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The Effect of Government Support on Startups in Saudi Arabia

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Keywords: Business; startups; entrepreneurs; research policies; government

ABSTRACT

Entrepreneurship plays a key role in contributing to the country's economy by elevating the country's growth and development. Entrepreneurship is an important factor that facilitates poverty reduction, employment opportunities and economical changes. This work was done to examine the contribution of government policies in Saudi Arabia towards start-ups business. For this work, quantitative method was used. The number of samples for this work was 100 business startup owners and partners in Jeddah. Data collection was done using survey questionnaires and analyzed in terms of basic statistics. The findings of this work have confirmed that the government providing support to start-ups business. The results have shown that 73% of the respondents have received governmental support for their business. Furthermore, the results have shown that 33 % have received funding support, 20 % have received networking support, 10 % have received equipment support, 10 % have received workshop support and 27 % have received other resources support. It is therefore concluded that Saudi Arabia government provides support to start-ups business.

Keywords: Business; startups; entrepreneurs; research policies; government

INTRODUCTION

Due to increasing globalization, advances in technology, accelerated innovations and much more, several changes are taking place in the economy of different countries [1]. Entrepreneurship plays a key role in contributing to the country's economy by boosting the country's growth and development. In addition, entrepreneurship is used as an important tool to enhance living standards and the general well-being of society [2].

Furthermore, the generation of new ventures is a crucial strategy used by the government to achieve sustainable national economic growth and development [3]. Entrepreneurship is also used at the national and international level to develop and achieve competitive economies [4]. According to Bjørnskov and Foss [5] entrepreneurship is going through a complex development phenomenon and is also facing several difficulties in completing it. It therefore requires support from different people in the economy. Entrepreneurship

ecosystem is created when several people are involved to take a smart and cohesive action for growth and development in entrepreneurship [6]. According to Acs et al.[7] public leaders including appointed officials are accountable for cohesive work and various inter-related ideals to create an ecosystem for the growth of entrepreneurship.

The success of an enterprise is not only determined by its developers but also by the state country's support through its government. By government-specified rules and regulations, the entrepreneurship climate can be more attractive and easier to innovate [8]. Government responsibility includes providing the small and medium-sized enterprises with a stimulating business environment and development support by stimulating legislation, enhancing institutional capacity, making sufficient economic policies and establishing the required infrastructure [9]. There is a long-standing experience and smart strategies in the developed countries that can assist in the development of entrepreneurship. Meanwhile, the underdeveloped developing countries have the basic foundation for developing strategies that can be of great importance to these countries' entrepreneurial sectors [10].

Initially, the countries in South East Europe are responsible for recognizing the importance of building an entrepreneurial infrastructure. Through the construction of entrepreneurial infrastructure, these countries can achieve rapid regional and local economic development [10]. Therefore, the development of new businesses depends heavily on a country's institutional, physical and financial infrastructure. Entrepreneurial activities behind the small and medium enterprises have been widely known to be an important driving force in terms of innovation and economic growth in almost all economies around the world [11]. These small and medium enterprises play an important role in the development of job opportunities and the transition of the economies of the country [11].

The outcome of small and medium enterprises and entrepreneurship's success has been rapidly developing and is of great significance to governments and public administrators. The interconnection between entrepreneurship and economic growth has been viewed as increasing interest at the local, state, and national levels. Study has also shown the employment and GDP growth advantage of the entrepreneurial sector [12].

In Saudi Arabia, the economy is witnessing a comprehensive social renaissance and moving towards the country's enhancements and advances. Saudi Arabia's government is striving to develop a good economy or commonly known as the post-oil economy [13]. Saudi Arabia is now moving from an oil-based economy to a more commercialized economy that has been a major transformation for the country since the last two decades. Because of the rapid development in Saudi Arabia, more computerized projects are encouraged and business in the Kingdom is flourishing at a rapid pace. Entrepreneurship and small start-ups are playing a major role in developing the country's economy in Saudi Arabia [14]. Thus, the government of Saudi Arabia has therefore given immense support to the entrepreneurship sector. Therefore, this work was done to analyze the support of government policies towards start-ups in Saudi Arabia.

