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### FEMALE START-UP ENTREPRENEURS IN THE KINGDOM OF SAUDI ARABIA: CHALLENGES AND OPPORTUNITIES

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**Keywords: Entrepreneurship; female; bank loan; business; challenges**

#### **ABSTRACT**

This study aimed to determine the challenges and opportunities of female start-up entrepreneur who are in the Kingdom of Saudi Arabia. The study had used both quantitative and qualitative data gathering tools such as articles and journals. Meanwhile, qualitative data collection tools included interviewing thirteen female entrepreneurs that have established their start-ups. The study had discussed twelve Saudi female entrepreneurs who had set up their businesses in jewelry, clothing, pet care, and developing games. The business operation were ranges from three months to two years with minimum of two employees and a maximum of seventeen employees working. Most respondents had relied on funding their business by families and self-funded their business. In addition, some respondents mentioned that funded their business with bank loans. The business women had faced legal challenges such as denial of giving loans to start-up, legal challenges such as long duration of issuing permits and licensing and social problems such as risk of being harassed or mislead by investors or potential partner as well as technological/material issues confronted.

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#### **INTRODUCTION**

Numerous studies have discussed the high percentage of business women that have established their businesses and contributed to the economy of the country. Two-thirds of Saudi female entrepreneurs are educated to at least degree level and nearly a third to post-graduate level. In Arab Saudi, approximately 30% of women are unemployment which almost four times high than men [1]. There are still large gap remains between Saudi educated women and number entering the workplace especially in entrepreneurial sectors [2]. The journey with the entrepreneurs has started with a combination of training and experience before establishing their businesses. In Saudi Arabia, women participation in the labor force is influenced by culture included Islamic principles [3].

Entrepreneurship is process of seizing an opportunity to produce new products or services to transform innovations and inventions into monetary value [4]. In addition, entrepreneurship is the process of starting a business with taking all risks [5]. Nowadays, the entrepreneurship has important role for providing the economic development, new technologies as well as decreasing unemployment, eliminating interregional imbalances and developed country gross domestic product [6,7]. Female entrepreneur is defined as women who has initiated a business is actively involved in management, owns at least 50% and has been in operation for a year or longer [8].

In Saudi Arabia, more than third of the new business management is controlled by family members which 18% of companies is controlled by husband. However, 22.3% of entrepreneurs are self-funded their business with personal savings. Meanwhile, some Saudi entrepreneurs are strongly relied on bank loans with 57.5% or investments with partner with 18.7%. Saudi female entrepreneurs are focus on the retail sector as this industry does not required experience or a deep knowledge level on the retail business [9].

There are 94% of businesses are owned by women who are in start-up stage which sustained for two years or less. Many companies, universities and centres have offered tutoring, workshops and mentoring services to potential entrepreneurs who want to start their business. KAUST, JCCI and BADIR provides programs and opportunities for universities, companies and individual who share a sense of entrepreneurship to connect and network in same field of people web [10].

The women social entrepreneurship has resulted in three primary challenges that women entrepreneurs faced throughout their entrepreneurial journey. The entrepreneurs may encounter financial, regulatory and technical difficulties. Saudi female entrepreneurs are encountering different type of difficulties. The largest difficulties faced entering new market and accessing potential customers. Besides, some female entrepreneurs faced difficulties in reaching customers and suppliers. This study aimed to determine the challenges and opportunities of female start-up entrepreneur who are in the Kingdom of Saudi Arabia.

## **METHODOLOGY**

In this study, qualitative and quantitative methods of data collection were used to investigated study hypothesis or questions. The information had gathered helped in identifying start-up profile concerning products or services offered, business operation duration, funding resources and employee numbers. Internal and external opportunities had been classified by the entrepreneurs. Any social, financial, legal and technological challenges faced by female entrepreneurs in start-up stage is described in full detail.

All respondents were met the inclusion criteria such as Saudi female entrepreneur, start-up stage business, business in Saudi Arabia and represented in daily operation of the firm. The quantitative method which included five scholarly journals and qualitative method were used semi-structured interview with thirteen Saudi female entrepreneurs who were in start-up stage of business. The questionnaire were formulated to address the company overall profile, challenges, opportunities and strategies to adapted in the company.

The two aspect of data collection helped in justify respondent perspective on Saudi female entrepreneurs and finding in current situation of female start up challenges, opportunities and overall business profile. The journals

emphasized the difficulties and opportunities of female business in general but the interview had distinguished the problems of start-up stage in Kingdom of Saudi Arabia. The interview had conducted which helped in determined current situation of Saudi female entrepreneurs in Kingdom of Saudi Arabia.

## RESULT AND DISCUSSION

### Result

This study showed the particular start-up challenges and opportunities of these female entrepreneurs and their strategies that adopted to overcome their obstacles. There were twelve Saudi female entrepreneurs had discussed into depth their start-up profile. The profile was description of the business, operation duration, funding resources and employee numbers.

