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IMPACT OF ENTREPRENEURSHIP PROCESS ON THE ECONOMY IN SAUDI ARABIA

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ABSTRACT

Entrepreneurship can be generally described as the capacity of an individual person or a group of persons in creating opportunities and utilize them for the growth of the society and in return bring success to their organizations as well as their innovations. The characteristics such as flexibility and adaptability of entrepreneurship provide an opportunity for the nation to compete internationally along with the stable economic position. The Small and Medium enterprises act as a cornerstone in achieving more balanced growth considering the bottom line of the income pyramid. However, in spite of supportive governance, the performance and contribution of SMEs to economic growth process of KSA is lagging somewhere. The main objective of this study is to understand and evaluate the role of entrepreneurship process on the economy of Kingdom of Saudi Arabia. This study is conducted for analytical framework and the significance to the economy. The online questionnaire survey is used as research tool to gather the primary data. The customers and the managers of the small and medium size organizations of Saudi Arabia are considered as the research population. The finding of this study provides an overview of the business environment and its relation entrepreneurship process of Kingdom of Saudi Arabia.

INTRODUCTION

Entrepreneurship can be generally described as the capacity of an individual person or a group of persons in creating opportunities and utilize them for the growth of the society and in return bring success to their organizations as well as their innovations. Economists and policy maker's pay a great deal of interest towards the relationship between entrepreneurship and the economic growth of a nation. Entrepreneurship extends through each and every aspects of economic growth of a nation; it enhances the economic development by

launching new combinations as well as introduces incremental enhancements which apply swelling impact over time [1].

Entrepreneurship enhances its efficiency of allocation by mixing, competing and comparing newly introduced productive resources with the existing resources. It also crafts the business decisions within the overall prices which in turn influences the regulation of the game of production and exchange. Although in our time entrepreneurship is the most admired topic still the most important thing is to define the topic of entrepreneurship [2].

Entrepreneurship plays a key role that contributes in the rapid and balanced economic growth of Saudi Arabia [3]. Entrepreneurship plays a crucial role for the effective development of an economy. It is an essential aspect that cannot be ignored. The Government of Saudi Arabia must take step to promote entrepreneurship in the country. There are hundreds of young talents capable of taking new challenges, but their main setback is lack of capital and the lack of relevant skills and knowledge [4].

The hard work of the Saudi government towards motivating entrepreneurial development has resulted into a positive impact on the economy of the nation. Kayed and Hassan [5] believes that due to the environment which is favorable for entrepreneurship [5]. Saudi Arabia at present is having a huge number of newly emerged entrepreneurs those who are steadily shaping the landscape of the country's economy. According to Sarkar [6], these innovative and focused as well as devoted entrepreneurs both male and female are breaking every record in their individual fields and communities and are challenging all old speculation that criticized the taking of risk, and creation of value in the Kingdom of Saudi Arabia [1, 6].

Entrepreneurship contributed largely towards the proper usage of resources and raw materials, establishing a society that is developed and self-sufficient and creating huge opportunities for employment in Saudi Arabia. Kayed [5], asserted that entrepreneurs are playing a key role in the economic growth in the nation [5]. They are taking innovative steps and initiations, they are skilled and enthusiastic and driving entrepreneurship to another level, entrepreneurs are bringing huge and significant transformations in the process of economic growth in Saudi Arabia, they are highly motivated individuals and always full of action and enthusiasm and always prepared for taking all kinds of risks that are required for attaining their economic goals [2].

A study conducted by the SME Centre at the Riyadh Chamber of Commerce and Industry [7] on the SMEs in Saudi Arabia found that the bureaucracy is the main problem faced by the SMEs through their activities with the government organizations. The study also found that there are different opportunities are also available for the entrepreneur in Saudi Arabia for growing and developing their business. The government of Saudi and the private sector are supporting the entrepreneur in developing their business through providing capital, training human resources and providing business services as they have recognized their potential for the growth.

According to Saudi-US Relation Information Service, 2010, 1113 small and medium sized enterprises have been benefited through the program in Saudi Arabia [8]. The programs introduced in Saudi Arabia for the growth of the SMEs mainly focused on providing financial support and ignore other necessary attributes required for the growth like owners training program which leads to de-growth of the business activities of the SMEs and also affecting the economy of the Saudi economy. Therefore, this study identifies the role of entrepreneurship process on the economy of Kingdom of Saudi Arabia.

