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**THE OPPORTUNITIES AND CHALLENGES FACING MALE- AND FEMALE-RUN  
ENTERPRISES IN THE INFORMAL SAUDI ECONOMY**

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## Keywords

Qur'an	The Holy Book
Niqatat /Saudi-sation system	Quota programme for Saudi employment
Hajj and Umrah visas	A visa to enter Saudi territory to perform Islamic pilgrimages
Niqaab and Abaya	Islamic clothing for women
Khadija	Wife of the Prophet Muhammad (PBUH)
Hafiz	A programme that provides a monthly salary to Saudis who have difficulty finding a job
Emkan	Neighbourhood centres that provide support for entrepreneurs
Maroof	Government website for registering e-stores
Hamdania	A neighbourhood in the city of Jeddah
Absher	Unified government services website

## **Abstract**

The importance of entrepreneurship does not only lie in the ability of an individual to develop and organise an enterprise to generate profit. Entrepreneurship should also contribute to improving the economy and creating a business environment conducive to investment. However, the literature on the informal entrepreneurship described the informal economy as the economic dealings practised by the owners of enterprises or workers and is not announced with government agencies. Although informal enterprises can create job opportunities, training and significant profits, they can also have a profoundly negative impact on the global economy. This thesis aims to discover the impact of Saudi environmental institutions on male and female Saudi entrepreneurs who are part of the informal economy. Based on Scott's institutional theory, this thesis also aims to explore which of Scott's pillars (the regulative pillar, the normative pillar or the cultural-cognitive pillar) has the greatest influence on the decisions of male and female Saudi entrepreneurs to avoid registering their enterprises with some or all government agencies.

In order to achieve this thesis's objectives of understanding and addressing the phenomenon of the informal economy in Saudi Arabia, a multiple case-study approach to qualitative research and a thematic analysis approach were applied. In addition, 62 in-depth semi-structured interviews were conducted with Saudi men and women who were all fully- and partially-unregistered entrepreneurs in the city of Jeddah. The results of the study show that government regulations and laws related to employment, enterprise location, penalties and government oversight are the main reasons why entrepreneurs actively avoid registering their enterprises with some or all government agencies. The need for a source of income, ignorance, widespread unemployment, a passion for entrepreneurship, flexibility in informal enterprises and an experimental opportunity for enterprise evaluation, also somewhat motivate entrepreneurs to run their informal enterprises. Social beliefs and norms drive entrepreneurs to hire casual workers and join certain sectors in the informal economy, albeit to the least extent.

This thesis also suggests recommendations and future insights into the scientific literature and for decision-makers. More specifically, this thesis proposes that more studies regarding the informal economy in Saudi Arabia need to be undertaken by using other samples and research methods to generalise the results as well as making suggestions for applying Scott's institutional

theories to discover the most important pillars affecting informal entrepreneurs in a number of countries. In addition, this thesis proposes practical recommendations that will help decision-makers to eliminate informal entrepreneurship by enforcing strict regulations and penalties and enacting supportive decisions to formalise entrepreneurship.

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## List of abbreviations

FE	Female entrepreneurs
GDP	Gross domestic product
GOSI	General Organization for Social Insurance
ICT	Information and communications technology
ME	Male entrepreneurs
MENA	Middle East and North Africa
MLSD	Ministry of Labor and Social Development
NIE	New institutional economics
OIE	Old institutional economics
PBUH	Muhammad Prophet (God bless him and grant him peace)
SMEs	Small and medium-sized enterprises
TEA	Total early-stage entrepreneurial activity
TVA	Tennessee Valley Authority

### Statement of original authorship

I declare that the entirety of this thesis, titled ‘Opportunities and Challenges Facing Male- and Female-Run Enterprises in the Informal Saudi Economy’ is my original work. All sources used or quoted have been duly indicated, attributed and acknowledged through references.

Signature:



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Date:

30-09-2020

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## Chapter 1: Introduction

In light of the continuing economic and social changes in Saudi Arabia, it is becoming extremely difficult to ignore the existence of informal enterprises in the Saudi economy and the role that they play. In particular, recent trends in the field of empowering Saudi women's work and their role in community development have led to a renewed interest in studying the opportunities and challenges that Saudi women face when establishing and developing their entrepreneurial enterprises. In the literature, the term 'entrepreneurship' in the informal sector tends to be used to refer to undeclared legal monetary transactions made in order to evade tax, benefits and/or labour laws (Renooy et al. 2004; Evans et al. 2006; Katungi et al. 2006; Williams 2006; European Commission 2008). To date, several studies have indicated that there are many characteristics of partially or fully informal enterprises (Ram et al. 2007; Antonopoulos & Mitra 2009; Webb et al. 2009; Hudson et al. 2012; Webb et al. 2013) and multiple motivations that drive entrepreneurs to enter the informal economy (Williams 2009b; Chen 2012; Williams & Lansky 2013).

At the global level, scholars are taking an active interest in the informal economy because this sector can have a positive or negative effect on entrepreneurship. In addition, the presence of an informal sector contributes greatly towards the gross domestic product (GDP) of developing countries and, to some extent, emerging economies (Williams 2014). On the positive side, informal entrepreneurship can play a critical role in job creation, generating income, reducing poverty, evading government corruption, reducing enterprise costs, and providing training opportunities to develop workers' skills – all fertile ground for small enterprise growth. In contrast, others argue that informal entrepreneurship is harmful to economies because it encourages tax evasion, discourages fair competition and enterprise expansion, and lacks a legal system that provides insurance and guarantees related to work and customers (Williams 2006; Williams & Nadin 2012c; Barbour & Llanes 2013). In general, however, policymakers and researchers are noticing the negative impacts of informal entrepreneurship on global economies more than its positive aspects (Williams 2014). Since more women than men are engaged in the informal sector (International Labour Organisation (ILO) 2013), the differences between male- and female-run unregistered Saudi enterprises can play an important role in exploring the issue of the informal Saudi economy.

## **Rationale for the study**

Informal employment is one of the main ways that people can engage with the informal economy. However, research has also described other types of informal entrepreneurship that include account holders, entrepreneurs owning informal enterprises with family members, collective enterprises (cooperatives) and trainees. In addition, several studies have shown that informal employment is a problematic issue because informal workers will lack access to basic rights such as health insurance and fair wages, or may be working in an unsafe working environment due to the presence of regulative and social restrictions (International Labour Office 2002; Whitson 2006; International Labour Organization (ILO) 2017; Williams 2017; Mojsoska & Williams 2018). Managing the informal economy is also a challenging area of public policy, as governments struggle to design various policies to regulate the sector and raise fiscal revenue by bringing the sector under the tax net (Williams 2014).

In the context of Saudi Arabia, several studies have evaluated the Saudi-sation programme, which stipulates regulations that must be followed when employing Saudis in the private sector and punishes enterprises that violate the programme's regulations. The programme refers to informal workers as 'ghost workers' (Ramady 2010; Saudi Hollandi Capital 2012; Alshanbri et al. 2015; Evidence for Policy Design (EPD) 2015; Koyame-Marsh 2016; Alfarran et al. 2018). However, a question remains regarding the reasons why informal entrepreneurs actively seek to avoid applying the Saudi-sation and labour programmes and instead seek to join the informal economy through informal employment. Although several studies have investigated the phenomenon of informal workers in different contexts, there are several gaps in the literature. For example, sufficiently detailed studies that highlight the problem of informal employment in the Saudi context are limited, and those Saudi research data related to ghost labour are over above seven years which may not cope with recent Saudi regulative and social changes. This study, therefore, provides new and detailed insights into the impact of foreign workers working illegally in the informal Saudi economy, such as foreigners who are in the country on Hajj and Umrah visas. This study also makes an important scientific contribution by undertaking empirical qualitative research to explore the impacts of social norms and customs on Saudi job seekers from the point of view of entrepreneurs, particularly in light of the recent economic and social changes in Saudi society.

Despite the importance of the informal economy, there remains a paucity of evidence regarding the reasons that drive Saudi men and women to avoid registering their enterprises with some or all government agencies. Interestingly, women tend to run more informal enterprises than men do (ILO 2013). Many studies have highlighted that essential motivations (such as the need for a job and a basic source of income) (Williams & Gurtoo 2012; Honyenuga 2019; Knox et al. 2019; Ilyas et al. 2020; Thapa Karki et al. 2020) and opportunity motivations (such as seeking for a working identity and increased flexibility) (Aidis et al. 2007; Williams & Gurtoo 2012; Shahid et al. 2020) are key factors in prompting entrepreneurs to establish informal enterprises. From another point of view, government corruption and weak entrepreneurial oversight are also reasons for entrepreneurs to participate in the informal economy (Allingham & Sandmo 1972; Murphy 2005; Bergman & Nevarez 2006; Petrescu 2016; Williams et al. 2016a; Early & Peksen 2019).

Other studies have described the characteristics of informal enterprises in terms of their location, showing that where informal entrepreneurs establish their enterprises can be due to social norms, the cost of the premises, a lack of government oversight, proximity to the residential entrepreneurial area and proximity to areas that will attract potential customers (Perez Sainz 1998; Fonchingong 2005; Williams & Gurtoo 2012; Franck & Olsson 2014; Knox et al. 2019; Mujeyi & Sadomba 2019; Choongo et al. 2020). Beliefs, social norms, a lack of entrepreneurial skills, education and enterprise sources and competitive advantages also make the informal economy increasingly attractive to entrepreneurs (Gray 2001; Fonchingong 2005; Ubogu et al. 2011; Knox et al. 2019; Mujeyi & Sadomba 2019; Shuvam & Mohanty 2020). Not only have many studies paid particular attention to entrepreneurship from an institutional perspective (Busenitz et al. 2000; Spencer & Gómez 2004; Bowen & Clercq 2008; Manolova et al. 2008; Stenholm et al. 2013; Alfarran et al. 2018), but a large amount of literature has also studied the informal economy from an institutional perspective (Webb et al. 2013; Williams & Shahid 2014; Williams & Kosta 2019; Zusmelia et al. 2019). However, although a considerable amount of literature has been published on the informal economy from an institutional perspective, there is a limited amount of literature that pays attention to the phenomenon of the informal economy in the Saudi context. Due to the lack of studies on the informal Saudi economy, the reasons for the existence of informal enterprises, as well as the gender differences

between entrepreneurs, have not been explored in detail. Therefore, this study attempts to rectify this by using Scott's theory to determine which regulative, normative, and cultural-cognitive aspects most influence the decisions of male and female Saudi entrepreneurs when running informal enterprises. The study also contributes in-depth scientific knowledge to the scientific literature and to Saudi decision-makers regarding the influence of Saudi institutions over entrepreneurs that avoiding registering their enterprises with government agencies. In doing so, the study looks at informal employment, informal locations, the sectors of the informal economy, the motivations of the entrepreneurs, and the extent to which government sanctions are applied.