METHODOLOGY

Quantitative method was used for this work. Data collection was done using survey approach. The sample size of this work was 100, consisting of several business owners and partners of startup business in Jeddah, Saudi Arabia. The

data was collected through the Google Forms. The data collected was analyzed using basic statistics and presented in graphical form.

RESULT AND DISCUSSION

Demographic Characteristics

Based on Figure 1, 55 % of the respondents were male and 45 % were female.

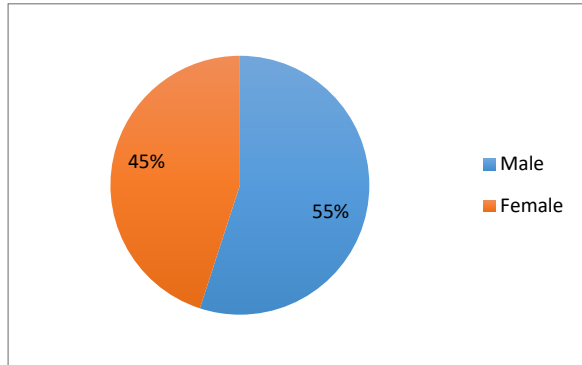


Figure 1: Gender of the respondents

Based on Figure 2, 25 % of the respondents were in age group between 18 to 26 years, 24% were in age group between 27 to 35 years, 24% were in the age group between 36 to 44 years old and 27 % were above the age of 44 years old.

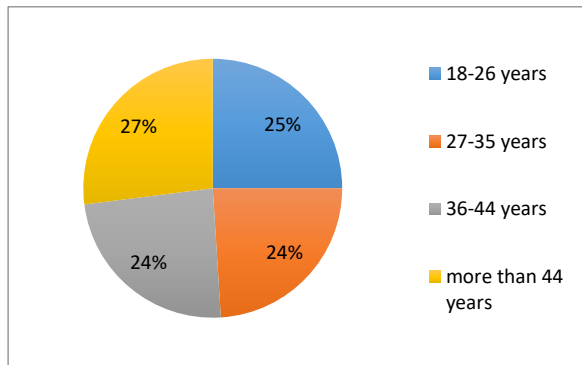


Figure 2: Age of the respondents

In terms of highest level of education achieved, based on Figure 3, 48% of the respondents have completed bachelor’s degree. 25 % have completed master’s degree and 19% have completed high school, and 8% have completed other relevant education level.

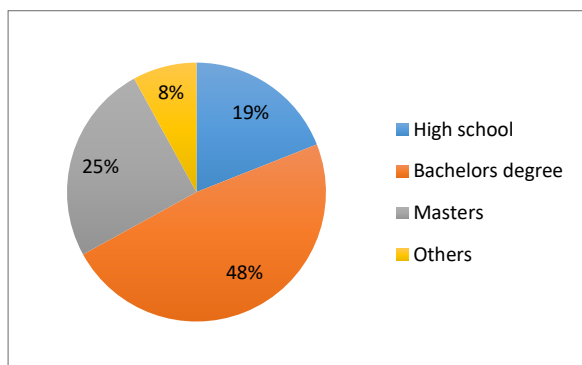


Figure 3: Highest level of education

Questionnaire Analysis

In this work, the respondents were subjected to question related their business startup. Thus, the outcomes question statements are discussed in this section. Based on Figure 4, the respondents were asked ‘Do you have your own business?’. Thus, based on Figure 4, 70 % of the respondents have stated that they have their own business, while the remaining 30 % have stated that they do not have their own business. However, they work for or are in partnership with other business owners.

