

## Institutional Support for Entrepreneurship Development: A Scenario of SMEs in KSA

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**Abstract:** SMEs are recognized as a most effective mechanism to push economic and social development. Their role becomes more important in Saudi economy which is in the diversification stage in an attempt to reduce KSA dependence on oil and to realize the Vision 2030. The government has established various institutions and working along with private sector to offer SMEs financial, technical and training support aimed at development of entrepreneurship. In this paper an attempt has been made to examine the status of SMEs and to identify & study the activities of the institutions extending financial and non-financial support to SMEs. The researcher has examined thirteen main institutions which are playing an important role in providing support in the areas of technology, marketing, financing, training, incubators, consultancy and policy & incentives. Finally suggestions have been extended for further improvement in order to capitalize the opportunities resulting in development and growth of entrepreneurship.

**Keywords:** Entrepreneurship Development, Need for Institutional Assistance, Institutions Providing Financial and Non-Financial Support.

### INTRODUCTION

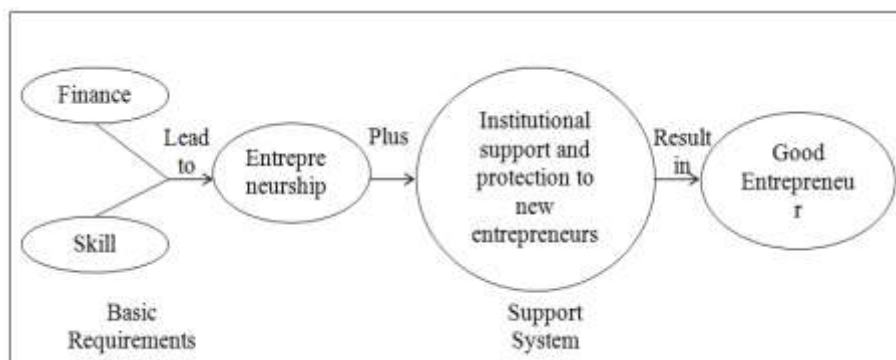
Entrepreneurship has been recognized as a relevant catalyst of economic development and growth. It involves a sufficient volume of risk and adventure in the business under perusal, bears ultimate authority of taking decisions and formulating policies regarding the business.

SMEs play a significant role in the economic development by contributing to output, employment generation, exports, balanced regional development and fostering entrepreneurship. The institutional set up is the primary factor for the growth and success of SMEs. Government has to plan well in this sphere to meet the requirements of the rapidly growing SMEs sector.

### Need for Institutional Assistance

The role of various institutional supports to promote the growth of SMEs is well recognized and unique. A small entrepreneur gets many types of

assistance form different institutions for varied purposes. Such support system should function till such time a critical number of entrepreneurs are developed in the society. The type of support system required varies from entrepreneur to entrepreneur, particularly more so with small scale. An entrepreneur with engineering background needs a different support as compared to an entrepreneur with business background [1]. Fig-1 explains the significance of entrepreneurial support system in developing the good and successful entrepreneurs who contribute in the economic development.



**Fig-1: Significance of Entrepreneurial Support System**

Acknowledging the role of the SMEs in the development and diversification of the economy the Saudi government has implemented several policies to support SMEs. The government has established different institutions to finance SMEs and to offer them technical and training support aimed at improving the performance of work force. Various programs have been launched by the government and the private sector to assist and encourage the entrepreneurs in establishing and managing their enterprises.

To build a diversified economy and reduce the dependence on oil, the government of Saudi Arabia provided different types of support and facilities, such as granting long-term, interest-free loans, leasing industrial land for factories, housing for workers in industrial areas equipped with full facilities and services at nominal prices, and providing customs duty exemptions for imported tools and equipment used in manufacturing.

#### **Objectives**

- To examine the existing support system for entrepreneurship development.
- To study the institutions providing support for entrepreneurship development in KSA.
- To suggest the measures for better and effective support system.

#### **METHODOLOGY**

To examine the support system for entrepreneurship development both primary and secondary data was employed. The primary data was collected through questionnaire and personal interview of the directors, one each from the institutions providing support for entrepreneurship development to SMEs in KSA. The secondary data was collected from different sources, i.e. journals, newspapers, industry reports, theses, textbooks and websites.

#### **LITERATURE REVIEW**

Schumpeter in his writings defined the role of an entrepreneur as an agent for change and coordinator for production factors, who can change the traditional way of doing the things [2].

Later Krizner forwarded his views and termed entrepreneur as a person who identify the opportunities in unbalanced market, the entrepreneur is looked as an opportunity seeker who grabbed profit from the disequilibrium that is prevailing in the market [3].

Coyne and Leeson argued that underdevelopment in the countries is not because countries lack entrepreneurship quality but because of faulty policies applied by the institutions, as it decreases the opportunities in the market [4].

Later Szabo suggested that development of the SME's in the countries takes place with the activities and assistance from an integrated and three distinct levels. These levels are- Strategic level, Institutional level and Enterprise level [5].

Ilahi Saud examined eight institutions providing non-monetary support for the development of entrepreneurship and hundred firms in Delhi. He studied six types of non-monetary support i.e. technology, training, marketing, entrepreneurship development, common facility centre, information & consultancy and found the positive effect on the firms using that support, which strengthened the entrepreneurship development [6].

Isenberg on the other hand identifies 3 domains of ecosystem forming a little different perspective than Szabo's perspective. The domains depict that the ecosystem requires stakeholders who can develop certain skills and services for organization growth asserting for Culture, Support Services and Strategic Domains [7].