### **Defining the research problems**

This study adopts Scott's institutional theory – covering the regulative, normative, and cultural-cognitive pillars – to explore the reasons that affect the decisions of entrepreneurs when operating their informal enterprises within the city of Jeddah. This study also conducts an in-depth exploration to determine the regulative, normative and cultural-cognitive opportunities, as well as the challenges, that influence male and female entrepreneurs when launching their informal enterprises. Unlike competing perspectives regarding the informal economy, including modernisation perspective, structuralism perspective, neoliberal perspective and the postmodern perspective, that separately explain the reasons for entrepreneurs' involvement in the informal economy (Soto 2000; Raijman 2001; Unni & Rani 2003; Snyder 2004; Williams 2006; Perry et al. 2007; Biles 2009; Bhowmik 2013), this study seeks a broad, in-depth exploration of the regulative, normative and cultural-cognitive motivations that lead entrepreneurs to avoid registering their informal enterprises. Moreover, although the Saudi government is working hard to combat corruption in the government sector, informal enterprises are visually prevalent throughout Saudi Arabia. To deeply analyse the problem of lack of fear of disclosure of informal enterprises, this study seeks to focus on corruption among government inspectors and the effectiveness of sanctions applied within the regulative, normative and cultural-cognitive context.

Informal entrepreneurs often illegally use public spaces to establish informal markets (Soto 1989). Therefore, this study aims to reveal the reasons why entrepreneurs illegally occupy government land or rent government lands that have been overrun for use as headquarters for

their informal enterprises. Because the Jeddah municipality is responsible for issuing the municipal licence for an enterprise site, the study also focuses on municipal regulations and requirements, and how these requirements lead entrepreneurs to avoid obtaining the municipal licences to assist the decision-makers in the Jeddah municipality to address the regulatory impediments. It is not only the beliefs and social norms in Saudi society that influence entrepreneurs in choosing a site to establish their enterprise. Their decisions are also influenced by many different opportunities and challenges. Therefore, this study seeks to explore whether these factors also dissuade them from obtaining a municipal licence.

Despite many foreign workers (10,220,703) finding an opportunity to work in Saudi Arabia, only a small number of Saudis (3,170,703) constitute the labor force in their home country (General Authority for Statistics 2019a). In other words, young job seekers in Saudi Arabia suffer from a lack of job opportunities, as the estimated unemployment rate was 28.59% in 2019 (World Bank 2019). Due to the expansion of foreign workers into the Saudi economy, the unemployment rate in Saudi Arabia is high. Therefore, the Ministry of Labor and Social Development and the GOSI have enacted regulations to help employ Saudis and to preserve their rights within the private sector. Despite the existence of workers' regulations and the quota system (Saudi-sation), entrepreneurs often employ informal workers due to the difficulty of implementing the regulations of the Ministry of Labor and Social Development and the GOSI (Ramady 2010; Saudi Hollandi Capital 2012; Alshanbri et al. 2015; Evidence for Policy Design (EPD) 2015; Koyame-Marsh 2016; Alfarran et al. 2018). Therefore, this study also examines the reasons, from the regulative, normative, and cultural-cognitive viewpoints, that lead entrepreneurs to avoid registering workers with the Ministry of Labor and Social Development and the General Organization for Social Insurance. This study will help decision-makers in the Ministry of Labor and Social Development and the General Organization for Social Insurance to explore the reasons that contribute to formalising informal enterprises by employing workers on a formal basis and reducing the overall unemployment rate for Saudi citizens.

Because of the gender differences that society imposes on individuals, men and women have come to dominate specific entrepreneurial sectors in the informal Saudi economy. Also, particular social beliefs in Saudi society can lead entrepreneurs to avoid formalising their

enterprises in certain sectors as it would be considered socially unacceptable to work in them otherwise. Although Saudi Arabia is an oil-rich country where both the government and private institutions are supposed to contribute towards providing financial support for entrepreneurs to develop and grow the Saudi economy, many entrepreneurs choose to operate their informal enterprises in certain sectors commensurate with their modest capital and the available enterprise's sources. Therefore, this study explores the regulative normative and cultural-cognitive opportunities and challenges that affect entrepreneurs when running their enterprises in specific sectors of the informal Saudi economy.

### **Research contributions**

This study provides theoretical and conceptual contributions to the literature of the informal economy through the use of Scott's institutional theory and an in-depth analysis of the informal economy in the Saudi context. This study contributes to expanding our exploration of the concepts associated with the regulative, normative and cultural-cognitive opportunities and challenges that most affect male and female entrepreneurs engaging in the informal economy. The concepts gained from this study may be useful in adding new insights to Scott's institutional theory by exploring the gender differences between male and female entrepreneurs who participate in the informal Saudi economy. Additionally, inductive analysis was undertaken to assist in discovering new answers and connections to the phenomenon of the informal economy in Saudi Arabia through a careful and detailed examination of interview data with informal entrepreneurs. In particular, these findings may contribute to our understanding of the informal Saudi economy by exploring several institutional concepts that include informal employment, informal enterprise location, informal enterprise sectors, reasons behind unregistered start-ups and penalties for not registering with government agencies and how these may affect entrepreneurs' decisions to launch informal enterprises. Furthermore, this study presents a theoretical development extracted from the highest repetition and diversity of themes and concepts related to government regulations and requirements and that indicate the strongest impact of regulative experiences on entrepreneurs by avoiding registering their enterprise with some or all government agencies. On the contrary, the emerging themes and concepts related to social norms and customs were the least impactful on entrepreneurs in engaging the Saudi informal economy.

Given the multiplicity of perspectives and studies that have explored what motivates entrepreneurs to join the informal sector, research has remained limited and contradictory without a specific and comprehensive perspective of the informal economy. Moreover, little is known about gender differences that motivate Saudi entrepreneurs to establish informal enterprises. This study adds to the growing field of research on the informal economy by exploring comprehensive and in-depth theoretical concepts that explain the diverse reasons behind the establishment of informal enterprises by male and female Saudi entrepreneurs. Notably, what distinguishes this study is that through inductive analysis of interview data related to institutional motives that push entrepreneurs to set up their informal enterprise, recurring and new themes emerged. This was especially the case among female entrepreneurs, who expressed experiences related to a passion for entrepreneurship, available time, the pilot phase of informal small enterprise performance, ignorance, widespread unemployment and the need for money. Because these emerging themes (motives) influence the decisions of male and female informal Saudi entrepreneurs, this study codified them into comprehensive cultural-cognitive concepts. Through concepts emerging from inductive analysis, this study presents a theoretical contribution that suggests institutional environment incentives affect the decisions of Saudi female entrepreneurs to avoid registering their projects with some or all government agencies more often than their male counterparts.

In addition, this study generates fresh insight into linking the effect of both regulative and normative institutional factors on entrepreneurs' decisions to avoid registering workers with some or all government agencies concerned with labour affairs. During the inductive data analysis phase of interview questions related to employment experiences, several recurring themes emerged among male entrepreneurs more often than female entrepreneurs, including higher salaries of Saudi workers and a lack of registration of employees in the social insurance system. Further, occupational prestige, inappropriate work environments and social support for informal employment are themes that emerged from the data of male entrepreneurs more often than female entrepreneurs when asked about informal employment of opportunities and challenges. Therefore, this study provides a new theoretical development that highlights the unique experiences of male and female entrepreneurs when implementing the laws and regulations and employing informal workers. Since these topics belong to the normative aspect

that Scott referred to, this study codified these themes and placed them under a comprehensive topic called normative experiences. Accordingly, this thesis sheds new light on social norms and beliefs that influence the decisions of Saudi male entrepreneurs to hire informal workers and how this differs from female entrepreneurs. Again, this study moved beyond existing research by adopting inductive analysis to explore the greater influence of regulative and normative environmental factors on the Saudi enterprises of male versus female entrepreneurs through the employment of informal labour.

Understanding the relationship between the institutional environment and the location of informal enterprises is important for understanding the phenomenon of informal enterprise in the Saudi economy comprehensively. When asked in the interview about the opportunities and difficulties that made them avoid registering their enterprise site with government agencies, female entrepreneurs more often than male entrepreneurs mentioned experiences related to the safety specifications of the site, proof of ownership of the site and high registration costs. Because these emerging themes are related to the difficulties of implementing municipal regulations and requirements, this study codified them under the main concept, which is regulative experiences. This study was unique, as it explored how female entrepreneurs faced greater difficulties implementing regulations and how this led them to avoid registering enterprises sites with government agencies. Indeed, no in-depth studies have compared differences between informal male and female Saudi entrepreneurs in their avoidance of registering enterprises sites with government agencies. Thus, this study not only contributes to the literature on the informal sector but also highlights gender differences by noting that female Saudi entrepreneurs face greater regulative challenges to obtain site permits because of strict regulations and the costly terms and requirements of the Jeddah Municipality. During the inductive analysis of the data, the topics of lax enforcement of sanctions and a relationship with government inspectors were the most common themes repeated among informal female entrepreneurs, which fall into the regulative pillar according to Scott's theory. As noted from emerged themes, the contribution of this study has been to confirm female entrepreneurs are more likely than male entrepreneurs to avoid registering their enterprises due to the inefficiency of regulative sanctions.



Given the lack of scientific studies that focus on the informal sector in the Saudi economy, this study contributes to research by generating new concepts related to the Saudi institutional environment, which has recently witnessed great social and cultural changes. In detail, inherited entrepreneurial activities, community support, challenges of access to government and private financial supports and a lack of community support are themes that arose frequently during the inductive analysis of the data of entrepreneurs and are related to Saudi social habits and norms. Therefore, this study compiled these themes in a comprehensive concept known as normative experiences and the inductive analysis undertaken here has extended our knowledge of how normative beliefs in Saudi society significantly influence female entrepreneurs to launch informal enterprises in certain sectors. Markedly, this thesis has provided a deeper insight into gender differences in informal entrepreneurs' choice of their enterprise sectors. Also, this study adds to the growing body of research that suggests government and private financial support and inherited entrepreneurial activities have less impact on Saudi female entrepreneurs' choices for their informal enterprise sectors. The importance and originality of this study are that it explored the effect of social rejection of certain sectors on the decisions of female Saudi entrepreneurs to establish their informal enterprises in a particular sector. Overall, this thesis helps to expand our understanding of how positive and negative normative beliefs in Saudi society influence the decisions of male and female entrepreneurs in choosing their informal enterprises sectors.

In general, this thesis presents theoretical and conceptual contributions to informal Saudi entrepreneurship by producing new themes and concepts and exploring relationships between institutions in the Saudi environment and entrepreneurs' decisions to launch their informal enterprise. Although the Saudi institutional environment is characterised by its religious, cultural and economic history, the literature lacks focus on the gender differences between male and female Saudi entrepreneurs in running their enterprises in the informal economy in line with the recent cultural, social and regulative transformation. Therefore, this thesis adds to the rapidly expanding field of gender studies by exploring the differences between male and female entrepreneurs who avoid registering their informal enterprises with some or all government agencies after the profound societal and economic changes that have occurred in Saudi Arabia. Through inductive analysis, a large number of concepts related to the impact of regulations on

entrepreneurs' decisions to avoid registering their businesses with government agencies emerged. Moreover, themes and concepts emerged that indicate the effect of cultural cognition on entrepreneurs' decisions of avoiding registering their enterprise with some or all government agencies. The least themes and concepts that emerged were related to the impact of social norms and beliefs on entrepreneurs' decisions to avoid registering their enterprise with some or all government agencies.

### **Research purposes**

This thesis aims to achieve the following objectives.

- I. To explore how institutions lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city.
- II. To explore how regulative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city.
- III. To explore how normative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city.
- IV. To explore how cultural-cognitive experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city.