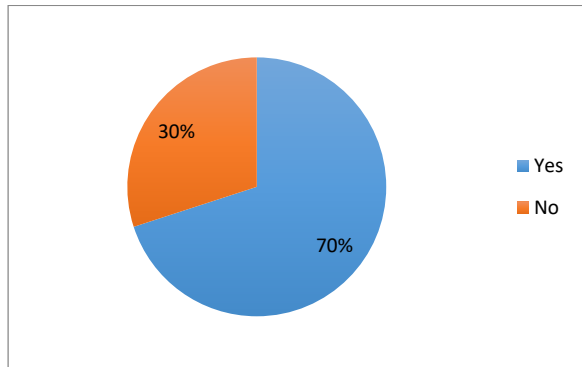


Figure 4: Have own business

Based on Figure 5, the respondents were asked ‘What is the type of the business done?’. Thus, based on Figure 5, 64 % of the respondents have stated that they have small business. 27 % stated they have medium business and 9 % stated that they have large business.

Based on Figure 6, the respondents were asked ‘Did you request for government support when starting the business?’ . Thus, based on Figure 6, 69 % of the respondents have stated that they did not request for government support. On the other hand, 31 % of the respondents requested for government support in their business.

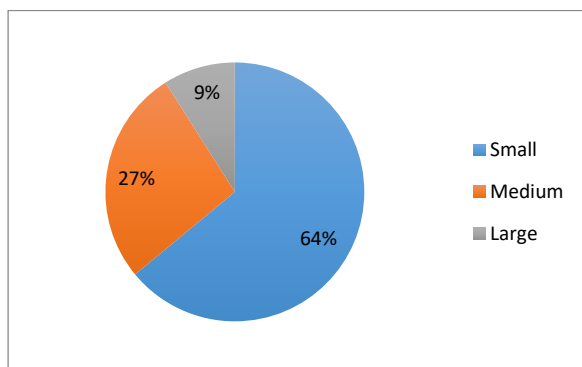


Figure 5: Type of business

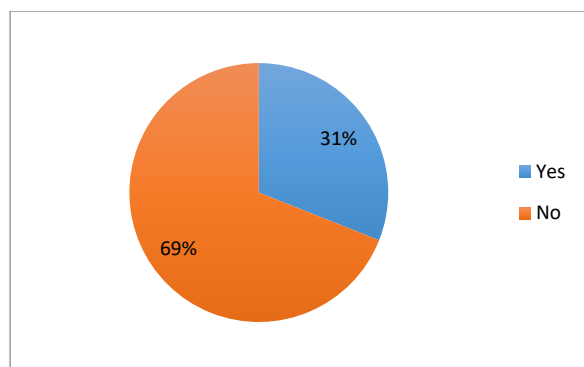


Figure 6: Requested for government support

Based on Figure 7, the respondents were asked ‘Did you receive any support for the government to start or develop your business?’. Thus, based on Figure 7, 73 % of the respondents have stated that they received the support from government. On the other hand, 27 % of the respondents stated that they did not receive the support from the government.

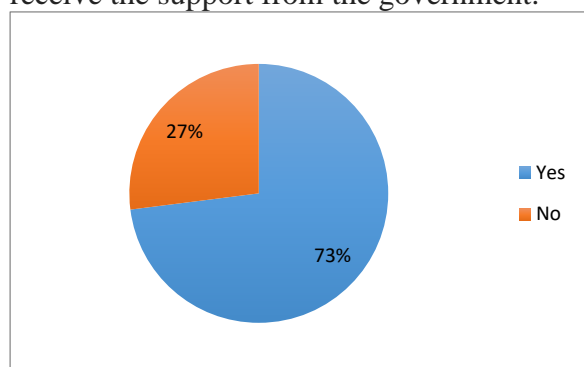


Figure 7: Received government support

Based on Figure 8, the respondents were asked ‘What type of support did you receive from the government?’. Hence, based on Figure 8, 33 % of the respondents stated that they received funding, 10 % received workshop and training assistance, 10 % received equipment support, 20 % received networking support, and 27 % received other types of support such as consolation, setup and etc.

Based on Figure 9, the respondents were asked ‘Which government agencies did you receive the support from?’. Based on Figure 9, 60 % stated that they received the support directly from government main office, 13 % stated that they received the support from a governmental organization named as Badir, 15 % received the support from a governmental organization named Jeddah Chamber, 9 % received the support from a governmental organization named Monsha’at, and 3 % received support from other governmental agencies.