So for the development of entrepreneurship ideal form of business environment must be established by the government and the private sector which should promote entrepreneurship by providing more opportunities for business growth.

#### **Status of SMEs in KSA**

SMEs contribute significantly and have a major role in the growth of most of the economies around the world but in KSA the contribution of SMEs to the GDP is low. The government has developed frameworks for sponsoring and organizing SMEs in order to drive their economic growth to contribute more to GDP.

#### **Definition of SMEs in KSA**

SMEs definition differs in each country depending on different parameters such as number of employees, amount of capitals and annual sales turnover. There is no common definition of SMEs in KSA. Most of public/private bodies dealing with small and medium-size enterprises are based on the number of employees as the first criterion [8].

- According to the *Saudi Arabian General Investment Authority* (SAGIA):
- Micro enterprises have less than 25 employees;
- Small enterprises have between 25 and 59 employees;
- Medium-size companies have between 60 and 99 employees; and
- Large-size companies are those with more than 100 employees.
- *The Council of Saudi Chambers* defined SMEs as ones where the number of employees is not more

than 50 and annual sales are not more than five million riyals.

- Ministry of Finance defines SMEs as any profitable activity, whether small or medium, that is established under the applicable regulations of KSA, with a yearly sales value that does not exceed SR 30,000,000.

The following statistics highlights the role of SMEs in KSA [9].

- The number of SMEs licensed by the Ministry of Commerce and Industry (MCI) by the end of 2014 was more than 946,000 out of which approximately 85 per cent were sole proprietorship firms. It employs about 5,625,540 workers, with an estimated financial investment of about US\$65 billion (SR250 billion) approximately [28].
- SMEs embrace 82 per cent of the total workforce in Saudi Arabia. 98 per cent of SMEs are owned by

Saudis but only 9 per cent of the total workforce comprises Saudis, and the sector is dominated by a large majority of non-Saudi workers [28].

- SMEs contribute 20% in the GDP, which is likely to be increased to 35% that is from SR600 million to SR2, 400 million. The aim is to increase it by four times with the support of the General Authority, the Vision 2030, and various ministries. (Qotuf Press release)
- Saudi women account for 39 percent of the total number of entrepreneurs in the Kingdom, increased 35 percent over the past 10 years. Saudi women entrepreneurs grew significantly from 2007 to 2017, from 4 percent to 39 percent, as a result of government and private support. (Official statistics presented for World Entrepreneurship Day, Arab News, 28 Nov. 2017)

**Table-1: Expert Ratings of the Entrepreneurial Eco-system (ranked out of 65)**

S. No	Parameters	1=Highly Insufficient 9 = Highly Sufficient	Ranked out of 65 Countries
1	Entrepreneurial finance	3.91	46/65
2	Government policies: support and relevance	3.92	39/65
3	Government policies: taxes and bureaucracy	4.04	32/65
4	Government entrepreneurship programs	3.43	52/65
5	Entrepreneurship education at school stage	2.12	60/65
6	Entrepreneurship education at post school stage	3.65	60/65
7	R&D transfer	2.99	58/65
8	Commercial & legal infrastructure	3.86	64/65
9	Internal market dynamics	4.82	33/65
10	Internal market burdens or entry regulation	3.95	46/65
11	Physical infrastructure	6.82	25/65
12	Cultural & social norms	4.61	34/65

Source: Global Entrepreneurship Monitor (GEM) 2016-17

The 18<sup>th</sup> survey of Global Entrepreneurship Monitor (GEM) conducted on different aspects of entrepreneurship in 65 countries including KSA [10]. Table-1 shows the assessment of ecosystem factors in KSA based on expert ratings. As per Table-1, fourteen factors have been analyzed on the basis of ranking and sufficiency level. Physical infrastructure is the most successful factor, which is ranked 25<sup>th</sup> out of 65 economies; its sufficiency level has been 6.82. The next three factors are Government policies: taxes and bureaucracy, Internal market dynamics and Cultural & social norms, which have been ranked as 32<sup>nd</sup>, 33<sup>rd</sup> and 34<sup>th</sup> respectively. But in certain areas the performance is really critical. Surprisingly, Commercial & legal infrastructure is ranked 64<sup>th</sup>, followed by Entrepreneurship education at school & post school stage and R&D transfer which have been ranked as 60<sup>th</sup> and 58<sup>th</sup> respectively out of 65 economies. So there is urgent need to improve these areas.

### Institutional Support

Institutional support is an essential condition in order to successfully foster SMEs development. The various types of support provided are mentioned below.

### Technology

Technology is an integral part of the daily operations of many businesses today. Rapid changes in technology should be responded to by SMEs in order to establish alternative ways to sustain their competitive advantage by deploying new techniques of production [11]. Better technology results in lowering of per unit cost of production leading to an increase in profit. However, technology is expensive and this sector will find it difficult to procure and adapt to new technologies so institutional support in regard to technological upgradation is indispensable for the survival and growth of SMEs.

### Training/ Skill Development

Training is any learning activity which is directed towards the acquisition of specific knowledge

and skills. It imparts basic knowledge about the industry, products and production methods. It builds the necessary skills of both the workers and the entrepreneurs. It increases the potential abilities of workers and broadens the vision of entrepreneurs by providing them suitable opportunities for an interchange of experiences within and outside the industry. Different institutions provide both the types of training, which is helpful in entrepreneurial development.