METHODOLOGY

Research Philosophy

In this study, the positivist method is applied as the process defines the hidden logic and determines the scientific approach for the evaluation process. However, the method rejects the depth metaphysics oriented with the research topic. The purpose of this Dissertation is to investigate the role of entrepreneurship process on the economy of Kingdom of Saudi Arabia.

The applied positivism approach will help in an effective analysis of the concealed facts in the implementation. The research work has limited time schedule; therefore, the realism and interpretative philosophical methods can be discarded. Apart from this, the research philosophy positivism resists the role researchers in the manipulation of the data and information which lowers the data error in research work [9].

Research Approach

The deductive approach is applied in this study. The deductive approach uses pre-described theories and previous researches. The entrepreneurship concept is pre-established techniques; there are various models and theories available can be helpful in deducing the analysis [10].

Data Collection Process

In this study, the primary sources are collected from the interaction sessions with the employees and the managers of small and medium size organizations of Saudi Arabia which has helped the researcher gaining information for the research topic. The secondary sources for the research topic are collected through both the online and offline sources which include journals, articles, websites, books, and others. Here, quantitative approaches have been applied for the present study. The theories, models and previous research thesis of entrepreneurship and the information gained through questionnaire survey are considered in this research study. The questionnaire is structured around three main frames financial gain, growth, and customer satisfaction. The feedback gained is analyzed in two level firstly considering both employees and manager and secondly their response are separately analyzed. The questionnaire is incorporated with eight constraint which helps to determine the financial gain like improved revenue, enhanced sales, effective pricing,

higher profitable income, quicker return on capital investment, lowering of the threat of being deracinated from the market [11].

The parameters used to define the development of the organization are enhanced exporting, improved share value, effective expansion, the superior structure of organization, and development of new product, effective brand image and gaining competitive advantages [12]. The factor used in the questionnaire in order to define customer satisfaction are identifying customers need, enhanced customer satisfaction, availability of the product, effective customer relationship, effective feedback for customer complaints, production plan, sharing reward and risk with the customers, effective service continuation, and competitive pricing policy [13].

Sample Population

The population can be defined as the number of people who are directly or indirectly associated with the research process. In this study, the customers and the managers of the small and medium size organizations of Saudi Arabia are considered as the population of the research studies that are extensively. In this study, 50 employees and 10 managers are chosen through sampling technique for the survey purpose.

Sampling Technique

The sample with small number is considered for studying the influence of entrepreneurship process on the economy of Kingdom of Saudi Arabia as it will ensemble with the criteria of the research topic. The selection of the employees for the sampling was done through simple random probability sampling technique which involved no specific criteria for selection. The managers for the sampling are selected through non-probability sampling technique [11]. The online questionnaire was prepared for the survey and the customers were asked for the participation.

Hypotheses

In order to understand the impact of entrepreneurship process on the economic development of Saudi Arabia, the hypothetical questions are created considering the professional services, production and other business of SMEs.

H0: There is no effective relationship between Economic growth and development of KSA and entrepreneurship process.

H1: There is an effective relationship between Economic growth and development and entrepreneurship process in KSA.

RESULT AND DISCUSSION

The demographic background of the sample population is an essential aspect which mainly describes the capability and knowledge of the participant. It is significant to understand the realistic and appropriate behavior of respondent while responding to the questionnaire of the survey. In this study, there are 32 participants have completed the questionnaire survey. From Figure 1, around 65% of the sample population are graduated or post graduate and 34% of the

participants are under-graduate. There are different sections of workforce within an organization where educational qualification is irrelevant. The quality skill and professional knowledge are considered as the essential necessity. Hence, educational qualification and professional knowledge & skill of the respondents played significant role in this study.

