

The Impact of Entrepreneurship on Saudi Arabia's Economy

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Abstract

Saudi Arabia is economically evolving as they diversify their economy away from oil because of scarcity concerns. Understanding the impact that entrepreneurship has on their economy is valuable considering Saudi Arabia released Vision 2030, which is a set of entrepreneurial-driven initiatives that aims to diversify their economy. My research supplements existing research surrounding this topic by examining the recent outcomes of entrepreneurship on the economy. I evaluate entrepreneurship's impact by measuring the relationship between economic indicators and entrepreneurship. My quantitative and qualitative findings show that entrepreneurship increased since 2008 and is a significant driver of GDP and women employment rates. Data analysis also proved that GDP is largely driven by increases in private and public non-oil sector growth. Consequently, my findings reveal that increased entrepreneurship benefits economic advancement and could be used within policy implementations to improve economic indicators.

Introduction

Saudi Arabia's economic trends, religion and culture impacted the nature of entrepreneurship in Saudi Arabia. Declining oil prices over the past years indicated a major need for diversification. Saudi Arabia consequently sought to improve the entrepreneurial landscape by revising religious and cultural standards that deterred their economy from advancing including revisions in Shari'a law and women employment. Vision 2030 was (and still is) a key component in advancing their society. Vision 2030 is a set of government initiatives aimed at increasing economic diversification. Their main goals include:

- Establishing **3** new cities¹
- Increasing contribution of small to medium sized enterprises by 15%²
- Increasing women employment rates by 8%²

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Methodology

My mixed-methods approach explores the quantitative and qualitative effects of entrepreneurship on Saudi Arabia's economic indicators.

Quantitative Data Collection

1. I first gathered data on new business registrations, GDP, unemployment, women employment, and youth unemployment from the World Bank between 2008-2018.
2. I then ran a correlation among these economic indicators to measure the relationship among them. This time period is relevant considering the government started pushing for increased entrepreneurship after their announcement.
3. After measuring the correlations, I evaluated the numerical impact that annual new business registrations had on each economic indicator variable beyond the correlation by running a different regression for each indicator (ultimately running four regressions total). New business registrations annually served as the independent variable and unemployment, women employment, GDP, youth unemployment rates were the dependent variables in each of their respective regressions.
4. I also ran a regression modeling youth unemployment between 2011 to 2016 since the World Bank had consistent data points for years in that period. This regression model will still provide a recent account of how entrepreneurship impacted youth unemployment before the Vision 2030 launch, as well as the year it was launched.

Qualitative Data Collection

The qualitative portion of my research brings quantitative data to life using accounts from interviewees and evaluates citizens' attitudes about entrepreneurship. I asked the 15 interviewees questions about the economic indicators that I analyze in my quantitative analysis, as well as Saudi Arabia's entrepreneurial landscape. My questions also observe how these indicators and entrepreneurship changed over time based on the interviewees' experiences in Saudi Arabia.

Results

My results indicated a strong correlation between annual new business registrations and the following: GDP, women employment and unemployment. The correlations indicate that there is a strong relationship between entrepreneurship and these key economic indicators but does not indicate causation. The regressions I ran further supplemented these relationships by providing a more detailed analysis of the relationships. My findings included the following:

- 1 GDP**
Entrepreneurship significantly drove GDP, and the private and public sector contributed to the growth in GDP and entrepreneurship.

Women Employment

- 2**
Entrepreneurship significantly drove women employment rates. However, interviews indicated women are only receiving 5% of investment funds even though they are 4x more innovative than their male counterparts.

Unemployment

- 3**
Entrepreneurship significantly drove unemployment, but at a marginally low coefficient. Interviews indicated that Saudization (laws prioritizing native Saudis) contribute to unemployment among immigrants.

Youth Unemployment

- 4**
Entrepreneurship was not a statistically significant driver of youth unemployment. However, my interviews indicated that government-sponsored study abroad programs lead to a high influx and outflux of students annually, which could account for their volatile unemployment rates.

Conclusion

Saudi Arabia should consider a three-tiered policy approach based on my research findings.

Tier 1: Educational opportunities

-  Discounted tuition rates for students studying emerging fields
-  Government-subsidized training opportunities
-  Government-sponsored workshops in companies

Tier 2: Gender Equality

-  Setting a set rate at which investment funds should go to women
-  Ensuring women investors are on investment teams
-  Incorporating training on equality

Tier 3: Racial Equality

-  Career advancement initiatives
-  Create more job opportunities for minorities
-  Incorporate diversity and inclusion trainings in workplaces

Sources:
¹Habibi, N. (2019). Implementing Saudi Arabia's Vision 2030: An interim balance sheet (Issue Brief No. 127). Crown Center for Middle East Studies.
² Kingdom of Saudi Arabia.(n.d.) *Vision 2030*.
https://www.vision2030.gov.sa/sites/default/files/report/Saudi_Vision2030_EN_2017.pdf