### **Incubators/Accelerators**

Incubator is a workspace created to assist and grow startup businesses by providing them necessary support in the form of capital, technical knowhow, office space, strategic support, coaching etc. under one roof. An incubators primary focus is the protection of new ventures from typical liabilities of newness, hereby increasing its survival rate. Accelerators are limited-duration programs which intend to accelerate new firm creation through a provision of services, with a particular focus on mentoring and education, to a cohort of startups. Entrepreneurs spend a long period in a business incubator, during which time they often share production equipment, labs, secretarial office with other startup entrepreneurs, mainly to reduce operational costs.

### **Marketing**

Marketing plays an important role in the success of an organization. Today marketing is customer centered, producer has to produce considering the choice or the desire of the customer. It may be in the form of assistance in sales and purchase, simplification of procedures, incentives for higher production of exports etc. Though marketing is essentially an entrepreneurial function, yet in today's economic liberalization period, institutional support is needed to the SMEs as they are now facing challenges in marketing their goods and services because of intense competition from the transnational and the multinational companies.

### **Policy and Incentives**

Entrepreneurship is an important engine of growth. Government policy, in turn, shapes the institutional environment in which entrepreneurial decisions are made. Government policy in this context is any course of action which aims at regulating and improving the conditions of SMEs. In order to support and foster entrepreneurship the policies related to reservation of products, general perspective of entrepreneurship, finance, tax and regulatory climate, entrepreneurship education, intellectual capital etcetera are implemented which ultimately contribute in economic development.

### **Information & Consultancy**

It is related to the services provided by the different institutions to assist SMEs on various issues. This typically includes identifying and investigating

problems, opportunities, making recommendations for appropriate action and helping to implement these recommendations. The consultancy covers different areas i.e. selection of projects, preparation of project files, legal documentation, capital structuring, selection of machinery, change in technology etc. The purpose of providing the information is to give speedy and easy access to the SMEs, which may be helpful for them in numerous ways.

### **Financing**

Finance is the life blood of the business. SMEs do not have sufficient funds of their own and they can't borrow funds as the institutional lenders like banks are generally reluctant to advance money to them, since they have yet to establish themselves and are not in a position to offer the guarantee. Even when small loans can be raised from government agencies, the procedure is so cumbersome that most of the entrepreneurs, hesitate to make use of these facilities [12]. The shortage of funds makes it difficult for them to install modern machinery & tools and to buy & store good quality raw materials. So they require the institutions which offer them the loan easily taking into consideration the above mentioned hurdles.

### **Analysis of the Institutions Providing Support to SMEs**

There are variety of support institutions assisting entrepreneurs in KSA but most of them are located mainly in four regions, which are Riyadh, Jeddah, Eastern Province and Makkah & Thuwal [13].

- Riyadh: More than half of all entrepreneurship support institutions are based in Riyadh. It is also centre of three accelerators: Badir - Oasis500, launched in affiliation with KACST University, 9/10ths launched in partnership with KAUST, and the Inspirer launched with STC as its main backer. Moreover, the city is also the hub of most of the financial institutions of KSA.
- Jeddah: It is refuge of many accelerators, most of which are specialized in certain industries. KAUST's Hikma focuses on IP-based startups, while Taqadam has a particular focus on financial technology startups. Flat6Labs is also a hallmark of Jeddah's startup support institutions. Jeddah boasts of many non-financial institutions like Qotuf AIRiyadah and Community Jameel.
- Eastern Province: It has a concentrated focus on academia and technology parks with the presence of the Dammam Technology Park, the Prince Abdullah Bin Abdulaziz Science Park, the King Fahd University of Petroleum and Minerals and the Prince Mohammad Bin Fahd University.
- Makkah and Thuwal: These are becoming key ecosystems in the KSA. Wadi Makkah is an initiative from Umm Al-Qura University, which includes an innovation center, an accelerator and a venture capital fund. King Abdullah University of

Science and Technology on the other hand, offers a variety of financial and non-financial support services.

In order to accelerate the SMEs development a number of institutions have been established at various levels. In this study the main institutions assisting entrepreneurs have been examined. Researcher has explored the main activities of these institutions and the types of support extended by them for the development and growth of SMEs.

#### **Ministry of Commerce and Investment (MCI)**

The Ministry of Commerce and Investment came into effect after many changes since its inception. On 30/7/1437, Royal Decree modified the title of Ministry of Commerce and Industry to the Ministry of Commerce and Investment [14]. Its main tasks are participating in setting and carrying out commercial policies in a way that achieves the efficiency and effectiveness, reinforce the role of the private sector, review the systems and regulations applied, regulate means of supervising the development of domestic trade markets, issue licenses necessary for setting up the commercial chambers and their branches, follow up supply and demand of commodities and materials in global markets, monitor the quality of commodities and materials, conduct inspection and laboratory tests, combat the commercial fraud with all its forms.

**Marketing:** The Government provides preference to national products over foreign ones when signing a contract to secure its procurement. It purchases national products after determining the proper prices. It also organizes different exhibitions and events like XIII Saudi Exhibition for plastics and petrochemical industries from 18 -21 January 2016; 1st SME'S Business Show from 27-31 October 2016 at Riyadh.

**Policy and Incentives:** MCI seeks to simplify access of young entrepreneurs to business by simplification of procedure and mitigating prerequisites. It organized the Advisory Forum to support the business of small and medium enterprises and entrepreneurs from 1 -2 March 2016 at Riyadh. It Increases the national labor participation in commercial activities and replaces the non-Saudi labor. It develops and organizes the sector of business services and develops financing activities in cooperation with the concerned agencies. It boosts women's role in business activities by offering several and diverse services through MCI female section. It also provides incentives for manufacturing sector to encourage the entrepreneurship development like providing plots at minimized rate, subsidized electricity, subsidized loans and tax benefits.