### **Research questions formulation**

Recently, the informal economy has attracted the attention of many researchers from different countries because of its contrasting positive and negative economic contributions within countries. Moreover, previous studies have highlighted gender differences concerning entrepreneurship (Pharaon 2004; Jamali 2009; Tlaiss 2014; Nieva 2015) and that men are more involved than women in the informal economy (OECD 2019). However, few studies have explored the informal economy and its effects on the Saudi local economy or explored gender differences among informal entrepreneurs despite the multiplicity and diversity of reasons for the existence of the informal economy in Saudi Arabia. Therefore, this study sought not only to investigate the impact of institutions on Saudi informal entrepreneurs in a comprehensive and

general view but also to understand the phenomenon of the informal economy in detail by examining which of the institutional factors most influence the decisions of male and female entrepreneurs to run their informal enterprises.

In terms of theoretical framework, this study was guided by Scott's institutional theory, which divides institutions into three pillars – regulative, normative and cultural-cognitive – and illustrates that these pillars have varying degrees of influence based on the context in which they took place (Scott 2014). Based on Scott's suggestion of using all three elements of institutional theory for an integrated and comprehensive explanation, a main research question for the study was designed: How do institutions lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city? The intent behind this question was to consider holistically the impact of institutions on the decisions of entrepreneurs to register their enterprises with all or some of the government agencies in the Saudi context. In detail, this study aimed to discover the regulative, normative and cultural-cognitive opportunities and challenges facing men and women entrepreneurs related to the regulations and requirements of business registration, including employment, location, sectors, motives and penalties.

Scott (2014) argued that government regulations and laws can be a factor in either conferring positive benefits, such as licences and powers, or imposing negative penalties, such as fines and taxes. To explore whether the regulations and laws in Saudi Arabia present an opportunity or a challenge for male and female entrepreneurs to run the informal enterprises, the following sub-question was addressed: How do regulative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city? Scott also posited the influence of social values and norms leads individuals to feel honour when adhering to them or shame when violating those social beliefs. This argument led to the formation of the second sub-research question: How do normative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city? Third, highlighted the importance of the cultural-cognitive pillar, which emphasises the impact of shared concepts in a certain culture on the behaviour of the social actor. This led to the formation

of the third sub-question for this study: How do cultural-cognitive experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city? Specifically, this research considers the impact of the cultural dimension in shaping the decisions of male and female entrepreneurs to avoid registering their enterprises with some or all government agencies. Overall, these sub-questions were designed to discover which of the three institutional aspects most influence the decisions of male and female entrepreneurs to join the Saudi informal economy.

This study derived its research questions from engaging with previous studies reported in the literature to explore the informal Saudi economy more deeply and comprehensively. Several sources attributed the informal enterprises to inheritance (Williams & Gurtoo 2012), the need for survival (Perry et al. 2007; Bhowmik 2013), freedom and saving time and costs (Ilyas et al. 2020; Kruja & Hoxhaj 2020) or voluntary reasons (Williams 2006; Biles 2009). These previous studies indicate multiple reasons for the existence of informal enterprises. Therefore, the main research question was designed to study the following: How do institutions lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city?

Several published studies indicate that regulative, social norms and cognitive culture impact entrepreneurs' decisions on running their businesses, leading to the three sub-questions of this study. Some studies have shown the effect of strict regulation, high registration costs and bureaucracy on entrepreneurs avoiding registering their informal enterprises (Williams et al. 2011; Ahmad 2012; Welsh et al. 2014; Assaf 2017). Additionally, women entrepreneurs have difficulty accessing government support due to strict regulations and laws ((Ayyagari et al. 2007; Jamali 2009; Breen 2010; Bahramitash & Esfahani 2014). Others have stressed the impact of government corruption, such as mediation and bribery, on the presence of informal enterprises (Ahmad 2012; Williams & Gurtoo 2012). This previous literature helped us form the first sub-research question (How do regulative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city?) to explore the extent of the impact of regulations and laws on the informal Saudi economy.

Many studies shed light on the impact of social traditions such as the patriarchal system, which gives men the right to make decisions instead of women and looks with disgrace upon women who work (Itani et al. 2011; Zeidan & Baalbaki 2011). The influence of social norms leads some individuals to consider certain professions shameful (Curry & Kadasah 2002; Burton 2016). Considering these difficulties, I designed the second sub-research question as follows: How do regulative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city?

Additionally, many studies reported in the literature shed light on the reasons for the existence of the informal economy, attributing motives to necessity or opportunity (Aidis et al. 2007; Williams & Gurtoo 2012; Williams & Youssef 2014). These publications led to the design of the third sub-question (How do cultural-cognitive experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city?) to explore the extent of the impact of these motivations on the decisions of entrepreneurs to launch their informal enterprises in the Saudi context.

This study aimed to explore the opportunities and challenges that lead Saudi male and female entrepreneurs to avoid registering their informal enterprise with some or all government agencies. Accordingly, this study adopted Scott's institutional theory and previous studies as a guiding framework to help explain this phenomenon. In particular, Scott offers a general conceptualisation of social phenomenon through institutions based on regulative, normative and cultural-cognitive aspects. Therefore, the main research question was designed for this study to explore the impact of institutions on informal entrepreneurs, and three sub-questions were designed relating to the impact of regulative, normative and cultural-cognitive aspects on informal entrepreneurs.

### **Research questions**

Following on from the research objectives, this thesis seeks to address the following research questions.

- I. How do institutions lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city?

- II. How do regulative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city?
- III. How do normative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city?
- IV. How do cultural-cognitive experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city?

### **Thesis outline**

The remainder of the thesis proceeds as follows. Chapter Two reviews the relevant background literature. The first part explores the background of the informal economy, while the second part focuses on the different perspectives of institutional theory as well as discussing Scott's institutional theory and its three pillars. This chapter reviews the relationship between institutional theory and agency theory and addresses issues facing institutional theory. This study also discusses gender theories and perceptions. The third part reviews previous studies that concentrate on gender and entrepreneurship and the fourth part examines cultural entrepreneurship. The final part evaluates the extant literature regarding the motivations and determinant characteristics of informal entrepreneurs.

Chapter Three focuses on the methodological framework of the study while reviewing and justifying the philosophical paradigms. The chapter also explains and provides justifications for the design of the research methods and research questions, and how the samples and tools for data collection and analysis were selected. The chapter also shows how any ethical issues and research limitations were addressed.

Chapter Four contains the results, and reports on the opportunities and challenges that affect entrepreneurs under the following headings: 1) informal employment; 2) informal enterprise location selection; 3) informal enterprise sectors; 4) the reasons for unregistered start-ups; and 5) penalties for not registering with government agencies. This chapter also reviews numerical results (percentages) that illustrate the impact of regulative, normative and cultural-

cognitive aspects as to why male and female entrepreneurs avoid registering their enterprises with some or all government agencies.

Chapter Five contains the discussion and aims to compare the most important findings in this study with previous studies. The chapter is divided into five parts. The first part discusses the impact of the institutional environment on entrepreneurs' decisions to enter the informal economy. The second part is divided into 1) regulative experiences, 2) normative experiences, and 3) cultural-cognitive experiences. The third part reviews looking back and looking to the future on opportunities and challenges driving engagement in the Saudi informal economy. The chapter also presents the implications of this research and explains the limitations that were encountered during the research process.

Chapter Six concludes the thesis by providing a summary of the research objectives and findings. It also summarises the research limitations and ethical challenges and reviews the thesis's scientific contribution as well as suggesting areas for future research and other recommendations

## Chapter 2: Literature review

Although the Saudi government seeks to increase the participation of small and medium-sized enterprises (SMEs) in the Saudi economy from 20% to 35% (Vision 2030), it faced the problem of the existence of informal enterprises. Informal entrepreneurship, which can be loosely described as new, private, unincorporated enterprises that are not registered or have a small number of employees (Husmanns 2005; International Labour Organization (ILO) 2012). There are various types of informal entrepreneurships in Saudi Arabia, such as small-sized enterprises (Fanack 2009), street vendor businesses (Saudi Gazette 2018) and social media-based enterprises (Alghamdi & Reilly 2013). In particular, male entrepreneur run business more than female, which may lead to a gender gap (Bosma & Kelley 2019). A study has criticised the Saudi government because it imposes an excessive number of procedures, costs and bureaucracy on businesses in order to become legitimate (Assaf 2017). Also, Saudi social traditions and Islamic values also have an effect on the population's behaviour (Al-Saggaf 2004), and the influence of the Bedouin tribes' strict social codes is combined with the historical influence of the patriarchal family structure (Ezzi et al. 2014). Because the literature in the informal economy in Saudi Arabia is scarce, this study's aim is to explore how regulative, normative and cultural-cognitive experiences impact Saudi male and female entrepreneurs to engage in Jeddah's informal sector. The overall structure of the literature review in this study takes the form of six sections, including 1) background of the informal economy, 2) theoretical framework, 3) gender and entrepreneurship, 4) culture and entrepreneurship, and 5) the motivations and determinant characteristics of informal entrepreneurs.



## **2.1. Background of the informal economy**

The existing academic literature pays particular attention to the concept of the informal economy, which researchers have defined using various labels, such as the underground economy (Simon & Witte 1981), the shadow economy (Frey et al. 1982; Cassel & Cichy 1986), the irregular economy (Ferman & Ferman 1973), the subterranean economy (Gutmann 1977), the black economy (Dilnot & Morris 1981), informal entrepreneurship (Williams et al. 2017), and the informal economy (McCrohan & Smith 1986). Moreover, the 15th International Conference of Labour Statisticians resolution has outlined criteria for defining informal sector enterprises and has created various definitions of the informal sector (International Labour Office 1993).

Numerous terms are used to describe informal economy, the most common of which are workers or economic units practise all economic activities that are described as not covered or adequately covered by legal and formal arrangements (International Labour Organization 2002). However, the term ‘informal economy’ embodies a multitude of concepts including employment in the informal sector, informal wage employment and informal employment. The term ‘employment in the informal sector’ has come to be used to refer to all works available in the informal sector enterprises or all workers who are employed in at least one job (whether primary or secondary job) in informal sector enterprises (Husmanns 2004). Informal wage employment is defined as all jobs that do not adhere to national labour legislation, social insurance, or entitlement job benefits, or are not obedient to income taxation (International Labour Organization 2003). Informal employment can be loosely described as informal jobs in the formal and informal enterprise, homes that involve informal employees, employers and self-employed in the informal enterprise, members of informal producer cooperatives, family members working in the formal and informal enterprise, self-employed who produce goods for their family members (Husmanns 2004).

However, whether economic activities are either legal can be determined according to the way in which goods or services are exchanged or operated. For example, although commodities such as food and clothing are legal, they might originate in either legally regulated or unregulated production arrangements. These activities violate some regulations or laws, such as by failing to register with tax offices or violating labour laws (Losby et al. 2002). There are also

different types of informal entrepreneurs. Many recent studies have defined types of informal entrepreneurs that are wholly permanent, wholly temporarily, partially permanent and partially temporary (Llanes & Barbour 2007; Williams & Nadin 2014).