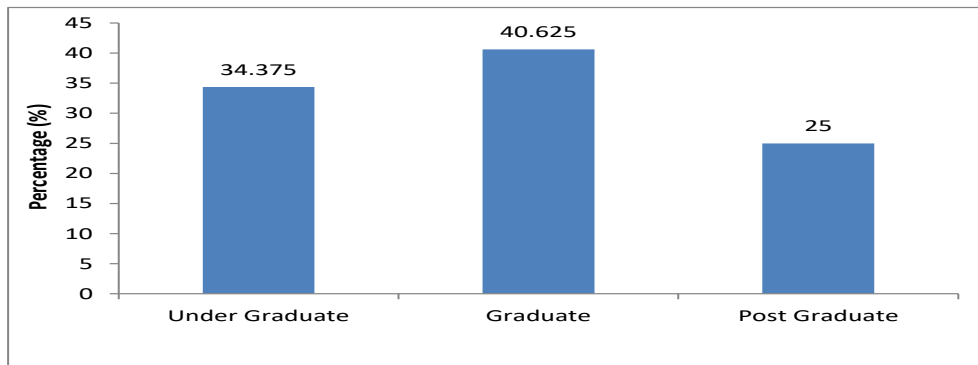


Figure 1: Educational Qualification

Regarding the segment of engagement, Figure 2 shows 21.88% of the respondents said they are engaged with manufacturing industries. There are about 15.63% of the sample population engages with social services, 9.38% with construction industries and 9.38% with hotel and commercial sector. Apart from this around one fourth of sample population engages to diverse business sectors such as with financial institutions, educational organization, insurance, marketing and export & import industries. This shows KSA is leading in manufacturing sector and the manufacturing sector effective influencing the economy of KSA and the peoples in KSA are more oriented with manufacturing sector due to the accessibility, productiveness and profitability ratio.

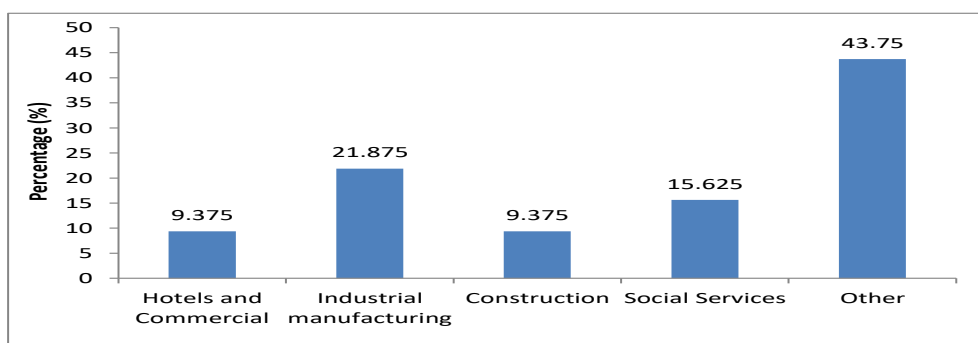


Figure 2: Segment of engagement

Saudi Arabia at present is having a huge number of newly emerged entrepreneurs those who are steadily shaping the landscape of the country’s economy, due to the environment which is favorable for entrepreneurship. Previously, unfavorable environmental conditions and lack of entrepreneurial knowledge and skills among its citizens are major threats to the growth of entrepreneurship in KSA. Presently there are several diverse factors which resist the effective performance and profitability of the entrepreneurs or start-

ups in KSA. Figure 3 shows, around 28.13% of respondents think lack of capital or investment is the major challenge to entrepreneurship in KSA. 21.88% of the sample population thinks lack of effective support, 18.75% thinks lack of productive orientation and 12.5% thinks lack of effective information resist entrepreneur success in KSA. Furthermore, 6.25% of respondents think lack of secure land, bureaucratic barriers and dependency on foreign resources effective influence the success of entrepreneurs in KSA. Therefore, it can be stated that every challenge stated in this question is equally responsible for resisting the entrepreneurial success. The government and entrepreneurs should look forward towards eliminating the challenges by using integrated strategic implementations.