**Information & Consultancy:** The Ministry of Commerce and investment conducts regular meetings to support small and medium-sized business owners by creating "Start Center" to raise awareness of how to

start a business for small and medium enterprises. It periodically publishes reports and statistics relating to all sectors of the ministry, available in Excel format files. It also provides information to the dealer or investor to know the production capacity and factory status of a specific factory.

#### **The Council for Saudi Chambers of Commerce and Industry (CSCCI)**

The Council for Saudi Chambers of Commerce and Industry was formed to serve federation of 28 Saudi chambers. Since its establishment in March 1980, it represents them at local and international level and work for enhancement of private sector role in KSA. The Council managed, through the support of the chambers and relevant government authorities, to accomplish its objectives in different fields. It is responsible for aligning private sector goal with the national economy goal [15]. The vision focuses on promoting SMEs to uplift social and economic status of the people. It aims to create an environment that is promoting and supporting the entrepreneurship in the country.

**Technology:** The council contributes to increase competitiveness by providing technical support. It develops cooperation with international organizations, in providing technical support and training. Use of technology to develop a system and monitoring it at various levels to make it successful is one such initiative.

**Training:** Training programs for staff under international collaboration are arranged to remain competitive with the outside world. The aim is to promote self-employment and develop leadership and entrepreneurship skills in the young population. The coordination with foreign channels like Irish-Saudi Business Council, Saudi-French Business Council and many more are collaborating to impart necessary skills in Saudi youths.

**Marketing:** Arranging fair and helping entrepreneurs to display their products at various national and international fairs to market their products. It also helps in identifying the requirements of raw materials of large companies so that the production requirements that can be provided by SMEs.

**Policies and Incentives:** It proposes policies and strategies to improve the business environment especially proposing amendments in legislations in order to attract more investment and simplify the business establishment procedure. It also works with ministry of Planning to design long term strategy for development of small entrepreneur.

**Information & Consultancy:** Gathering of information through deep research and analyze data to suggest policy change and suggest course correction is an

integral part of the institution. It also provides counseling services and advice for those wishing to start small projects, and introduce to them the legislation, instructions and available opportunities. Publishing and updating the changes in business environment through chambers publication and on its website is receiving good results.

**Financing:** It facilitates access to funding for SMEs by producing data bank for methods, regulation and requirement for funding as well as available opportunities in this sector. It opens the channels for financing bodies and work for gathering their support. It focuses on coordinating between the various channels for their financing needs and helps them in completing the necessary requirements.

#### **The Saudi Arabian General Investment Authority (SAGIA)**

The Saudi Arabian General Investment Authority (SAGIA) has been established under the Council of Ministers Resolution in the year 2000. It is the responsible authority for issuing investment licenses to foreign investors and coordinating with other related governmental bodies for the approval. Its centers are all over KSA promoting government investment efforts. SAGIA in collaboration with different ministries started National Investment Plan where opportunities available are promoted under one umbrella [16]. It is a win-win situation for both investors and entrepreneurs. SAGIA has identified numerous projects under Transport, Rail, Air, Road, Seaports and industrial equipment's.

**Training:** SAGIA actively promotes training, education, and awareness-raising for SME owners and KAFALAH stakeholders. It is in collaboration with the International Finance Corporation (IFC), the Institute of Banking, and with the participation of Saudi Banks and Chambers of Commerce and Industry.

**Information & Consultancy:** It provides a highly responsive and effective resource to help entrepreneurs offering everything from advise, license requirements etc. It organizes and participates in conferences, symposia, local and international exhibitions and workshops relevant to investment.

**Financing:** The SME Loan Guarantee Program (KAFALAH) has maintained its ongoing key role in supporting small and medium enterprises. The aim is to promote growth of SMEs through commercial banks loan disbursement, which has been successful. Since the inception of program KAFALAH system has given 18,289 guarantees to 8,933 SMEs, of the value SR 8,925 million in relation to total approved financing of SR17,929 million.

#### **Human Resources Development Fund (HRDF)**

HRDF was established by royal decree dated 5/05/1421H as a legal entity which is financially and

administratively independent. Its objective is to support private sector nationalization. It aims to develop the skills and capabilities of Saudi workforce through specialized programs. The ultimate goal is to provide social, economic and up skilling benefits to Saudi nationals to enable them to succeed in the private sector jobs and contribute in the development of the economy [17].

**Training:** HRDF develops the skills of trainees with different training programs. It cooperates in implementing the program with many bodies specialized in training small enterprises owners, such as the National Institute of Business Pioneering "Riyada". The Tamheer program is an on-the-job training program for Saudi graduates. Another program Doroob is sponsored by the HRDF in order to meet the Saudi labor market requirements through developing the skills of the job seekers and the students.

**Incubators/Accelerators:** Under 9/10<sup>th</sup> Program HRDF provides the facility of accelerator. It is allocated for the entrepreneurs during the early stages of starting their businesses that assists them in owning a product to be offered in the market.

**Marketing:** The 9/10<sup>th</sup> Program pave the way to access to market. It is an e-commerce platform that enables the entrepreneurs to coordinate the sale, payment, delivery process etcetera, without worrying about the technical structure.