Most female entrepreneurs interviewed in this study were jewellery and clothing designers. However, minority were either fitness trainer, veterinarian, hairstylist, makeup artist and game developers. Meanwhile, business operation ranged from minimum three months to two years which showed their businesses were in start-up stage. The entrepreneurs had provided a detailed description of the services or products. The make-up artist provided one on one or large make-up classes for beginners and advance ladies in make-up to show latest tips and tricks in the make-up world. The fitness trainer had created an exclusive studio that offered fitness or training classes with latest equipment such as electric bicycles and Pilate machines to train ladies as their personal trainer or fitness instructor in large classes. Moreover, the scarf designer had created head scarf for the ladies that was custom made and handmade as well with limited quantity to show the product uniqueness. The veterinarian had created a trending service was emerging in the Saudi market which is mobile vehicle that offered pet services such as showering, medical check-up and grooming in comfort of the customer's home.

Table 1. Description of the start-up

| Entrepreneur       | Description of the start-up                | Operation duration | Funding resource         | Employee number |
|--------------------|--|--------------------|--------------------------|-----------------|
| Make-up artist     | Providing make-up class lessons for ladies | Two years          | Husband                  | Two             |
| Fitness trainer    | Providing training classes for ladies      | One year           | Strategic partner/family | Four            |
| Scarf designer     | Producing handmade scarfs for ladies       | Two years          | Family                   | Ten             |
| Jewellery designer | Producing handmade jewellery for ladies    | Five months        | Bank loan                | Three           |

|  |   |            |                                  |           |
|--|---|------------|----------------------------------|-----------|
| Jewellery designer and social influencer | Providing premium jewellery created in Italy by Saudi designers                 | One year   | Bank loan and strategic partners | Fifteen   |
| Veterinarian                             | Providing pet services in customer house  | Two years  | Bank loan                        | Ten       |
| Clothes designer                         | Creating controversial clothing with Arabic phrases online                      | Four years | Family                           | Five      |
| Game developers                          | Providing toys that incorporate Saudi heritage and culture to store and schools | Two years  | Strategic partners and family    | Twenty    |
| Clothing and accessories designer        | Selling clothing that incorporate Saudi abstract, sketches and phrases          | Two years  | Family                           | Seventeen |
| Blazer designer                          | Creating blazers that are one of kind for ladies                                | Two years  | Self-funded                      | Twenty    |
| Clothing designer                        | Providing clothing with a new technology of 3D fabric for ladies                | One year   | Self-funded                      | Five      |
| Jewellery designer                       | Creating premium jewellery that   | Two years  | Bank loan and family             | Fifteen   |

|             |  |              |             |      |
|-------------|--|--------------|-------------|------|
|             | incorporate Saudi phrases and monumental objects |              |             |      |
| Hairstylist | Providing salon services at home                 | Three months | Self-funded | Five |

A group of females had modernized old Saudi toys and games into new and improved. The female entrepreneur designed interesting games and toys for all ages with Saudi twist into highlight and educated customers about Saudi culture. The hairstylist had taken chance of creating home service to the girls who want to do their hair and did not had time to wait in a salon.

There were seven out of thirteen business had relied on their families in terms of started capital to establish their businesses. Meanwhile, four respondents had managed to have loan from different banks and three had funded their business from their personal saving account. Three of respondents had relied on strategic partners in which had experience on business type on their establishing as well as contribute in the capital. The employee numbers of start-up ranged between 2 and 17 workers.

Many of business ideas had been established or based on their passion od created jewellery, designed clothes and created games. However, others had observed business ideas in other countries and wanted to incorporate or innovative the concept in Saudi Arabia. Some businesses had started as talent or skill but became their profession in contributed to the economy and society. In Kingdom of Saudi Arabia, the start-up rate of business was increased year by year. These female entrepreneurs were faced numerous challenges before and after established the business. The problems were classified into social, legal, material or technological and financial.

Twelve ladies had relied on different funding resources on starting their business. Besides, five entrepreneurs had emphasized difficulty of received bank loans. Some banks had restricted accessed to fund due nonappearance of money related markets, great guarantee necessities, loan fees and extra bank charge in which lead future problems in start-up entrepreneurs. The supporting companies offered assistance and financial aid but came with price of condition including project headquarters, demand guarantees and interest rate that increased up to 30% in most companies. The bank wanted from female entrepreneurs to validate their popularity and companies projection in which unrealistic to make these assumptions.

The loans were given to start-ups that were socially well known for more than two years. The rapid changes in the bank rules and regulations and supported companies were caused more than harm than benefit to the start-ups as created disruption to rearranging, eliminating and delaying certain operations that increased the business productivity.