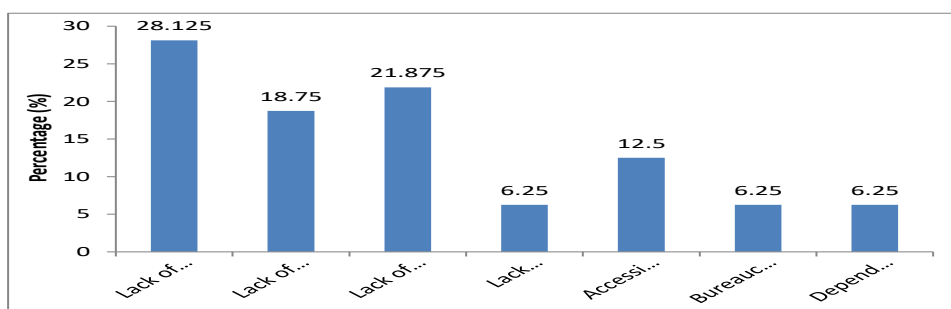


Figure 3: Major challenge faced by the entrepreneur in KSA

When the respondents are about the key characteristics for establishing a start-up in KSA, the majority of the sample population about 37.5% thinks marketing and export promotion is the key characteristics for successful entrepreneurship in KSA based on Figure 4. About 15.63% said training and human resource management, creating alternative financial sources and funding R & D are crucial characteristics for effective characteristics. Improving awareness on legal system about 6.25% and business incubator about 9.37% are significant critical for maintaining effective entrepreneurial success. Therefore, transformation in government policies to be user friendly for the entrepreneurs is essential for successful entrepreneurship in KSA, irrespective of the fact that government in power fails to targets of the parameter which affects the performance. Government of KSA has shown huge effort and capital in the past for establishing policies aiming towards the uplifting of entrepreneurship.

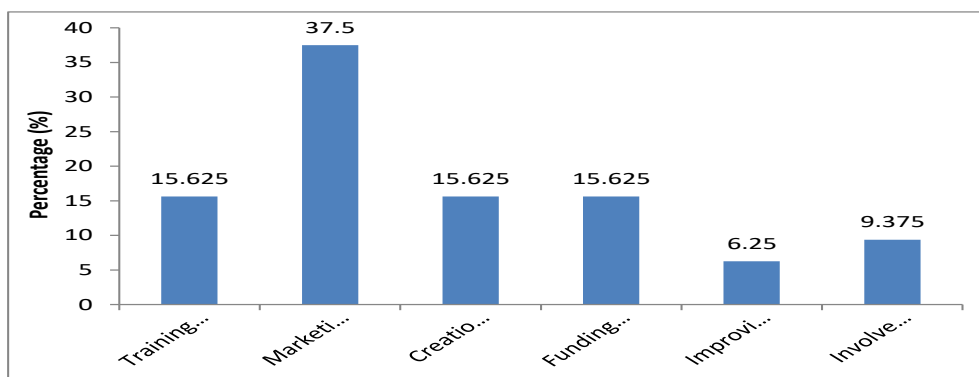


Figure 4: Key characteristic(s) for establishing a start-up

Figure 5 shows the opinions of participant regarding the role of effective entrepreneurship in KSA. The average weighted is calculated and the highest average weighted marks by providing employment about 3.41%, follow by retooling workforce about 3.16%, creating economic specialization by 2.91% and increasing local tax bases by 2.88%

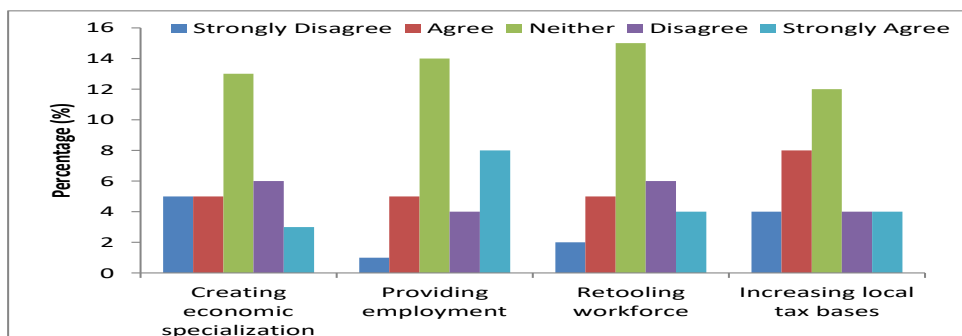


Figure 5: Role of effective entrepreneurship in KSA

Figure 6 demonstrates the opinions of participant regarding the future employment sector by preference. Majority of the participants about 59.36% considered private sector as their future employment sector. There are 25% and 15.63% considered public and others as their future employment sector respectively.