**Policy and Incentives:** HRDF encourages small enterprises' owners by providing financial subsidy to meet their business and personal requirements during the establishment's operational period. It provides financial subsidy for a period of two years, with an amount determined in accordance with the agreement concluded with the sponsoring body.

**Information & Consultancy:** HRDF provides SMEs useful information and data to help them taking important decisions for their business. The service of the professional or vocational group guidance assists job seekers in recognizing their abilities and taking the right decisions.

#### **The Centennial Fund**

The centennial fund is an independent, non-profit organization concerned with funding projects of young entrepreneurs. It is considered as a supporting front for entrepreneurs and pioneer amidst the new economic trends [18]. It mainly supports the youth to start their small and medium-sized projects and encourages their business initiatives that lead to create more job opportunities.

**Training:** The Centennial Fund has its own training centers, it provides training material prepared by

professional s. Under the training it focus on four basic areas: Mentors` training , Robotics training , Entrepreneurs` training , and General training. Under the mentoring service, entrepreneur is helped by mentor and the mentoring service is up to 3 years from the beginning of his project so that the project is a definite success.

**Information & Consultancy:** It works on providing a mentor which is a prerequisite for the funding of project. It provides a mentoring service for the project's owner for up to 3 years starting from the launch of the project. The mentor focuses on the support of the owner of the project and the development of his skills and capabilities, not on the project directly.

**Financing:** The centennial fund provides partial or complete funding in the form of interest-free loan "Al-qard Al hasan " , and the value of the loan ranges between 50,000 to 5 million Saudi riyals according to the terms of the financing entity . It also helps entrepreneurs in different areas to establish their projects besides funding.

#### **Bab Rizq Jameel**

Bab Rizq Jameel started in 2003 with only two job creation officers, which has now grown to more than 500 officers with 26 branches. It is designed as the "first stop" for unemployed, young Saudi men and women who are looking for decent job opportunities by offering them a wide selection of various programs which will facilitate them finding the job [19]. Besides creating jobs and training in industries ranging from health care to car maintenance, it also provides micro-finance; helps eliminating the gap between university education and private sector requirements; encourages young people and housewives to start their own small business.

**Training:** Various training institutes under Bab Rizq Jameel provide training to the youths i.e. The Saudi Japanese Automobile High Institute (SJAHI), Nafisa Shams Academy for Arts and Crafts, ALJ Auto Denting and Painting Institute. Their data shows that they provided training to 280,000 persons and created job opportunities for more than 410,536 (between 2003 & 2014).

**Information & Consultancy:** It provides information related to training, finance etc. which is useful for the startup entrepreneurs. It also offers consultancy services with experienced consultants, which help the job seekers and entrepreneurs.

**Financing:** Bab Rizq Jameel provides loans under various schemes. For younger generation Small Project Finance Program offers interest-free loans starting from SR 6,500 upto SR 200,000, with a repayment period that can reach 5 years. For women who prefer to work

from home, the Productive Household Program provides interest-free loans from SR 2,000 to SR 6,000.

#### **Wa'ed, Aramco**

Saudi Aramco established its entrepreneurship center, Wa'ed in November of 2011, adhering to its reputable strategy of promoting progress and innovation, and in compliance with its social responsibility. The center assists entrepreneurs in establishing or expanding their ventures by providing a variety of financial offerings, along with the guidance and tools that develop and nurture entrepreneurs and their businesses [20]. Wa'ed harnesses potential business ideas and cultivates an atmosphere that empowers a new generation of entrepreneurs in the Kingdom.

**Training:** Waed organizes different training programs to develop the skills in various fields. The business plan course is designed to develop the skills to create an individualized business plan and providing knowledge about the tools necessary to make it. The Litenmoo Bootcamp course provides participants with first-hand experience in developing and growing a new business venture.

**Incubators/Accelerators:** Wa'ed officially launched Startup Lab at King Fahd University of Petroleum and Minerals in July 2013. The objective of the programs is to maximize the performance of the Startup Lab participants towards building their prototypes, validating their ventures, and acquiring real customers. At the Startup Lab two main programs are offered:

- **Business Incubation:** It targets full-time entrepreneurs for short-term incubation focusing mainly on high-risk, innovative businesses with a potential of investment.
- **Business Accelerator:** It is an extensive ten-week business development program focusing on building early stage companies and startups.

**Information & Consultancy:** Entrepreneurs have access to the technical consultants and subject matter experts of the Saudi Aramco Entrepreneurship Center, through scheduled on-demand mentorship. The advisory session is suitable to all entrepreneurs who want access to quality advice from Wa'ed experts and seek support in launching or expanding their ventures.

**Financing:** Wa'ed's loan program guides entrepreneurs through the necessary steps to ensure thorough preparation for debt funding. The program's team provides integrated and comprehensive services that will meet the needs and requirements of entrepreneurs seeking to establish or expand SMEs. Wa'ed's Venture Capital arm compliments the Wa'ed loan financing program by providing direct equity investment to companies that are looking for a venture partner.

### **Qotuf**

Qotuf AlRiyadah is the first Saudi private sector-led, non-profit entrepreneurship foundation. It was established in 2012 mainly to foster the sustainable development of entrepreneurship in Saudi Arabia. It was founded by Saudi entrepreneurs and now it has affiliation with organizations in over 165 countries [21]. Qotuf programs have achieved unparalleled results locally and globally as the strategic direction is more towards diversification and proper engagement of equity funding, mentoring, and growth development to drive the entrepreneurial ecosystem to graduate companies that create high quality of jobs.