However, to understand entrepreneurship in the informal sector of Saudi Arabia, a proper definition of entrepreneur must first be provided. This study will conceptualise an entrepreneur as one who is actively involved in starting a venture or who is the owner or manager of an enterprise (Reynolds et al. 2002; Bosma & Harding 2006). The starting point for describing a business in the informal sector is a private, unincorporated venture that is not registered or has a small number of employees (International Labour Office 1993; Hussmanns 2004). Namely, such a business, as the International Labour Office (1993) has claimed, does not constitute a legal entity that is independent from the owner. In addition, such entities have no set or formal accounts and have not registered as a business with the authorities. In other words, an unregistered enterprise does not meet the criteria for being issued a trade license or a business permit under national legislation, such as social security laws (International Labour Office 1993). The term “small” in this definition refers to businesses with a number of employees that matches the national criterion of the number of employees in small businesses (i.e., under five employees) (International Labour Office 1993; Hussmanns 2004). Because this research will examine businesses in wholly and partially informal economies, this definition is necessary to clarify the meaning of wholly and partially informal entrepreneurs.

In general, the informal economy encompasses a variety of terms and concepts as well as the differences between the informal sector and informal employment, which emerge in detail. One of these concepts was adopted by this study in order to analyse the reasons for the existence of the informal economy in Saudi Arabia.

## **2.2. Theoretical framework**

Recently, Saudi government is working to develop its economy by providing the appropriate environment and addressing social and economic issues. Of particular concern for Saudi government is the phenomenon of informal entrepreneurship. This study contends that unregistered entrepreneurs face regulative, normative and cultural-cognitive constraints in their community and they seize the opportunity to overcome these constraints by running enterprises in the informal sector. In addition, Saudi social traditions and excessive government procedures can drive Saudi entrepreneurs to establish informal businesses in line with the customs traditions of their community. Thus, this study addresses the dearth of research on informal entrepreneurship in Saudi Arabia's economy through exploring regulative, normative and cultural-cognitive opportunities and challenges. Therefore, this study has adopted Scott's pillars theory that contributes to explore the issue of informal Saudi entrepreneurship. According to Scott (2014) institutions consist of three components: the regulative pillar which refers to rules and laws, the normative pillar that is described as roles and routines, and the cultural-cognitive pillar which refers to interpretations that are shaped through categories, models and schemas. Specifically, the importance and originality of this study are that it uses the lens of Scott's pillars to explore how the regulative, normative and cultural-cognitive experiences affect the decisions of Saudi male and female entrepreneurs in Jeddah's informal economy and explore which of the pillars has the most impact on entrepreneurs for running informal enterprises. This section begins with a review of different perspectives of institutional theory and Scott's theory. I provide further justification for using Scott's theory to study the differences between male and female entrepreneurs and the origins of the informal Saudi economy. In this section, I will review institutional and agency theories and highlight the most important contemporary issues in institutional theory. Last, I provide a discussion of gender perspectives and feminist theories.

### **2.2.1. The different perspectives of institutional theory**

In recent years, there has been an increasing amount of literature on Institutional theory. Therefore, Institutional theory has been developed and refined by scholars in various social sciences. There has been an increasing amount of literature focused on institutions as opposed to previous political economists' focus on the mechanisms of how social and economic actions are performed and functionalists' descriptions of the correlations between political, economic and social systems. However, these efforts have been criticised as descriptive and lacking explanations (DiMaggio & Powell 1991). A large and growing body of literature has determined the characteristics of institutional theory, which shares and different in some characteristics.

The institutional scientists have presented their discussions and serious analyses from previous decades that resulted in an old institutional economics (OIE) theory and a new institutional economics (NIE) theory that pointed to various concepts and broad perspectives. March and Olsen (1996) assert that Institutions have been defined in various ways depending on the discipline and the context. Old institutional economics (OIE) embodies a variety of terms, including institutional economics and American institutional economics, and the key authors associated with this tradition of economic thought include Thorstein Veblen and John R. Commons (Rutherford 2001). Regarding OIE, Veblen (1990) used the term institution to refer to shared habits of thought for guiding human behaviours. In the field of new institutional economics (NIE), various definitions of institution are found. North (1990, p. 3) defined institution as 'the rules of the game in a society'. According to this definition, an institution consists of both formal constraints (e.g., constitutions, laws and rules) and informal constraints (e.g., customs, traditions and codes of conduct) that constitute individual interaction (North 1990). Another NIE definition of institution was postulated by Williamson (2000), who identified four levels of institutions that exist in any society. The first level comprises informal institutions, including traditions, customs and norms. The second consists of formal rules and laws. The third is the governance used to create agreements among parties to limit conflicts and increase benefits. The fourth level consists of resource allocation. NIE has grown and been applied in various spheres, including law, economics, organisation theory, political science, anthropology and sociology (Coase 1998). In the late 1980s, new institutionalists focused on studying the behaviour of political actors (Miller 2011) and paid attention to institutional

approaches in political science. Also, rational choice institutionalists see institutions as systems of rules and incentives (March & Olsen 2006). The historical institutionalism approach is another significant stream of political science that defines institutions as formal or informal operations, standards, routines and agreements that are inserted into the structure of the political and/or economic organisation (Hall & Taylor 1996). Schmidt (2008) provided a discursive institutionalism approach in political science that refers to the logic of communication in political action, which means that actors take part in the process of generating, deliberating and/or adding ideas in the institutional context and communicating them to the public. In sociological institutionalism in political science, the term institution refers to frameworks of meaning, which include cognitive scripts, moral models that direct actors' behaviours, a hierarchy of symbols and formal rules, procedures or standards (Krasner 1984).

As a result of an institutional revival in the social sciences, new institutionalists have rejected notions that depict institutions as the aggregate of individual-level properties and disregard social context. Instead, they pay substantial attention to collective life. Also, new institutionalists attempt to explain how institutional arrangements constitute, mediate and channel social choices (DiMaggio & Powell 1991). In other words, NIE emphasises not just understanding economic phenomena and illustrating economic performance, but also studying how other forces (such as institutions) shape all economic activities, not just market prices (Langlois 1990). In sociological science, the institution can be defined as values or interests retained by powerful individuals (Stinchcombe 1968). For Scott (2014), institutions consist of regulative, normative and cultural-cognitive elements. Further, the regulative pillar sees conventions, rules and laws as important regulative factors while the normative pillar insists on roles, routines, habits in social actions and standards to obtain acceptance. With respect to the cultural-cognitive pillar, categories, schemas and typification constitute interpretations. Although there are various definitions of institutions, in this thesis, Scott's (2014) concept is used to focus on exploring regulative, normative and cultural-cognitive pillars intensively and exploring any of these three pillars more influencing the decision of entrepreneurs to join the informal economy.

The old and new institution theorists paid attention to establishing and developing institution theory by adopting the inductive approach to collect data and historical analysis to

explore economic phenomena and codify their ideas as a theory. However, despite the efforts of theorists in the old institutional economics theory in collecting inductive data to study economic phenomena, the new institutional economics theorists criticize them for their failure to prove their notions as a theory because of the global interest in the neoclassical theory for mathematical analysis. The feature of OIE is that it relies on both inductive and historical empirical analysis. In other words, economic principles are associated with fact-gathering analysis instead of abstract models of mathematical logic analysis, which is less useful for studying economic phenomena (Gruchy 1967). For example, because Commons was interested in fact-gathering analysis, he asked his students to leave school class and go to factories and other workplaces to gather information and explore the problems and working rules that human beings were faced with (Gruchy 1967). According to NIE, although OIE scholars achieved intellectual stature, they failed to develop a theory to gather their thoughts (Coase 1998). Namely, from the NIE perspective, OIE academics were anti-theoretical (Coase 1998). Moreover, OIE was not universal and became outdated because of a shift in the social sciences in the 1910s to 1940s and emergence of the mathematical analysis of neoclassical theory in 1930s (Hodgson 1998). More clearly, the new institutional sociology theorists derive their approach from Max Weber (1921/1978), who provided advanced concepts, definitions and typologies that applied historical comparison analysis to the legal, organisational and economic action domains (Weber 1921/1978; Nee 1998). According to Weber (1947), the different forms of organisations (patrimonial, charismatic communes, bureaucratic departments) play important roles in determining the right or appropriate social relations.

The institutional economic theory views the world economy as a system characterized by opportunism and conflict. OIE institutionalists assert that dynamic changes accumulate inequalities that lead to domination, conflict and power struggles (Perroux 1950). Further, OIE institutionalists describe the economy as an open and developing system influenced by technological changes and associated with social, cultural and political relationships and power (Hodgson 2001). Likewise, NIE theorists see the world as lacking information and rationality but containing opportunism. Under these circumstances, NIE theorists assume the use of transaction cost (Coase 1960; North 1990). North (1990) notes that the world needs institutions to not only constrain human interaction but also provide an order to structural exchanges. Because any

exchange transaction is characterised by uncertainty, there are various costs correlated with the conclusion of contracts, including search and information costs, bargaining and decision costs, supervision and enforcement costs and investments in social relations (Coase 1960).

Institutionalism in sociological science approach also sees that institutions can change over time due to conflicts although institutions are depicted as relatively unchanging and are inherited across generations (Zucker 1977; Scott 2014).

Several institutional theorists claim that the behaviour of individuals is influenced by their culture, a phenomenon known as methodological collectivism. The root of institutional theory in organisational analysis comes from the sociologist Emile Durkheim's (Nee 1998) concept of social facts, which is known today as methodological holism. In particular, Durkheim (1964) used the term social fact to refer to 'ways of acting, thinking, and feeling, external to the individual, and endowed with a power of coercion, by reason of which they control him'. In his theory of social facts, individuals face societal resistance and penalties when they reject the public conscience, established ideas or moral order. In contrast, people who follow these do not feel constrained (Durkheim 1964). Further, social facts not only constrain behaviours but also facilitate or prevent social action (Merton 1949). In other words, Durkheim confirms the existence of normative forces that hold communities together and create constraints by shaping individuals' behaviours (Collins 1994). Furthermore, Weber (1921/1978, p. 212) originated the term domination, which means 'the probability that certain specific commands (or all commands) will be obeyed by a given group of persons'. Weber pointed out domination on traditional grounds, which gains legitimacy through custom and tradition. It is notable that OIE focus on holism (Rutherford 1995) and they believe that institutions and cultural context affect individuals and their behaviours (Stanfield 1982; Hodgson 2001) In other words, old institutionalists concentrate on collective action and count on methodological collectivism (Gruchy 1967; Stanfield 1982). As Commons stated, an institution performs 'collective action in control, liberation and expansion of individual action' (Commons 1931, p. 648). In other words, collective action refers to the formal and informal customs imposed on individuals to control behaviours such as acts of violation, trespass and intervention. Collective action takes on various forms such as family, working rules, the corporation and the state (Commons 1931). Veblen (1953) indicated, in his Theory of the Leisure Class, that the nature of consumer wants and

choices is affected by gross inequality, industrial capitalism and cultural context. For example, consumers purchase clothing that is considered acceptable in their cultural context to avoid criticism, and beauty and reputability depend on the price of the goods (Veblen 1953).