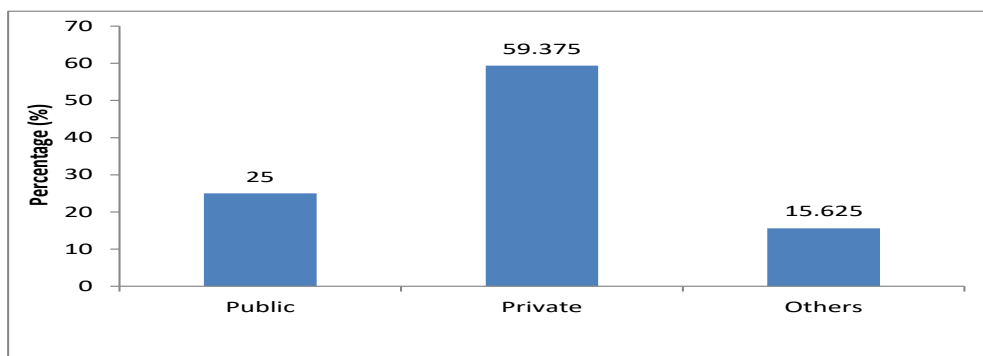


Figure 6: Future employment sector by preference

According to the survey regarding their likelihood of starting new business in KSA which shown in Figure 7, about 25% of the sample population responded they very likely of starting new business. About 53.13% of the participants are likely of starting new business. There are 12.5% of the total respondents have chosen the option 'unlikely' regarding their likelihood of starting new business in KSA. Therefore, from this survey, it can be said that a majority of the respondents are likely of starting new business in Kingdom of Saudi Arabia.

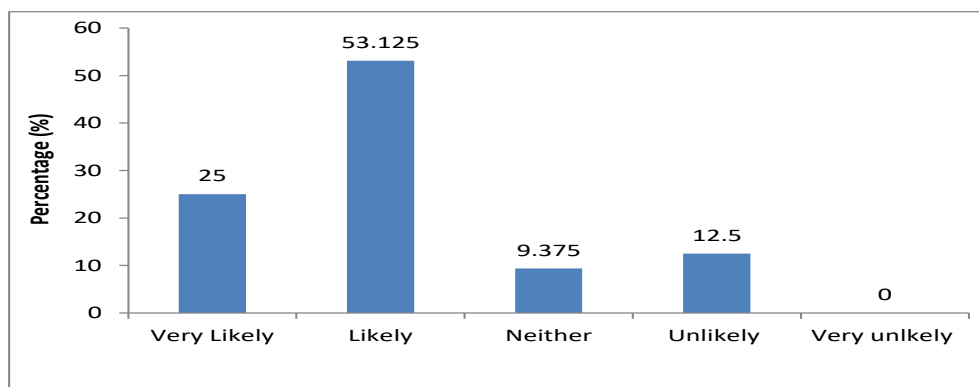


Figure 7: Likelihood of starting new business in KSA

The programs introduced in Saudi Arabia for the growth of the SMEs mainly focused on providing financial support and ignore other necessary attributes required for the growth like owners training program which leads to de-growth of the business activities of the SMEs and also affecting the economy of the Saudi economy. Training and development are essential for creating potential workforce and resource management. Figure 8 shows about 65.63% agrees with the statement and 21.88% disagrees with conception.

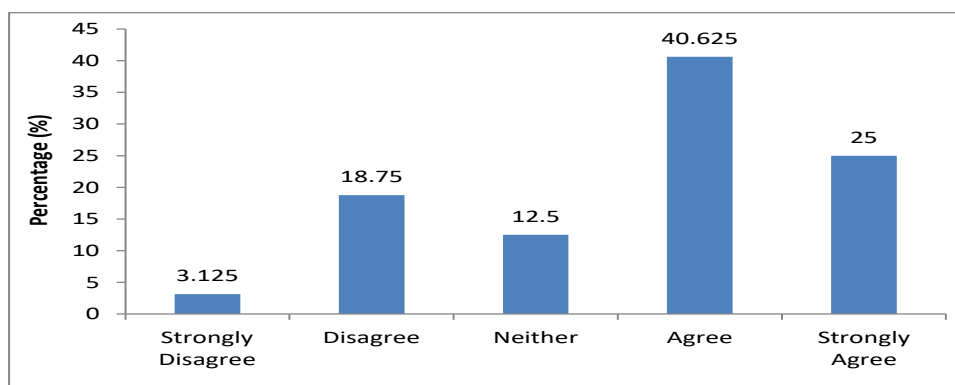


Figure 8: Essentiality of training and practice for starting a new business

Figure 9 shows about 37.5% of the sample populated strongly agreed with the statement that practical experience and business plan essential for entrepreneurial success in KSA. About 28.13% of the sample population agreed with the questionnaire. Around 21.86% of total, the respondents are undecided. 9.38% of the sample population disagrees with the conception and 3.13% of the sample population strongly disagrees with the statement that SMEs of KSA helps in practical experience and business plan essential for entrepreneurial success in KSA.