**Training:** Qotuf regularly conduct short training sessions and deliver them through industry experts and its experienced staff. It is suitable to all entrepreneurs who want access support in launching or expanding their ventures.

**Incubators/Accelerators:** Qotuf founded the first business accelerator in Saudi Arabia, Flat6Labs Jeddah, which invest in tech-enabled business. It has grown to become Saudi Arabia's leading startup accelerator program; fostering the entrepreneurs in a short period of time, who are driven and with cutting-edge ideas. Flat6Labs has invested in 30 startups, thereby supporting than 65 entrepreneurs who have created more than 120 high-impact jobs in the kingdom.

**Marketing:** Qotuf organizes exhibitions, conference and different events to spread entrepreneurship culture and educate people. It is the national host of the Global Entrepreneurship Week. It is also the part of the Kauffman Foundation, the world's largest foundation devoted to entrepreneurship.

**Information & Consultancy:** It provides consulting services for research, design development and advice regarding entrepreneurship eco-system elements. This includes landscape assessment, initiatives development, and policy creation.

### **Prince Sultan Fund**

Prince Sultan Fund is a non-profit organization established with the consent of his Royal Highness Prince Mohammed bin Fahd. This organization works on focusing its efforts on Saudi women development and the improvement of their performance in reaching high standards, as they are the main pillar in society development and community advancement [22]. It aims at enhancing the role of Saudi women in sustainable development by creating an integrated system of cognitive, social & economic support and by overcoming obstacles faced by women in various fields and find solutions for it in order to activate their developmental role.

**Training:** The center offers a range of specialized courses in the field of Business Administration and

small business management to contribute in developing women's skills in entrepreneurship and management. It includes developing business plan, financing, quality management, marketing and managing business.

**Incubators/Accelerators:** It is the first non-profitable business incubator for women in the Kingdom of Saudi Arabia. It embraces entrepreneurs who are led by ambition and aspiration for success providing them with the appropriate environment to support their creative ideas. The incubators also provide legal advice and accounting services leading to the growth of the project and increased chances of success.

**Information & Consultancy:** A group of trainers and female consultants who specializes in the field of managing and developing development of small and medium projects guide the entrepreneurs regarding various fields of starting and managing small business. The centre holds various seminars on different subjects while hosting a selection of key speakers from various sectors.

**Financing:** The Business Support and Funding Center is working by providing a platform for launching women's ideas and translating it into reality by starting their own business or developing existing ones. It provides appropriate funding opportunities for new and existing female entrepreneurs. Saudi women can apply for a fund for a small or medium sized project up to half a million Saudi Riyals after completion of the certain conditions.

### **King Abdulaziz City for Science and Technology (KACST)**

King Abdulaziz City for Science and Technology (KACST) is a scientific government institution that supports and enhances scientific applied research. It coordinates the activities of government institutions and scientific research centers and cooperates with the relevant authorities in identifying national priorities and policies in technology and science [23]. It also aims at developing national competences and recruiting highly qualified specialists to help develop and control modern technology in order to serve development in the Kingdom. KACST comprises all the requirements of scientific research, such as laboratories, means of communications, information sources and all necessary facilities.

**Technology:** KACST aims to boost technical and industrial innovation by providing support services throughout the lifecycle of KACST's projects. It helps determine technologies, products and patents with potential commercial value and implements strategies for further development and marketing through interaction with the private sector.

**Training:** KACST supports industrial and technical training in all its stages through, technical survey,



technical training opportunities identification and evaluation, project status assessment and follow-up. It organizes different training programs for the development of entrepreneurs' skills in various fields.

**Incubators/Accelerators:** The BADIR ICT Incubator was established in 2008, with the goal of supporting and developing the information technology sector in the Kingdom of Saudi Arabia. Its achievements this year includes: Incubation of 26 new startups; Held 20 workshops to develop entrepreneurs' skills; Graduated 6 successful companies. Beside these incubators BADIR Biotechnology incubator and BADIR Advanced Manufacturing Incubator were established in 2010 to serve different kinds of entrepreneurs. BADIR's first accelerator was launched in 2016 with 7 companies in its first cohort.

**Policy and Incentives:** KACST is committed to support SMEs in the areas of regulation and policy, discussing and reviewing SMEs policies at national meetings, developing technology and product policies, identifying SME needs and influencing others to take appropriate action, advocacy on behalf of SMEs and developing specific policies for SMEs.

**Information & Consultancy:** It provides guidance on partnerships with interested parties to serve industrial SMEs. It also provides operational consulting services through, operational performance management, compliance with best industrial practices, optimization of supply chain, industrial design, inventory management, environmental compliance, and operational costs.

#### **The Saudi Industrial Development Fund (SIDF)**

The Saudi Industrial Development Fund contributes effectively to the realization of the goals, policies and programs of the Kingdom's industrial development, by providing the finance and advisory services needed to support the growth and development of the industries. SIDF adopts a set of standards and rules that ensure SIDF's optimal functionality and best delivery of mission [24]. These standards are intended to verify the viability of the projects applying for SIDF's finance. It promotes and encourages optimal investment opportunities for successful industrial projects.

**Information & Consultancy:** SIDF provides consultancy services in in the technical, managerial, financial, and marketing areas. The Fund's technical consultants provide relevant consultation on various activities aimed at increasing production efficiency and productivity relying on specialized scientific techniques and applying advanced analytical methods. SIDF marketing consultants provide assistance in collecting

and analyzing marketing information to build a solid base for management decisions.