In contrast, others from institutional theorists contend that individuals act with limited rationality. Regarding for the root of the notion of context-bound rationality, Durkheim argued on individuals' conscious calculations to pursue their best, independent interests (Hinings & Tolbert 2008) but also expected individuals' ability to modify social arrangements to be limited because those social arrangements have more coercive power than individual behaviour (Berger & Luckmann 1967a). While Neoclassical economists assume that individuals behave to obtain economic benefits and maximise their wealth, NIE does not object to some rationality in individual conduct that is shaped and constrained by habits, norms and institutions (Parada 2002). Furthermore, old institutionalists in sociology share that context-bound rationality idea (Selznick 1949; Selznick 1957). Old institutional sociologists see the sources of constraints as being within organisations because of political trade-offs and alliances (DiMaggio & Powell 1991). In light of cognitive organisational behaviour, old institutionalism adopts values, norms and attitudes (Selznick 1957), so that new entities accept the norms through the socialisation process (DiMaggio & Powell 1991). Equally important, organisations take into account the need to change to adapt to their local community (Selznick 1957). Moreover, in the old institutionalist perspective, organisational structure is a 'shadowland of informal interaction' (Selznick 1949, p. 261) through 'influence patterns, coalitions and cliques, particularistic elements in recruitment or promotion' (DiMaggio & Powell 1991, p. 13). For instance, the formal organisational structure of the Tennessee Valley Authority (TVA) was exposed as having been penetrated by informal agricultural lobbies and other informal unions (Selznick 1949). Indeed, both old and new institutionalists believe that when institutionalisation depends on the state for limiting organisations' choices, organisations are considered to be less rational (DiMaggio & Powell 1991). Specifically, although institutionalised myths that refer to exterior forces conflict with the effective execution of the organisation, organisations act rationally by adapting to the expectations and rules in their environment to obtain legitimacy (DiMaggio & Powell 1991). These can be loosely described as 'common understandings that are seldom explicitly



articulated' (Zucker 1983, p. 5) and stability that leads to the success and survival of organisations (Meyer & Rowan 1977).

In brief, many of the literature highlighted various concepts of institutional theory. Institutional theorists have laid the foundation for their institutional ideas by focusing on the inductive approach. After that, several theorists made efforts to develop old institutional ideas into a new institutional theory. While some institutional theorists focus on the collective methodology that assumes that the behaviour of individuals is affected by culture, others depend on a limitedly rational in the behaviour of members.

### **2.2.2. Scott's pillars theory**

According to a definition provided by Scott (2014, p. 56), 'institutions comprise regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life'. In other words, this definition argues that institutions are not only symbolic systems that consist of regulative, normative and cultural-cognitive elements; they also focus on productive behaviours supported by material resources. Moreover, these pillars do not just give meaning and stability to institutions by their interactions with human behaviour, but also guide behaviour by imposing legal, moral and cultural constraints (Scott 2014). Although institutions are depicted as relatively unchanging and are inherited across generations, institutions can change over time due to conflicts (Zucker 1977; Scott 2014). Scott also emphasized the roots of his theory ascribed to Weber's work, which did not explicitly focus on institutions but refers to government rules, beliefs and social norms. Clearly, Scott (2014, p. 14) wrote this about Weber:

*More contemporary analysts of institutions lay claim to Weber as the guiding genius than to any other early theorist. Although Weber did not explicitly employ the concept of institution, his work is permeated with a concern for understanding the ways in which cultural rules, ranging in nature from customary mores to legally defined constitutions or rule systems, define social structures and govern social behaviour.*

Each pillar has different principles which may conflict with the other pillars to achieve legitimacy. Legitimacy is achieved when rules and laws, values and norms or cultural-cognitive structures reflect the condition. In particular, the regulative pillar insists on commitment to rules and legal requirements to achieve legitimacy, while the legitimacy of the normative pillar comes from alignment with the moral system, and the cultural-cognitive pillar focuses on conforming to structural templates or roles to obtain legitimacy. Further, all three pillars exist in a social order, and these pillars support each other in some circumstances, resulting in strong outcomes. However, sometimes these pillars do not align because each has different goals and resources, which leads to conflict among them and results in institutional change (Scott 2014). For example, while a number of studies have found that regulative institutions have a stronger effect on organisational behaviour than normative and cognitive institutions (Busenitz et al. 2000; Spencer & Gómez 2004; Stenholm et al. 2013), others insist on the significant impacts of normative and cultural-cognitive institutions on entrepreneurs' decisions (Freytag & Thurik 2007; Thornton et al. 2011). Additionally, Marquis and Battilana (2009) emphasise the impact of local societies, which include regulative, normative and cultural-cognitive processes, on entrepreneurial behaviour. This study aims to study issues of the informal economy in Saudi Arabia in-depth and discover the most challenges and difficulties that lead the entrepreneurs to launch their informal enterprises. Therefore, Scott's pillars theory is the most appropriate theories that facilitate our understanding of the most important reasons why entrepreneurs run enterprises in the informal economy in terms of regulative, normative, and cultural-cognitive aspects.

*Main Question: How do institutions lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city?*

Scott's pillars (2014) of institutions are best illustrated under three headings: the regulative, normative and cultural-cognitive pillars:

#### **2.2.2.1. The regulative pillar**

The regulative pillar describes processes that create regulations, rules, laws and sanctions, and it examines the extent to which institutions are committed to them (Scott 2014). The term

regulative system is also used by North (1990) and political scientists in the rational choice approach (Rhodes et al. 2006; Miller 2011), who insist on the ability of regulative processes to shape individuals' behaviours, especially under competitive circumstances. In particular, North (1990) writes that trading was extended between communities and, as a result, trading conflicts increased because of differences among social networks, the need to measure resources and the absence of power. This led people to attempt to reduce the uncertainty inherent in trading by creating formal constraints such as rules and laws that determine the opportunities in a society (North 1990). North (1990) also illustrated how the state, as an agency, defines property rights that evolve and grow as economic activities. The property rights help exchange and reinforce production decisions that are socially suitable and profitable to the interests of individuals (North 1990). Also, rational choice institutionalists see institutions as areas of conflict and game-playing that use numerous formal structures and tend to focus on efficiency and rationality when actors make decisions (Rhodes et al. 2006; Miller 2011).

Scott (2014) affirmed the employment of coercive power to impose rewards or punishments to affect the future behaviour of individuals. This is similar to DiMaggio & Powell (1991) use of the coercion method to control action. Further, measuring the usage of governmental orders depends on the level of people's obedience to these regulations, and the sanctions which are imposed by coercive power (Scott 2014). Humans implement laws and rules to avoid feeling fear, panic and guilt or to achieve comfort, innocence and defence (Scott 2014). Scott (2014) also illustrated that sanctions comprise both informal mechanisms, including shaming or ignoring, and formal mechanisms, applied by official authorities through the police or courts. Although public agencies benefit from regulative sanctions, such as forfeits and taxes imposed on social actors, the regulative pillar also provides social actors with benefits, including licences and specific powers.

With regard to the regulative pillar, its effect on entrepreneurial activities may be obtaining legitimacy and acceptance (Webb et al. 2010). The regulative system not only facilitates or impedes entrepreneurship by defining the level of hazard involved in the formation and start of a venture, but also influences entrepreneurial behaviour (Baumol & Strom 2007). In the Saudi context, this study explores the regulative experiences that face Saudi unregistered

entrepreneurs which led them to fail to formalise their ventures. Specifically, there are numerous studies showed that excessive bureaucracy, corruption and expensive registration fees lead entrepreneurs to reject the idea of formalising their venture.

Over-regulation and expensive registration fees impact on entrepreneurs' decisions to register their businesses. Because there are excessive bureaucratic procedures and costly fees, entrepreneurs are not incentivised to obtain a commercial permit or industrial license (Williams et al. 2011; Ahmad 2012; Welsh et al. 2014; Assaf 2017). Less regulation, freer markets and fewer hindrances to enter markets, such as lower costs for start-up enterprises, lead to an increase in entrepreneurial opportunities and small businesses (El-Namaki 1988; Ayyagari et al. 2007). Female entrepreneurs in particular face a shortage of government support through policies, regulations, laws, facilities and resources, which limits their entrepreneurship (Ayyagari et al. 2007; Jamali 2009; Breen 2010; Bahramitash & Esfahani 2014).

This study also contends that the existence of government corruption has an impact on Saudi entrepreneurs not registering enterprises. Corruption, unreliable rules and untrustworthy implementation of regulations impede entrepreneurial behaviour (Aidis et al. 2008). There is evidence to show that unregistered entrepreneurs choose not to formalise their enterprise because of government corruption (Williams & Gurtoo 2012). Specifically, Saudi entrepreneurs suffer from corruption such as mediation or intercession (Ahmad 2012). Hence, this study presumes that the regulative pillar of institutional arrangements is associated with the level of unregistered entrepreneurial ventures, and this drove us to ask the following research question:

*Sub-question 1: How do regulative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city?*

#### **2.2.2.2. The normative pillar**

Scott (2014) second pillar is the normative pillar, which asserts that social activities, norms and values shape individual action. In his review of the normative pillar, Scott (2014) described values as preferred or desirable concepts that create standards for comparing and

evaluating structures or behaviours, and defined norms as legitimate means to achieve valued ends. The conception of normative institutions is attributed to Durkheim (1964), who focuses on shared beliefs and values as social fact. The sociological institutionalism perspective argues that institutions are based on roles that define the norms of behaviour. When individuals receive specific institutional roles and then absorb the norms of these roles, it is widely held that this behaviour is affected by institutions, which may be said to have a normative effect (Hall & Taylor 1996).

The normative pillar provides a way to achieve objectives through normative expectations which explain how individuals are supposed to act. Scott (2014) also focuses on logic appropriateness, which imposes roles depending on the situation. In this interpretation, the normative pillar imposes formal roles through certification, accreditation, rights, duties, responsibilities, licenses and mandates, while informal roles are conferred through interactions that develop normative expectations and shape social conduct. Therefore, when actors violate normative expectations, they feel shame, disgrace or a lack of self-respect. In contrast, when they meet these expectations, they feel respected and honoured (Scott 2014). Scott, March and Olsen (1989) consider that sociological institutionalism shows the importance of logical appropriateness. Specifically, organisations behave rationally to gain legitimacy by compliance with normative expectations in their environment (DiMaggio & Powell 1991).

The intentions of entrepreneurs are influenced by the beliefs and expectations of members of society (Krueger et al. 2000), and while some nations support and encourage entrepreneurial activities, others create obstacles (Tiessen 1997; Mueller & Thomas 2001). Entrepreneurs participate in new entrepreneurial activities when they find legitimacy and appreciation from their societies (Baughn et al. 2006). It is worth noting that previous literature emphasized the influence of religious beliefs, customs and traditions, such as the patriarchal system, the social level of the enterprises. Therefore, this study explores the social norms and beliefs that prompted Saudi entrepreneurs to launch their informal enterprises.

It is possible that entrepreneurs engage in the informal economy to avoid violating the norms of their society. In spite of recent changes supporting women in Saudi Arabia, including

the lifting of restrictions on women driving and limiting the system of male guardianship (Human Rights Watch 2017), many women cannot formalise their businesses because their families have not adapted to new changes and the traditional patriarchal system gives men the right to make decisions on behalf of women in matters such as driving vehicles and dealing with strangers for business purposes. Community members view females who went outside the home, even for work purposes, as socially deviant (Itani et al. 2011; Zeidan & Baalbaki 2011). Females also faced social challenges when they work in mixed-gender environments (Al-Dosary et al. 2006). Therefore, female entrepreneurs run their venture at home using social media to take care for their families (Melissa et al. 2013) and overcome location challenges reaching with customers (Jagongo & Kinyua 2013). Furthermore, Saudi members feel disgrace when they work as a blue-collar worker or in the private sector (Curry & Kadasah 2002; Burton 2016). As these studies clearly demonstrate, the normative system is a significant challenge that impacts on entrepreneurs. Therefore, the next research question explores the impacts of the normative system on entrepreneurs in the informal sector.