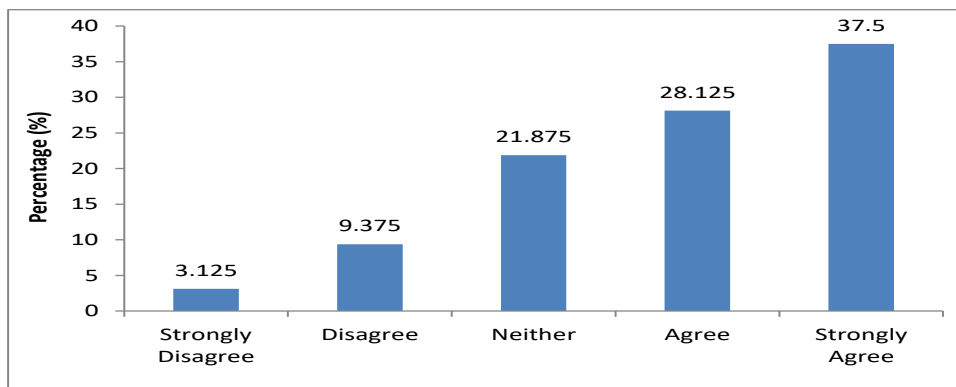


Figure 9: Practical experience and business plan

According to the survey, when the respondents are asked about their profitability, 6.25% of the respondents claim that they are very profitable. According to Figure 10, 21.88% agree that the academic institutions in KSA are effective in providing enough knowledge and experience to launch a new business. There are 28.13% of the sample populations are averagely profitable SMEs and a majority of the sample population which is around 43.75% is not profitable SMEs. Therefore, majority of the SMEs in Kingdom of Saudi Arabia are not profitable and hence cannot participate in the economic development of KSA. The dominant non-profitable SMEs groups are running on either government spending or on other funding which is continuously affecting the economic growth of the country.

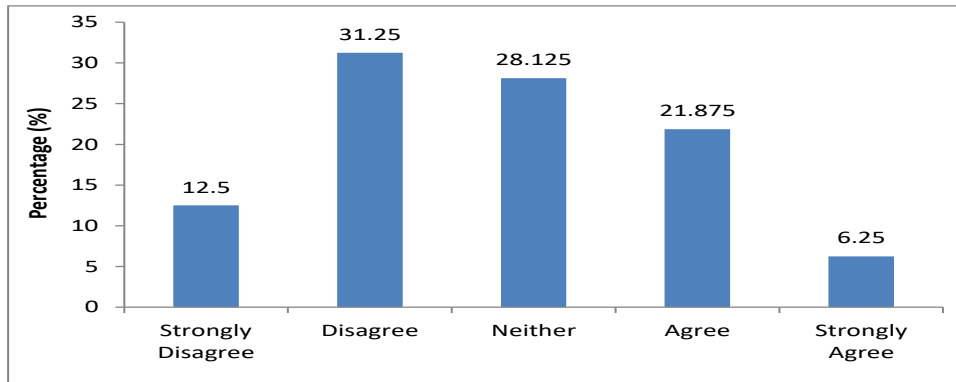


Figure 10: The academic institutions in KSA are effective in providing enough knowledge and experience to launch a new business

CONCLUSION

The entrepreneurship provided a dynamic approach in creating knowledge-based economy through innovation and transformation according to market needs. According to the survey, the entrepreneurship sector is playing a significant role in economic growth and development of Kingdom of Saudi Arabia. The SMEs of Kingdom of Saudi Arabia have untapped potential can be exploited by eliminating the challenges faced by the SMEs. According to the present situation, the SMEs of KSA does not have enough capability or productivity to sustain economic development process. Presently there are diverse factors which resist the effective performance and profitability of the

entrepreneurs or start-ups in KSA. Based on the obtained result, the peoples in KSA are more oriented with manufacturing sector due to the accessibility, productiveness and profitability ratio. The government of KSA has adopted short-term policies and effective strategies to improve the performance of Small and medium enterprises. Apart from financial aspects, the SMEs require effective business policies, infrastructural development, promotional activities and market surveys in order to gain information about the competitive market situation. Training and development are essential for creating potential workforce and resource management.

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