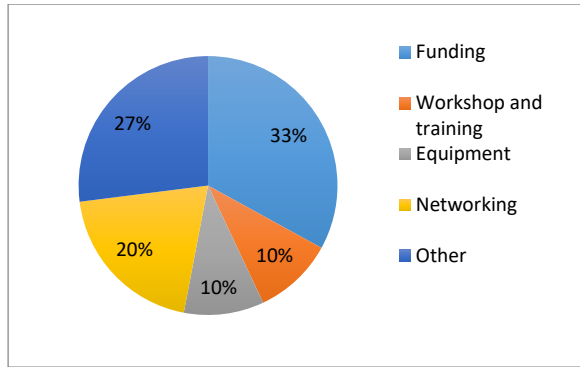


Figure 8: Types of government support received

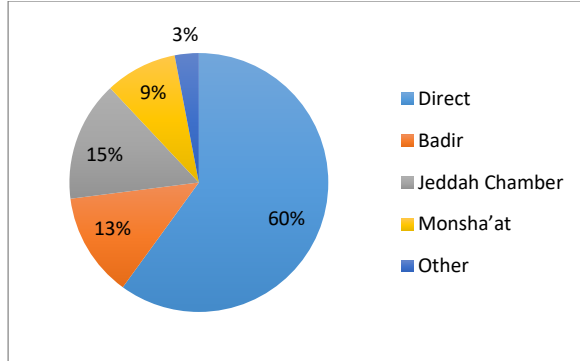


Figure 9: Government agencies

Based on Figure 10, the respondents were asked ‘Which kind of support is needed for a startup business?’. Based on Figure 10, in terms of access to capital, 35 % stated it as highest priority, 45 % responded as neutral and 20 % stated it as lowest priority. In terms of making resource available, 38 % stated it as highest priority, 44 % responded as neutral and 18 % stated it as lowest priority. In terms of networking, 50 % stated it as highest priority, 35 % responded as neutral and 15 % stated it as lowest priority. Furthermore, in terms of legal support, 35 % stated it as highest priority, 48 % responded as neutral and 17 % stated it as lowest priority.

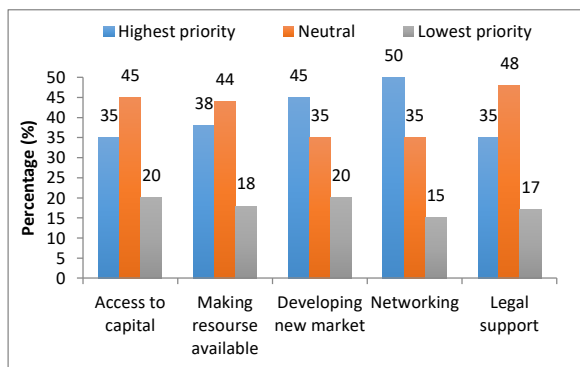


Figure 10: Kind of support needed for startup business.

Based on Figure 11, the respondents were asked ‘Which benefits is the most required for a startup business?’. Based on Figure 11, in terms of building action plan, 50 % stated it as highest priority, 35 % responded as neutral and 15 % stated it as lowest priority. In terms of networking opportunity with other

entrepreneurs, 50 % stated it as highest priority, 40 % responded as neutral and 10 % stated it as lowest priority. In terms of workshop and seminar, with other entrepreneurs, 35 % stated it as highest priority, 45 % responded as neutral and 20 % stated it as lowest priority. In terms being trained by a professional entrepreneur, 45 % stated it as highest priority, 35 % responded as neutral and 20 % stated it as lowest priority.