*Sub-question 2: How do normative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city?*

### **2.2.2.3. The cultural-cognitive pillar**

Another of Scott's pillars (2014) that shapes behaviour is the cultural-cognitive system. Scott (2014) described cultural-cognitive institutions as common concepts that form social reality and establish meaning through frameworks. In particular, cognitive systems are defined as a set of internalised symbolic concepts of the world, mediating between external stimuli and individuals' reactions. Similar to Scott, sociological institutionalism's approach shows an increased interest in the cultural-cognitive institution, which means the mind of a social actor is used to mediate between the cultural system and the organisation through patterns of perception and models of evaluation (Zucker 1983; Selznick 1996). In other words, the cognitive system takes into account the interactions between the mental processes of social actor behaviour and their environment (Mitchell et al. 2002).

The cultural system is an important part of the cognitive pillar which focuses on the symbolic systems that build social reality and determine the characteristics of social actors and activities (Scott 2014). Weber (1947; 1921/1978) also highlights the significance of the cognitive system through typologies that encompass traditional grounds, charismatic grounds and rational grounds, and explores how institutional frameworks (e.g., religion, markets and cultural beliefs) play a vital role in the cognitive process. Sociological institutionalists also described how the cognitive system influences behaviour not only by providing cognitive scripts and models, but also by determining what people should do and how they should imagine themselves in particular contexts. This interaction between individuals and institutions means that individuals' conduct constitutes a social agreement that uses institutional templates, which makes them social actors (March & Olsen 1989; DiMaggio & Powell 1991; Hall & Taylor 1996).

Cultural systems have multiple levels of common beliefs, beginning at the local level and continuing to the national level. These overlapping levels shape individuals' beliefs using cultural frameworks. In this pillar, conformity is created by many circumstances, and routines are established using orthodox logic. When some actors behave according to their social knowledge and do not ask for further information, the highest level of cultural persistence has happened (Berger & Luckmann 1967a). On the contrary, individuals who do not align with cultural beliefs may feel confusion or disorientation, and others may see them as ignorant or lacking sanity (Scott 2014).

This study seeks to explore the cultural-cognitive experiences of entrepreneurs to start-up businesses in the informal sector. In particular, entrepreneurs utilise their scripts of knowledge to assess and make decisions about opportunities, growth and business creation (Mitchell et al. 2002). For example, entrepreneurs who possess expert scripts about a certain field establish new products or services and performs better than non-expert entrepreneurs (Mitchell et al. 2002; Westhead et al. 2009). Although several studies have found that unregistered entrepreneurs engage in the informal economy because they have lower education degrees (Angel-Urdinola & Tanabe 2012; Mottaleb & Sonobe 2013; Nagler & Naude 2016; Williams et al. 2016b), other studies have shown that enterprise owners in the informal economy tend to have higher education degrees (Gurtoo & Williams 2009; Williams & Youssef 2014). Consequently,

unregistered entrepreneurs to engage in the informal economy because there are several advantages to adopting it for their businesses such as reducing cost, extending networks and responding promptly on customers' inquiries by messaging service (Majláth 2012; Genç & Öksüz 2015). Also, the intentions of entrepreneurs are positively impacted by educational systems targeted at entrepreneurship (Maresch et al. 2016; Hallam & Zanella 2017). Regarding the difficulties for female entrepreneurship, women entrepreneurs face a lack of entrepreneurial networks, experience, training and career counselling; poor quality and access to entrepreneurship, management and technology education; the challenge of obtaining external financial support; sexual discrimination; and limited access to support services (Brau 2002; Bird & Sapp 2004; Woldie & Adersua 2004; Still & Walker 2006; Drine & Grach 2012; Bahramitash & Esfahani 2014; Welsh et al. 2014). Therefore, female entrepreneurs see themselves and their environment as less suitable for entrepreneurship compared to male entrepreneurs (Langowitz & Minniti 2007).

Other factors that impact on entrepreneurs' decisions to not register their enterprises formally is the community culture on the entrepreneurs. There is evidence that the need for achievement, autonomy, freedom and risk-taking, play a crucial role in regulating entrepreneurship (Kets De Vries 1977). A study conducted by Robinson and his colleagues (1991) highlighted four traits necessary for business success: accomplishment, confidence, control and innovation. Moreover, promoting entrepreneurship is positively associated with entrepreneurs' perceptions of their self-confidence about starting an enterprise (Arenius & Minniti 2005). With respect to the informal economy, previous research has established that necessity-driven entrepreneurs are motivated to participate in the informal economy because of the lack of work alternatives and the need for survival (Gallin 2001; Kapoor 2007; Williams & Gurtoo 2012; Williams & Youssef 2014), while opportunity-driven entrepreneurs start up their businesses in the informal economy for autonomy, freedom, flexibility, increased profit, challenge, risk-taking and exploiting opportunities (Gërkhani 2004; Maloney 2004; Aidis et al. 2007; Williams & Gurtoo 2012). To put it another way, the motivations of informal entrepreneurs are related to their growth aspirations (Hessels et al. 2008); when their motivations are driven by necessity, their growth aspirations are lower (Reynolds et al. 2002), and when their growth aspirations are higher, they formalise their businesses to seize the benefits (De Castro et



al. 2014). The existence of the informal economy can be attributed to the cultural-cognition of entrepreneurs, so this study attempts to answer the following question about the cultural-cognitive pillar.

*Sub-question 3: How do cultural-cognitive experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city?*

### **2.2.3. Institutions and agency**

Academic literature on institutional theory revealed the emergence of two views of actors focusing on self-interest or collective meaning (DiMaggio & Powell 1991; Fligstein 2001; Scott 2008). Institutional theory scholars highlighted the diversity of actors and the extent of their contribution to institution building or changing processes in economies (Scott 2014). Indeed, agency concepts and structuring are an integral part of institutional theory (Barley & Tolbert 1997). In detail, it is clear that two opposing viewpoints exist: one stressing the importance of structural and cultural constraints in institutional construction and another focusing on individual actors in institutional decision-making (i.e., agency). The agent-based view stems from the rational process and the intention to establish the institution (DiMaggio & Powell 1991; Fligstein 2001). In other words, individual actors are distinguished by their ability to contribute to institutional construction and change through innovative ways (Oliver 1991; Christensen et al. 1997). This view is supported by DiMaggio (1988), who wrote about the idea of institutionalisation and asserted that actors make political and economic efforts to achieve their interests. On the contrary, institutional theory assumes that social actors and their suitable actions or relationships are determined through context constraints that include common rules and patterns (Barley & Tolbert 1997). In particular, institutions are established through a process of collective meaning-forming and similar problem-solving of actors (Scott 2008). The naturalistic perspective views this process as both natural and lacking direction (Strang & Sine 2002), whereas others have highlighted that institutions are formed by gradual and natural efforts over time and are known as crevice institutions (Sumner 1906). Further, cognitive institutionalists believe institutions are formed by unconscious processes that take place through the repetition of activities and their mutual and interactive interpretation by actors, which become a habit (Schutz

1972; Berger & Luckmann 1967b). Moreover, institutions have agency given the actors' practical knowledge that absorbs scripts and patterns that are repetitive in a given context (Barley & Tolbert 1997). In general, agency in the institutional construction of social structures exists among all individual and collective actors but to varying degrees.

One body of literature has investigated whether institutions and their structures focus on collective interests and meanings or rely on agency concepts that serve to achieve the personal goals of actors. The compelling evidence that institutional processes depend on conscious and deliberate construction has been subjected to many criticisms, as scholars consider it unrealistic because agency emphasises not only repetition, routine and productivity but also creativity and imagination in an institution's future operations and activities (Emirbayer & Mische 1998). From the naturalistic perspective, motives and decision-making processes that direct actors to make changes are not always visible because institutional factors become diffused (Emirbayer & Mische 1998). In other words, rational actors fail to achieve their self-interest when designing and building institutions as a result of the effects of these built institutions, such as unintended impacts or changes in circumstances or the goals and interests of actors (Pierson 2004). In short, the idea of the role of actors in the conscious and deliberate construction of institutions to achieve personal goals has been criticised with compelling evidence.

The actors play important roles in institution building through two processes – either the process of building the institution or the process of changing institutions. However, the determination of which institution-building process is occurring depends on the focus of the analyst. Through the investigator's focus, institutions are created through processes and situations that produce new rules, knowledge and practices (Scott 2014). Notably, the processes of new rules are derived from previous inherited customs and traditions (Greif 2006). On the other hand, the process of institutional change is examined by the investigator through the presence of offensive practices or processes to strip the current beliefs and norms or abandonment of current customs and the imposition of alternative rules and new scripts for their use (Scott 2014). Overall, analysts recognise two institutional environment processes – institution building and institutional change.

In addition to the processes of institution building and change, two perspectives of how the institution is built have been proposed. The first view claims that institution building arises from the demand to develop and solve an existing, recurring problem (Suchman 1995). Actors not only attempt to assess and address the existing problem by creating a collective meaning, which is known as the cognitive process (Weick 1995), but they also participate in the generalising of comprehensive and context-appropriate solutions (Suchman 1995). That is, the institutions that are created can be analysed at varying levels, such as the organisational subsystem and the global system, as long as they meet the demand for solving an existing or recurring problem (Suchman 1995). On the other hand, the supply-side view holds that actors propose new patterns, laws, symbols and routines that are applicable not only at the international level but on several different levels (Meyer 1994). Although the actors attempt to convince individuals that there is a problem that needs a solution through these new schemas, rules and artefacts, these new institutions are not produced only as solutions but sometimes as an update or response to the current situation (Meyer 1994). More precisely, professionals and associations disseminate the new rules and procedures on a global and societal level, while institutions such as management institutions, consulting firms and accounting companies undertake the task of promoting the new principles and rules at the levels of the organisational field, individual organisation and organisational population (Scott 2014). Several theorists assume that new institutions are created as a result of the demand to solve a recurring problem or the need for developments and updates.

Multiple levels of institution building exist based on varying approaches with different qualities and characteristics. At the transnational level, institution building relies on the rationality to realise the self-interests that the nation-state constitutes in political life or non-state actors (e.g. NGOs) to manage economic operations (Morgenthau 1948; Keohane & Nye 1977). Notably, not only does the rational approach play a role in institution building, but normative and cultural forces are also important in the formation of institutions (Widmaier et al. 2007). In particular, scholars who support this approach do not view globalisation as an increase in global standardisation but rather as a single model consisting of multiple and diverse levels characterised by competing and conflicting processes and its use of logic (Djelic 2003). On the other hand, institutions are built at the societal level by governments to preserve the property

rights of individuals and to enforce these systems for economic and social regulation (North & Thomas 1973). The creation of institutions at the field level focuses on agreed ground rules for commercial arbitration and the resolution of disputes between companies across countries (Dezalay & Garth 1996). For example, Consumers Union is a watchdog responsible for workers' and consumers' rights (Rao 1998). In contrast, organisations arise at the population level similar to the ideas, techniques and social habits of other organisations in their environment (Stinchcombe 2000). In other words, new organisations do not introduce innovations into their environment but rather copy actions and practices from existing organisations (Aldrich & Ruef 2006).