**Financing:** SIDF finance local industries to support their growth and development. It has consolidated the SMEs Loan Guarantee Program (KAFALAH) with the aim of expanding the beneficiaries' base and creating new job opportunities. During the FY 1437/1438H (2016), KAFALAH Management approved 3,390 guarantees of total value SR 1,828 million which has benefited 1,711 SMEs.

#### **Commercial Banks**

Realizing the importance of the SMEs in economic development the commercial banks have played a vital role to meet the financial requirements of small businesses operating in various sectors of the economy including trade, services and manufacturing. The major players have been National Commercial Bank (NCB), Riyadh Bank and Al-Rajhi Bank besides other banks. They offer different kinds of services and products to assist SMEs like Al Rajhi Bank provides access to a large number of products and services tailored to specific business requirements which includes Trade Financing Products, Project Financing Product, Auto Financing Product etc.; Tajer AlAhli program of National Commercial Bank offers variant financing solutions to its customers. The commercial banks have successfully funded SMEs by the means of Kafalah Program which is launched by SIDF in partnership with banks operating in the Saudi Arabia to promote financing of SMEs [25]. The Program guarantees the banks a proportion of the finance credit given to SMEs in order to allow them to get finance from the bank after verifying their economic feasibility.

**Information & Consultancy:** Commercial banks provide business advice which is aimed at assisting SMEs with highly trained specialists through the right tools to help them achieving business goals. No matter how big or diverse the business is, these banks study entrepreneurs' specific banking needs and provide them with the best financial expertise and assistance so that they can run their business to its full potential.

**Financing:** The commercial banks offer different kinds of products and services to assist SMEs such as Trade Financing Products, Project Financing Product, Auto Financing Product etcetera of Al Rajhi Bank; Tajer AlAhli program of National Commercial Bank; SME Toolkit of Riyadh Bank. They offer tailored financial solutions and options to help the business to grow, adapt to changing market conditions or take advantage of new business opportunities. The commercial banks have largely funded SMEs by the means of Kafalah Program [26], the details of that is given in the Table-2.

**Table-2: Number and Value of Approved Guarantees and Beneficiary Enterprises by Commercial Banks (KAFALAH Program)**

Bank	Approved Guarantees 2016 G				Total Since Launch Of The Program			
	Number Of Guarantees	SR 000		Number Of Beneficiary Enterprises	Number Of Guarantees	SR 000		Number Of Beneficiary Enterprises
		Value Of Guarantees	Value Of Finance			Value Of Guarantees	Value Of Finance	
National Commercial Bank (NCB)	470	529,426	1,199,862	1,344	2,735	2,755,639	5,953,320	7,750
Riyad Bank	409	426,561	846,304	625	2,260	2,090,944	4,272,424	3,408
Al-Rajhi Bank	247	301,525	539,339	391	1,153	1,174,953	2,074,198	1,968
Arab National Bank (ANB)	237	157,938	265,207	339	925	868,702	2,134,062	1,951
Al-Jazira Bank	117	132,212	175,062	200	349	414,617	565,401	694
Bank Albilad	62	75,535	183,329	106	267	275,960	602,954	405
Saudi Investment Bank	38	46,120	82,341	88	134	160,580	297,028	291
Alawwal Bank	37	42,971	66,772	50	457	535,452	802,678	558
Saudi French Bank	37	46,538	75,494	41	172	193,973	383,651	222
SAMBA Financial Group	29	37,093	68,050	136	290	290,895	537,762	732
Saudi British Bank (SABB)	24	27,070	48,600	63	187	158,922	298,125	303
Emirates NBD	3	3,440	5,000	6	3	3,440	5,000	6
Alinma Bank	1	1,360	2,000	1	1	1,360	2,000	1
<b>TOTAL</b>	<b>1,711</b>	<b>1,827,789</b>	<b>3,557,360</b>	<b>3,390</b>	<b>8,933</b>	<b>8,925,437</b>	<b>17,928</b>	

Source: SIDF Annual Report 2016

As per Table-2, the National Commercial Bank surpassed all other banks with a number of 1,344 guarantees with a value of SR 529 million, representing 40% and 29% of the total number and value of guarantees respectively. Riyadh Bank attains second position with 625 guarantees (SR 427 million) representing 18% and 23% of the total number and value of guarantees respectively, followed by Al-Rajhi Bank with 391 guarantees (SR 302 million) representing 12% and 17% of the total number and value of guarantees respectively. Since its commencement in 1426/1427H (2006G) until the end of the FY 1437/1438H (2016G), KAFALAH has issued a total of 18,289 guarantees to 8,933 SMEs with a total value of SR 8,925 million, in contrast with the total approved financing of SR 17,929 million.

### Educational Institutions

Educational institutions play a significant role in development of entrepreneurial competencies through various courses, training and development programs of various durations. In KSA many universities have been contributing in nurturing the entrepreneurial culture, the prominent ones among them are: King Abdullah University of Science and Technology (KAUST), Prince Mohammad Bin Salman College (MBSC) of Business & Entrepreneurship, Technical and Vocational Training Centres (TVTC), King Saud University, Umm Al-Qura University, Effat University. These universities offer different programs in regard to entrepreneurship and guide start up entrepreneurs to establish the business by assisting them in various fields. All the technical institutes and vocational training centres are under the umbrella of the TVTC, which develops its programs continuously to

produce skilled labor. There are now 35 technical colleges, 35 secondary institutions and 65 vocational training centres throughout the Kingdom, in addition to more than 1000 private organizations accredited by TVTC [27].

