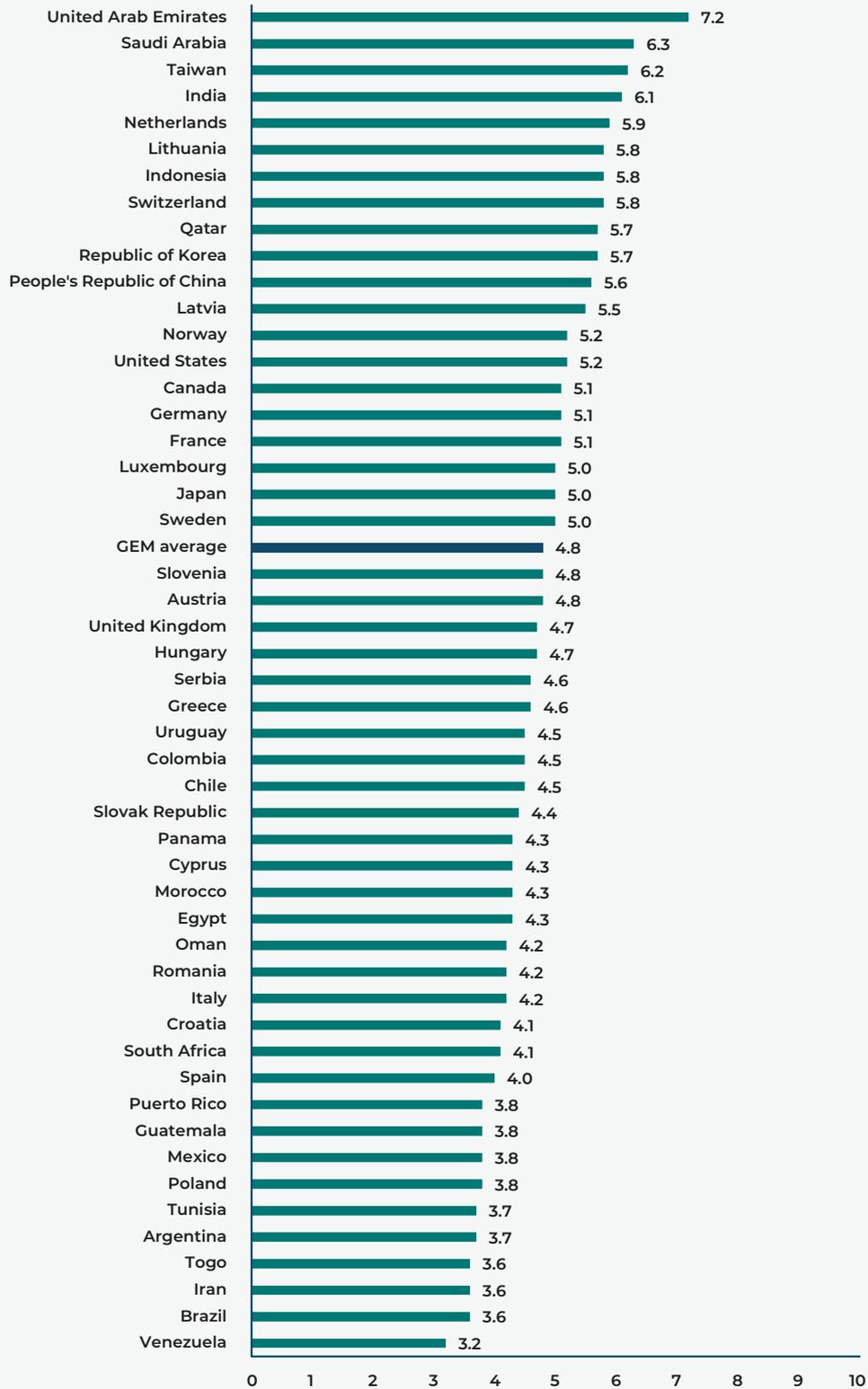
Over the past few years, Saudi Arabia has made enormous efforts to improve the conditions for entrepreneurship. In many instances, the factors that govern entrepreneurial activity have changed rapidly from insufficient to adequate or even superior. To ensure that the progress accomplished so far is not in vain, both public and private sectors urgently need to step up their efforts to promote diversification. To implement this critical change, the government needs to develop plans, a key part of which should be to improve education, especially in schools.



Figure 32

NECI ranking of 50 economies and GEM average, 2022

### NECI ranking 2022



Source: GEM, 2022

# Conclusion



Based on 7 years of data collection and analysis in Saudi Arabia, the GEM national team has concluded that the country has probably reached its maximum TEA rate, with future growth or decline dependent on environmental conditions and the global context. When the GEM project resumed in 2016, the rate of entrepreneurial activity in the Kingdom was 11.4%, while the rate of established businesses was only 2.3%.