Moreover, other theorists posit that, at the organisation level, organisations use rational choices when uncertainty prevails in their exchanges with partners, which leads them to comply with the high-cost regulations and rules of formal government transactions (Williamson 1994). On the contrary, organisations tend to reduce transaction costs when the market is transparent and easy to monitor (Williamson 1994). Further, organisations employ internal informal structures (i.e. normative values, beliefs and cognitive traits of organisations) and external collaborative relationships to ensure the survival of their organisations (Selznick 1996; Selznick 1957). The level of interpersonal and intra-organisational relations is known as game theory or prisoner's dilemma and depends on two criteria: cooperation or non-cooperation between the two players (Axelrod 1984). If the two parties cooperate, they get a medium reward, and if the two parties do not cooperate, they get a low reward. When only one of the two players cooperates, the cooperating player loses and the non-cooperative player gets a large reward. The main challenge faced by the players is that normative and cooperative standards and knowledge are limited between them (Axelrod 1984). However, organisations create standards of dealing and organisational structures to manage economic behaviour and regulation within and across organisational boundaries rather than resorting to the use of alternative high-cost systems (Macaulay 1963; Elsbach 2002). In short, because the institutional environment is wide and complex, institution-building processes consist of many levels, starting from a transnational level up to interpersonal and intra-organisational levels.

Although actors can be divided into those concerned with their self-interest or those who focus on achieving collective goals, multiple types of actors contribute to the establishment of institutions and institutional change (Scott 2014). Also, each actor has unique characteristics and sources of power that can play an important role from other actors in the institutional building process. The nation-state agent as a force that leads to the imposition of its regulations and the exercise of its authority is considered an important type of agency. In other words, the nation-state cooperates with legal professionals in defining the rights of collective actors as a result of their unnatural power in creating the institutional policies (Streeck & Schmitter 1985). Corporations and other business organisations are another type of agent that plays an important role in constructing institutions through the regulation and control of economic resources. Companies and other business organisations are known also as elite corporates that have enormous potential in building networks of relationships, negotiating materials with their corporate competitors or curbing their competitors (Fligstein 1991). Associations constitute an important component that contributes to influencing the behaviour of a group of individuals through the enactment and dissemination of standards, such as professional and business associations, to serve the interests of their members (Scott 2014). However, the degree of acceptance and application of standards depends to a large extent on the factors of proximity of associations to the state and the time factor (Tate 2001). On the other hand, social movements have been considered as influential actors that use issue framing, competition and collective mobilisation around shared interests (Davis et al. 2005), whereas marginal players are a vital and important factor in innovation and education processes, as they discover the shortcomings and gaps in social networks (Burt 1992). Although marginal players suffer from weak social ties with individuals and organisations, they have a strong influence due to the difference and contradiction of their ideas with members of society (Scott 2014). On the whole, much of the literature pays special attention to the processes of institution building and change at different levels of the environment as well as the relationship of naturalistic accounts and agent-based approaches.

#### **2.2.4. Scott's institutional theory and agency theory**

Published studies have described the role of naturalistic or agent-based accounts of the regulative, normative or cultural-cognitive pillars. In detail, analysts draw on an agent-based

approach to examine the regulative element, and they view individuals as rational agents who use arithmetic and strategy processes in constructing rules. Analysts also see agents as methodological individuals who evaluate processes and causes ruled by the power or majority party. Conversely, analysts assume normative elements are based on naturalistic calculations because moral needs and obligatory expectations are constantly evolving and interacting. Examiners also assume that institutions made up of cultural-cognitive elements depend on more naturalistic and impermanent processes (Scott 2014). It is worth noting that the rational regulative rules provide many standard procedures and practices to enhance their presence in the authority or forums. Normative institutions can use rationality in their operations through professional bodies and trade associations. Concerning cognitive elements, rational option processes are created – which may be incomplete collective – that are propagated by institutional cultural authorities (Scott 2008). In short, naturalistic or agent-based accounts are used with the three institutional elements to different degrees.

### **2.2.5. Contemporary issues in institutional theory**

In recent years, there has been increasing interest and criticism of institutional theory and Scott's institutional theory that links institutions to individuals through rules and penalties and the effect of norms and social-cognitive mechanisms. Scott (2008) believes that legitimacy has multiple mechanisms and different foundations according to the three pillars of institutions. Legitimacy is achieved from (a) the regulative side through compliance with rules and the enactment of control systems and formal and informal penalties (b) while underlining the normative obligations and appropriate behaviours in social life and (c) highlighting the common schemes, structures and cultural symbols to guide the behaviour of the individual towards compliance with the legitimacy of the cultural cognition. Scott's institutional theory has been noted to be comprehensive and flexible and has been adopted across a multitude of research studies. In particular, it has helped understand the link between regulative, normative, cultural-cognitive pillars and materials and activities to achieve a stable and meaningful social life. Nevertheless, several scholars have directed some criticisms and suggestions to his theory. In the following sections, contemporary issues in institutional theory and Scott's institutional theory are discussed.

Although attention has focused on the use of institutional theory in organisational studies, many authors have recently criticised the new institutional theory (Munir 2015; Alvesson & Spicer 2019; Willmott 2019), as reviewed in this section. One criticism is that the new institutional theory lacks critical thinking (Willmott 2019; Lok 2019). For instance, Munir (2015) claimed that institutional theory overlooks the aspect of power, hegemony and hierarchy. Munir (2015) argued that the institutionalists' misunderstanding of the distinction between power and violence makes them neglect the concept of power. Munir (2015) maintained that despite the efforts of critical theorists (e.g. Foucault, Habermas and Gramsci) to highlight the hegemony of belief systems, institutionalists removed these contributions from the review sections of their institutional theory literature. Institutionalists are changing the terminology of critical theorists from hegemony to taken-for-grantedness and from ideology to logic, thereby disconnecting the links between critical literature review and institutional theory's literature to change the original political meaning (Munir 2015). Munir (2015) further argued that the difference with institutionalists regarding the issue of power is an ethical and moral one, not epistemological or existential. He also claimed that institutionalists do not always consider injustice problematic, as opposed to critical scholars who find unfairness chafe (Munir 2015). Organisational critics have also argued that institutional theory tends to be a pseudo-progress and degenerative research characterised by repetition and tautology because it presents saturated and fragmented organisational concepts (Alvesson et al. 2019; Alvesson & Spicer 2019; Reed & Burrell 2019). A number of critics have also claimed that institutional theory is dominant because it benefits from organisational studies that artificially produce crises that disappear (Reed & Burrell 2019). However, in the following sections, a detailed discussion of these criticisms and the responses of institutional theorists to these arguments are provided with compelling evidence.

Munir claimed that institutional theory needs to be liberating and critical and look at structures of oppression and domination in a normative, ideal-based manner (Munir 2019). Drori responded to the critics by emphasising the definition of critical, which refers to the two factors of power and coercion; that is, differences in abilities and capacities affect and direct workflow and prescribe meanings. The institutional theory has corrected its definition of critical due to the brusqueness of power and coercion and the emphasis on the influence of the power of authority and enactment. Although the term power is rarely mentioned in institutional theory, it

emphasises the effect of social power on work and social fields (Drori 2019). For example, the term 'turn' in DiMaggio and Powell's (1983) work of the three mechanisms of isomorphism refers to the term 'power' and 'imposition' in coercive isomorphism, the use of imitation and modelling in the mechanisms of mimetic isomorphism and the reliance on legitimacy and authority of professionals in normative isomorphism. Drori argued that Munir's claim of institutional loss of power is incorrect and the example cited above shows that authority refers to power and exploitation, legitimacy to the acquisition and granting of resources and enactment to action and conduct (Drori 2019). In other words, institutional research emphasises what is taken for granted by exploring the 'institutional authority, legitimacy and appropriateness from under obvious power' (Drori 2019, pp. 4). Critical theorists rely on capital C and the lowercase c when they critiqued the institutional theory. The C denotes a theoretical position and c refers to investigative examination that warns plausible ideas and routines. Furthermore, Drori rejected this C/c distinction and argued that the term critical fits with a singular theoretical approach and normative criticism. In the sense of distinction, C/c is not commensurate with the intellectual criticism of the institution due to the difficulty of converting to the paradigm or epistemology (Drori 2019).

Scholars criticise institutionalists for emphasising actor interpretations and exaggerating social inequalities (Amis et al. 2018). For Drori (2019), the term Critical refers to the dissimilarity and inequality due to the nullification of social progress or as a result of the privilege of those who possess social capital. Indeed, Drori (2019) argued that the institutionalists use concepts of difference and inequality for conceptual and methodological research as well as for critical observation of social order (Drori 2019). Moreover, the institutional theory is in a stage of maturation and dominance, and it challenges the prevailing traditional theories that highlight individualism and agency; therefore, institutional scholars request prominent institutional scholars to publish institutional studies that focus on the patterns of the process of creating and expanding the difference (Drori 2019). For example, a number of the institutionalists have contributed to activating the role of institutions in creating inequality through the dissemination of their literature, such as gender exemplification in business (Thébaud 2015), racial discrimination in the workplace (Hirsh & Kornrich 2008) and uneven diffusion patterns (Drori et al. 2014). In response to the statement that institutional theory



ignores hierarchy and class (Munir 2015), the institutionalists see class as an ideal and socially required category created to be a reference for all others (Drori 2019). Indeed, institutional theory is interested in studying class because it emerges in social, national or historical contexts (Drori 2019).

One criticism of the new institutional theory is that it has a sinful, neutral value in its views on social unrest and oppression (Munir 2015). Others have argued that institutional theory is fed by ‘anything other than a conservative or liberal intellectual tradition’ because it has a conservative origin’ (Willmott 2019, pp. 2). Drori (2019) responded to these criticisms by stating critical is defined as the agenda of empowerment and change and acknowledgement of asymmetries of force, which mean value judgements in the institutional perspective are clear because they are related to the context of the objective study and they contribute to the processes of social building, fantasy, representations and meanings. Moreover, Drori (2019) rejected Munir's (2011) claim that the institutionalists do not share their predictive or prescriptive views on the issues of ‘grand social challenges’ and argued that the institutionalists have presented studies with institutional tools that discuss grand issues, such as poverty reduction (Mair & Marti 2009), environmental protection (Frank et al. 2000) and human rights (Cole 2005).