Female entrepreneurs were precise and specific during dealing with right parties in which showed that responsibility, committed and educated business women. Intemperate administration and controls that made extra expenses in

every three months and prolong time span in which created organizational instability. In addition, male commonly characterized as head of the family and legitimate proprietors of marital or other properties in which restricted some female entrepreneurs to work freely in their properties and workspace as sudden check-up occurs by legal parties.

Each business had a set of raw materials or technological preferences that bought from external or internal suppliers. Some companies faced more difficulties than others on determined their primary suppliers that end their business. Jewellery designers, certain gem types, diamonds and crystals were provided in limited quantities with high prices by some suppliers in the country. In jewellery designers relay on external suppliers that provided the gems required at lower prices. In term of 3D fabrics and mobile pet clinic, some fabric, formula or product was not allowed to be imported from outside or brought due to lack of preferences in these material types which cases the company to depend on internal suppliers that offered traditional and old materials.

For game developer, the respondent faced different type of challenge that managed to overcome. The company had faced fast paced growth to the point that the respondent were not keep up with the progress due to the fact that did not expect the start-up projection. The companies faced early followers and people who were copied similar services and product with similar vision, mission and logo just for popularity and customers from one company to another companies.

These female entrepreneurs had highlighted that the society was perceived leading ladies as rude or so formal and traditional in their behavior. In addition, creating the false obstacle of failure and prevented potential entrepreneurs to second guess their careers and business idea. The risk of being harassed or mislead by investors or potential partner was another challenge that displayed by the community. Some entrepreneurs had faced difficulty of finding suitable employees locally that had specific skill sets that were required to operate the business. Social norms can figuratively restrict female entrepreneurs from accessing different factories, suppliers and companies.

Their business had more potential to sustain in the market. The female entrepreneurs had shown opportunities that taken advantage and recognized before anyone in the market. The start-ups were took chances to open new ventures and markets in Saudi Arabia in which considered to be pioneers in some markets by provided new and innovative products or services to female in specific which were great. The Kingdom of Saudi Arabia had contributed regulations and activities regarded female entrepreneurs in 2030 vision. The concept emphasizes on striving to create suitable employment opportunities for citizens in all parts of Kingdom through support for entrepreneurship and privatization programs and investment in new industries in which female entrepreneurs were part of economic contribution.

The government had established general body for small and medium enterprises to encourage young businessmen and female in successful by enacting better rules and regulations, easier financing, more international partnership, greater share of local businesses of government procurement and competition. The King had emphasized on continuing aspects to develop female talents and their energies to obtain appropriate opportunities to

contribute to development of our society and economy. The government was made its priority to help enterprises in obtaining financing and urged financial institutions to increase that percentage of funds (20%) by 2030.

Business incubators, training providers and specialized venture capital funds was created to support entrepreneurs and develop their skills and innovations. The small national enterprises to export their products and services marketed through marketing support and coordination with relevant international. All of these opportunities was created by government to people especially female entrepreneurs as represented more than 50% of college graduates.

A set of strategies were recommended by Saudi female entrepreneurs when encountered the challenges mentioned previously in the finding. Each strategy was different from one business to another depended on liquidity, resources and output provided.

In financial challenges, female entrepreneurs had relied on personal savings and loans from families and friends as starting capital to their business instead of making deal with investors and banks which lead to bigger problems. The finding a person or organization for financial assistance was essential since preference of knowing distribute the money equally in the business and financial advisor displayed the areas were over or underspending as start-up.

Female entrepreneurs had developed various methods with dealing with legal challenges in which dependent on the situation. The system had created for legal requirement. Female entrepreneurs understood that issued permits, license or other legal documents required a long period into consideration the priority of legal documents and business operations was must. The legal expenses over planning was essential since legal requirements change.

Social norms were changed and people became more open to accept female entrepreneurs in Saudi Arabia. All social constraints that was unrelated to religion, culture or heritage that did not affected the entrepreneurs journeys.

Technology challenges increased or decreased on the business performance and productivity. Female entrepreneurs were always supported local suppliers of raw material. The unique resources brought from external organization or suppliers as raw materials could be cheaper and high quality. Some female entrepreneurs had created their own materials and formulas to make their business unique and efficient.

## **CONCLUSION**

In conclusion, upcoming entrepreneurs was learned to identify opportunities and manage similar obstacles by understand the challenges and opportunities of current female entrepreneurs. Therefore, the study had displayed the profile of female start up entrepreneurs in Kingdom of Saudi Arabia in term of products or services offered, business operation duration, funding resource and employee number. The business operation extended from three months until two years. The business had at least two representatives and most extreme of seventeen workers. Meanwhile, female entrepreneurs had vision for the start-up which meet 2030 vision that support females, their organization and abilities.

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