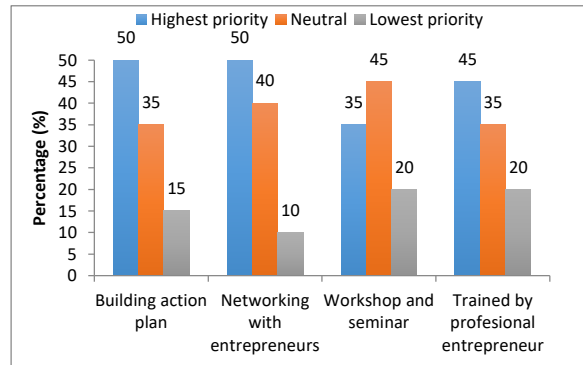


Figure 11: Benefits required for a startup business

Based on Figure 12, the respondents were asked ‘Which topics should be covered in a startup business workshop?’. Based on Figure 12, in terms of business culture exposure, 50 % stated it as highest priority, 40 % responded as neutral and 10 % stated it as lowest priority. In terms of saving money, in terms of business culture exposure, 50 % stated it as highest priority, 35 % responded as neutral and 15 % stated it as lowest priority. In terms of customer development, 50 % stated it as highest priority, 30 % responded as neutral and 20 % stated it as lowest priority. In terms of IT support, 35 % stated it as highest priority, 45 % responded as neutral and 20 % stated it as lowest priority. For HR management, 40 % stated it as highest priority, 42 % responded as neutral and 18 % stated it as lowest priority. As for brand management, 50 % stated it as highest priority, 30 % responded as neutral and 20 % stated it as lowest priority.

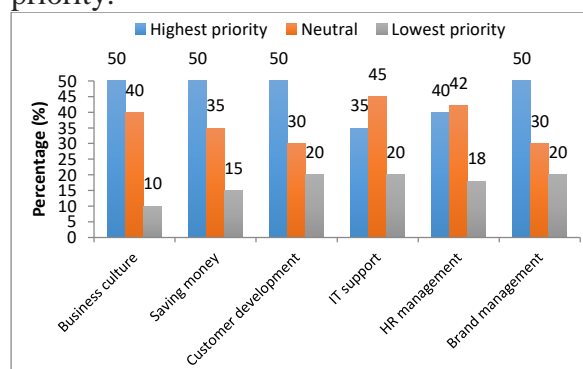


Figure 12: Benefits required for a startup business

Overall Discussion

The findings of this work show that government policies play a crucial role while supporting business startups or entrepreneurs. 69 % of the respondents stated that, while starting their businesses, they did not ask for any government support. This means that not many people are aware of Saudi Arabia's government policies and even if they are aware that they are not using them due

to lack of efficiency. In addition, 73 % of the research respondents stated that they had received the governmental support they expected from the government while starting their own business. The results of this work also showed that 60 % of the respondents stated they had received direct government support for their start-up business. The results of this survey showed that access to capital, resource availability and networking are considered by the entrepreneur as important support needed to start a business. Likewise, the results have demonstrated that building action plan and networking with entrepreneurs is the most required benefits for a startup business. Furthermore, the results have shown that business culture, customer development, brand management and saving money are the key topics that every entrepreneur needs to know through government programs and workshops. The results have suggested that there are policies offered by the Saudi Arabia government towards business startups. Nevertheless, even if government policies are developed that can assist startups, there is a need to promote and market these policies. This is needed so that all the people who wish to startup a business can benefit from these government policies. The outcome of this work is in accordance to the work of Khan et al.[15] where it was stated that the government of Saudi Arabia is providing support for startup business to further boost its economic status. Furthermore, the work of Abu Bakar et al. [16] has confirmed that although the government of Saudi Arabia provides the necessary support for start-up business, many local business people are not aware of the services provided. Likewise, Burton [17] stated that in Saudi Arabia, the government is providing support to start-up business to fulfill the government's 2030 vision of developing more youth employment opportunities and promoting entrepreneurship opportunities for the community of Saudi Arabia.

CONCLUSION

This work evaluated government policy support for start-ups in Saudi Arabia. The findings of this work have confirmed that the government is providing support for startup business. Furthermore, the findings of this study suggest that only a few entrepreneurs are aware of government support. Thus, Saudi Arabia's entrepreneurs require more exposure to the availability of government support to boost their start-up business. Therefore, it is concluded that government policies play a crucial role in helping entrepreneurs develop their business and Saudi Arabia's government is working towards this vision of helping their community develop in the business sector.

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