**Technology:** Technology management involves adding value to an invention through market intelligence, IP analytics, technical due diligence and industry engagement. KAUST supports inventors at every stage of the technology management process. It encourages researchers to protect their inventions and put them on track for commercialization, so their ideas can make the greatest possible impact on the region and the world.

**Training:** Participants in training programs learn the basics of entrepreneurship, innovation and new business creation. KAUST’s New Ventures School was established with this idea in mind. The program consists of free evening lectures and training modules for entrepreneurs taught by experts. Umm Al-Qura University conducts training programs and conduct scientific research in the fields of innovation and entrepreneurship. Effat University organized a Boot camp at the campus on 6 &7 December 2017. TVTC conducts training programs in three vocational levels: the vocational and industrial training (levels 2 & 3) and the technical training (level-4).

**Incubators/Accelerators:** Business plans and prototypes that might otherwise take years, happen with accelerators in a matter of months. The KAUST startup accelerators provide support to these plans. Accelerators are run by experienced mentors in an intense

acceleration period that increases startups’ chances of success. In addition to group bootcamps, entrepreneurs get one-on-one sessions with mentors, some of the best entrepreneurial experts from around the world from the academic, research and private sectors. KAUST offers full-time, TAQADAM, and part-time, 910ths, accelerator options.

**Information & Consultancy:** KAUST helps the startups in technical, financial and operational fields. It assists them in business development, incorporation, in addition to other forms of support. MBSC also assists the entrepreneurs in various fronts. It hosted the 1st ever Small and Medium Enterprises Forum on 19 February 2017, which was attended by more than 400 entrepreneurs. It was established to create an atmosphere where SMEs would effectively network together by spreading information and building business relations.

**Financing:** Universities do not finance the projects normally but KAUST provides fund to startups on certain terms and conditions. The Innovation Fund makes equity investments in startups and early-stage companies and allows KAUST to become a shareholder with a clear stake in the company’s success, providing ongoing operational support. It makes venture capital investments in high-tech startups from seed (less than \$200,000) to early-stage (up to \$2 million) and becomes a long-term strategic partner of these ventures.

The summary of different types of support provided by the institutions is given in Table-3.

**Table-3: Types of Support Provided by Different Institutions**

Institutes/Support	Technology	Training/Skill Development	Incubators/ Accelerators	Marketing	Policy and Incentives	Information & Consultancy	Financing
MCI				✓	✓	✓	
CSCCI	✓	✓		✓	✓	✓	✓
SAGIA		✓				✓	
HRDF		✓	✓	✓	✓	✓	
The Centennial Fund		✓				✓	✓
Bab Rizq Jameel		✓				✓	✓
Wa’ed, Aramco		✓	✓			✓	✓
Qotuf		✓	✓	✓		✓	
Prince Sultan Fund		✓	✓			✓	✓
KACST	✓	✓	✓		✓	✓	
SIDF						✓	✓
Commercial Banks						✓	✓
Educational Institutions	✓	✓	✓			✓	✓

Source: Own elaboration (Questionnaire)

According to Table-3, CSCCI is the only institute providing support almost in all the areas except incubator. Three institutes contribute in the technology

up gradation i.e. CSCCI, KACST and Educational Institutions. Ten institutions assist entrepreneurs in training, four in marketing while six institutes provide

the facility of Incubators. Four main government Institutions support and encourage entrepreneurs by policy & incentives whereas all the institutions guide entrepreneurs with Information & Consultancy. In regard to finance, eight institutions finance SMEs including commercial banks.

### CONCLUSION AND RECOMMENDATIONS

SMEs are viewed as an effective tool for economic and social wellbeing. Besides contributing in GDP, employment and economic growth, they create a new generation of inventors and investors and are a source of innovation and spreading of new ideas. A small entrepreneur requires various kinds of supports for its establishment and growth. In KSA both the government and the private institutions have been working for the development of entrepreneurship by providing variety of support to SMEs. The study focused on the existing financial and non-financial support provided by thirteen institutions to SMEs. It is comprised of seven main types of support provided by these institutions which includes technology, marketing, financing, training, incubators, consultancy and policy & incentives. The study has provided insights on the types support provided by the institutions to SMEs. After investigation it has been found that all the institutions provide support mainly in information & consultancy besides other types of support while CSCCI is the only institute providing support almost in all the areas. It has also identified that the distribution of support institutions by region is uneven, most of the institutions have been established in four regions which is contrary to balanced regional development. It has been discovered that physical infrastructure is the strongest entrepreneurial eco-system in KSA but certain areas of eco-system lack efficiency i.e. commercial & legal infrastructure, R&D transfer and entrepreneurship education at school & post school stage, which need attention of the government.

Based on the findings and conclusions of this study, the following recommendations can help to develop better and effective support system.

- There should be proper coordination among various institutions, especially the government and private sector for developing the effective support system. The purview of the private sector must be increased.
- The supporting institutions should be established at distant places as well rather than concentrating on four regions, to realize the balanced regional development.
- There should be the much desired introspection on the part of SMEs. Entrepreneurs should come forward with great ideas, be able to translate them into reality and persuade policy makers towards convergence on modification in the policy.
- The procedure of providing support should be made simple, transparent and less time consuming.

- Priority based upgradation should be done in the areas of commercial & legal infrastructure, R&D transfer and entrepreneurship education at school & post school stage.

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