The data suggested the need to grow the entrepreneurial ecosystem and to sustain new ventures as the low rate of established firms indicated high business volatility. Concurrently, the Vision 2030 program was launched with economic and social reform as its main focus. The GEM study's findings and recommendations emphasized the need to improve

Saudi Arabia's regulatory framework for current and aspiring business owners. Entrepreneurial activity could not grow without serious work to address these issues. The government listened and acted upon the recommendations.

The rate of entrepreneurial activity increased steadily and relatively quickly as a result of the measures

implemented, such as those that facilitated the inclusion of women in the business world; the promotion of events focused on entrepreneurship; the provision of formal and informal investment; the establishment of incubators, accelerators, contests, and prizes for entrepreneurs; and the delivery of a number of other business-development services.



By 2019, the TEA rate had reached 14% and, more importantly, the rate of established businesses had reached 5.4%. Women were encouraged to start entrepreneurial ventures and efforts were made to make it easier for expatriates to be part of the entrepreneurial journey. Then, in 2020, the pandemic hit and the percentage of people planning to start their own business fell to 23%, which was the lowest rate in the 7 years of GEM surveys in Saudi Arabia. Nevertheless, the number of entrepreneurs and established businesses continued to grow, despite the pandemic. The TEA indicator appears to have reached a maximum value in 2021 and remained stable in 2022.

There has been significant progress toward achieving the goals of the Vision 2030 program in terms of entrepreneurship, as demonstrated in this report. For approximately 20% of the adult population of a developed, high-income country to be interested and engaged in creating entrepreneurial activities is an impressive achievement. The GEM data also reveal that women are just as active as men, and the rate of entrepreneurship among expatriates is also on the rise. As a result, there are few differences in entrepreneurship indicators based on gender or national origin; this is another remarkable feat that has been accomplished in record time.

However, if the level of entrepreneurial activity in Saudi Arabia has plateaued, policymakers and citizens must decide what to do next. Maintaining and improving upon these accomplishments, instead of allowing activity to fall (as happens in most countries as they progress), will enable the country to demonstrate to the rest of the world that there are ways to achieve the seemingly impossible.

As not everyone can afford to devote themselves to entrepreneurial endeavors, many people generate their income through paid employment in the public or private sectors. Now that a high entrepreneurship rate has been established, both the government and citizens must work to keep it high in order to balance the macro-economic situation of the country. This necessitates the development of measures to address the lack of diversification in business sectors, which are overly focused on serving consumers.

This will involve looking at how multidisciplinary teams of entrepreneurs can be created that are capable of launching companies not only in the extractive and transformation sectors but also, most importantly, in the knowledge-intensive industries. Additionally, it will involve a firm determination to ensure that businesses grow in

less-populated locations outside major cities, where tourism and other industries offer enormous potential, and to continue to expand Saudi exports. In summary, the government and the rest of society can now focus on the finer points of entrepreneurship so that more robust, innovative, technologically advanced, multisector, and export-oriented entrepreneurial ventures can be developed and grown.

GEM Saudi Arabia is committed to playing its part in achieving these goals, which is why the team plans to continue providing this annual observatory—akin to a captain's log—to ensure that the country stays on course and can navigate any obstacles that may arise. The two most crucial actions will be preventing the decline in entrepreneurial activity that occurs in most industrialized nations and ensuring that the quality factors contributing to an economy—employment, international competitiveness, innovation, and diversification—continue to make strides in the Kingdom.



# Appendix:

## Technical details



Table 1

GEM Kingdom of Saudi Arabia, 2022: Adult Population Survey and National Expert Survey fieldwork sheet

Adult Population Survey (APS) sampling features	APS information
Target population	Adults (18–64 years old) resident in Saudi Arabia
Target population size (18–64 years old)	32.64 million
Sample size	4,031 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 2022
Interview method	Computer-assisted telephone interviews via mobile and fixed-line telephone
Sampling methodology	Random dial from list
Fieldwork carried out by	Field Interactive MR <a href="https://fieldinteractive-mr.com/">https://fieldinteractive-mr.com/</a>
Data recording and SPSS database creation	Field Interactive MR <a href="https://fieldinteractive-mr.com/">https://fieldinteractive-mr.com/</a>
Monitoring, quality control, and final verification	Instituto Opinòmetre <a href="http://es.opinometre.com">http://es.opinometre.com</a>
National Expert Survey (NES) sampling features	NES information
Target population	Experts in nine entrepreneurship conditions
Sample	47 experts
Type of sample	Purposive sample
Sampling period	April–July 2022
Interview method	Online
Fieldwork carried out by	GEM Saudi Arabia national team
Data recording and SPSS database creation	GEM Saudi Arabia national team





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2022-2023

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