One such criticism is that Scott's division of the institution into three pillars leads to a narrowing of the broad view of the institutional relationships being investigated and, therefore, is at risk of becoming an empirical taxonomy rather than a framework. This criticism was voiced by pragmatists, who suggested the addition of a fourth element called the pillar of habitual behaviour. For instance, Gronow (2008) argued that habitual behaviours are repetitive actions that are stable in specific contexts and that, upon initiation and execution, require little conscious thought; therefore, he suggested adding it as an institutional element accompanying the three original pillars. Although Scott (2014) supports the ideas of pragmatism associated with institutions that focus on actions, practices, customs and routines, he rejected their proposal for adding a habitual behaviours pillar because the cultural-cognitive pillar already includes repetitive behaviour and routine actions and procedures are also considered among the carriers of the three pillars-

Due to the focus of some research on one institutional element or highlighting the institutional sub-elements, the analytical process of institutions has been made narrow, and institutional change and diffusion have become dependent on longitudinal linear analyses. Scott's institutional theory was criticised for being too narrow because some researchers only used one element of the institutional elements. To address this obstacle and for the expansion and comprehensiveness of institutional analysis, this study used all the elements of Scott's institutional theory. Indeed, Scott emphasised the use of all institutional elements, including regulative, normative and cultural-cognitive pillars to reach a comprehensive understanding of institutions and ascertain the impact of institutional constraints related to agency, activities and actors (Abdelnour et al. 2017). Stable activities and practices in a particular environment are not only a result of being taken for granted and their social acceptance by members of society but also because the government supports them through regulations and laws.

Although debate exists among scholars about the unification of the effects of institutions and the diversity of levels of institutions, this study adopted Scott's institutional theory because of the advantages of exploring the phenomenon of the informal economy in Saudi Arabia in detail. More specifically, this framework enables both a micro-level analysis, which considers informal entrepreneurs who run their small enterprises, and macro-level analysis to study society, policies and regulations surrounding entrepreneurs and their impact on their decisions to launch informal enterprises. However, more recently, scholars have realised that the environments and fields in which organisations operate are diverse and different, and institutions have been divided into different levels that include levels of 'world system, society, organisation field, organisational population, organisation and organisational subsystem' (Scott 2014, p. 105). Therefore, they believe that unifying the effects of institutions is not achievable (Scott 2014). Although some institutionalists are interested in studying the organisation at a micro-level and others focus on examining organisations at a macro level, Scott (2014) insisted on using both micro and macro levels because of the advantages of the effectiveness of exploring the phenomenon from the aspects of the individual, organisation, population and field. Also, a group of scholars interested in institutional theory support the examination of social structures and the influence of individual and collective actors not only at one level analyses but the study of social phenomena across levels (Schneiberg & Clemens 2006).

In sum, several contemporary thinkers levelled criticisms of the new institutional theory, the most important of which was the lack of criticism and participation in their opinions about the major challenges and the false progress of institutional theory. However, institutionalists responded to these criticisms with supporting evidence. Further, although Scott's theory was criticised, it has been developed as an effective framework. One of these criticisms is the suggestion that a fourth element related to repetitive verbs was needed, but Scott justified the existence of this element under the misleading element of the cultural-cognitive pillar. Also, Scott emphasised the use of the three institutional elements to ensure extensive investigation and comprehensive analyses in response to some theorists' arguments that the theory is too narrow. To explain social events in the broad institutional environment, institutional researchers must consider the division of contexts at different levels instead of the previous argument for the unification of institutions. Indeed, organisational studies have witnessed an increased focus on the organisation outside its internal environment, such as organisational ecology and organisational populations and fields.

### **2.2.6. Gender and feminist theories**

Although the Islamic religion supports women's rights in all fields, Saudi women were suffering from regulative and social obstacles in the Saudi labour market. Recently, the Saudi government has worked to enhance the role of women in the Saudi economy by removing regulative, cultural, social and economic obstacles that impede equality between the rights of women and men (The Embassy of the Kingdom of Saudi Arabia: Washington DC 2019). Given these radical transformations in women's rights, this study not only sought to explore the gender differences between Saudi entrepreneurs who run informal enterprises but also understand comprehensively the institutional environment that leads male and female entrepreneurs to avoid registering their enterprises with some or all government agencies. This thesis also focuses in detail on exploring the opportunities and difficulties related to regulative, normative and cultural-cognitive aspects that men and women entrepreneurs face in running their informal enterprise and discovering which of these aspects have the greatest impact on entrepreneurs in avoiding the informal registration of their enterprise. Therefore, this study used Scott's (2014) institutional theory, which emphasises the complexity of institutions and the idea that institutional forces can

liberate and restrict efforts against inequality and injustice, to explore this topic comprehensively. In other words, this study does not adopt a viewpoint that defends women's rights only and ignores other aspects; rather, it aims to explore the differences between both men and women from a neutral point of view.

Feminist theories focus on women's issues and the oppressions women face through the study of human behaviour in different social contexts and institutional scholars focus on building frameworks that explain the causes of inequality between men and women (Badran, 2009; Mackay 2011). However, this study did not adopt any of these feminist theories due to their lack of comprehensiveness in explaining the phenomenon of the informal economy in the Saudi environment and exploring regulative, normative, cultural-cognitive aspects in-depth. Indeed, the feminist institutional theory is in a beginning stage and has not reached the stage of completion (Kenny, 2007; Lovenduski, 2011). Also, most feminist theories are Western-oriented and do not fit the Saudi Islamic context. One exception is Islamic feminism theory, but this approach has multiple and contradictory doctrines that are difficult to employ in this research. However, for transparency, many of the feminist viewpoints and why they were not suitable for guiding this research are reviewed below.

Institutional researchers have shown a growing interest in women's rights and gender discrimination issues. Institutionalists occasionally mention institutional female actors as a fixed background variable in gendered literature (Mackay & Petra 2003, cited in Waylen 2014). Feminists engage with four forms of neo-institutionalism: rational, sociological, discursive and historical institutionalism (Schmidt 2008; Hall & Taylor 1996; March & Olsen 1984; Krook & Mackay 2011; Lovenduski 2011). Although theorists of neo-institutionalism and feminist political science theorists have made an effort to synthesise conceptual frameworks and analytical tools to build a concept known as feminist institutionalism that aims to discover the causes of inequality between men and women in public and political life, feminist institutionalism does not explain all social phenomena due to limited evidence (Mackay 2011). Also, feminists see neo-institutionalism as inadequate, as it does not account for the gendered nature of institutions (Kenny 2007; Lovenduski 2011). Briefly, despite the interest of institutional theorists in the formation of an institutional feminist theory that explains the causes

of inequality between men and women, it has been subjected to many criticisms due to its lack of comprehensiveness.

Moreover, a feminist wave emerged among the ideologists of the Islamic world demanding equality for men and women within an Islamic religious framework. In particular, in the 1990s, the term *Islamic feminism* came into use in several countries, such as Saudi Arabia and Turkey (Badran 2009). Badran (2009:324) defined the term ‘as discourse that depicts the Muslim community in a comprehensive way and derives its understanding from the Quran to seek justice and equality between women and men in public life and civil institutions’. Moreover, the new gender-sensitive or feminist hermeneutics go on to reject patriarchal authority (Badran 2009). According to Hjärpe (cited in Ahmed & Jahan 2014), Islamic feminism includes four types: atheist, secular, Muslim and Islamic feminism. Proponents of atheist feminism believe religion oppresses women, whereas secular feminism sees Islam as neutral and believes that the relationship between Islam and feminism depends on whether a society interprets Islam in a liberal or patriarchal way. In contrast, Muslim feminism includes teaching the Quran because much of sharia (Islamic law) is based on a patriarchal reading of the Quran. The term Islamic feminism is used here to refer to state-supported feminism or a part of a fundamentalist religious movement. Islamic feminism seeks to emancipate Muslim females and, importantly, does not challenge religion nor blindly follow its doctrine. Although this study aimed to explore the phenomenon of informal enterprises run by Saudi Muslim male and female entrepreneurs who live in a Saudi Muslim society, the use of Islamic feminist theory does not assist this research in explaining the phenomenon of the informal economy in a holistic manner. In particular, this theory is not suitable due to the limited focus on the religious standard in explaining social phenomena and not highlighting other contributing factors, such as the cognitive or regulative aspects. In short, although the theorists of the Islamic world founded a feminist movement that supports equality for men and women, they did not agree on a unified idea that supports women’s rights in Islamic communities. Rather, the theorists of Islamic feminist theory have many ideas and directions in the interpretation of the Quran for women’s rights.

Feminism is a theory or movement that works to secure political, lawful or economic rights for women and enhance their position to become equal to the rights given to men (Delmar 2018).

However, feminist thought does not pursue unified ideas but consists of diverse viewpoints, following the beliefs of feminist theorists. Liberal feminism encourages the equality of rights and opportunities between women and men in capitalist social and economic systems (Connelly et al. 2000), attention to the aspects of women's issues in the public sphere (Saulnier 1996) and seeks to liberate women from any social restrictions (Mbatha 2011). However, liberal feminism does not give attention to certain women-related issues, such as poverty and childcare (Saulnier 1996). On the other hand, the Marxist feminist perspective sees the importance of linking Marxist thought, which focuses on the exploitation of the working class by capitalists, and the issues of exploitation rooted in the sexual division of labour facing women by capitalists (Jayawardena 1986). However, this perspective has placed greater priority on eliminating capitalism and has neglected women's issues (Connelly et al. 2000). In the light of empowerment of Black women, the Black feminist movement focuses on the struggle of Black women against the racial discrimination they face because of race (Collins 2000). Further, radical feminism not only points to inequality between men and women (Benokraitis 2005) but argues that men persecute, oppress and abuse women as a result of women's low status and difficulty in defending themselves (Rashid 2006). Scholars have emphasised the impact of the patriarchal system on the process of women's oppression and the difficulty of developing projects that protect women (Rashid 2006). Supporters of radical feminist thought believe that the oppression of women is not an individual problem faced by an individual woman but that the domination of women is a collective, social and political issue (Friedman et al. 1987). Although feminist theory incorporates many different approaches (Giddens 2013), most are based on a Western/Christian construct that cannot be applied to Islamic countries.

In short, although the study aimed to explore the differences between male and female entrepreneurs, a review of the literature focused on securing equality between men and women in an institutional context indicated many of these theories were not suitable for this study. For instance, although institutional theorists have attempted to explain the causes of inequality, they have not been able to account for all aspects of the social phenomenon because such theories are still under development. Also, feminist theorists have offered many viewpoints concerned with women's rights, but these theories do not fit in with this study because it focuses on ideas concerned with Western society. Given that Islamic feminist theories have been exposed to many contradictions and criticisms, it is difficult to adapt them to explore the phenomenon of the Saudi

informal economy. Since this study sought to explore many of the complex aspects that led to the existence of the informal economy in Saudi Arabia, Scott's theory was appropriate to help me explore the institutional environment comprehensively and understand in detail the regulative, normative, cultural-cognitive reasons that lead entrepreneurs to engage in the informal economy and understand the differences between male and female Saudi informal entrepreneurs.

In general, the literature shows that institutional theory is rooted in the work of Max Weber and Emile Durkheim, and that a new institutional theory was developed in response to criticism of the old institutional theory. Despite the fact that institutional theory has branched out into a number of different perspectives, this study adopts Scott's institutional theory, which focuses on regulative, normative and cultural-cognitive aspects to explore the reasons that lead entrepreneurs avoid registering their enterprises with some or all government agencies. This section also explores the relationship between institutional theory and agency theory and addresses contemporary issues facing institutional theory. This study also discusses gender theories and perceptions.

### **2.3. Gender and entrepreneurship**

Although female entrepreneurs create jobs, improve society and the economy, and contribute to technological innovation (Lerner et al. 1997; Bosma & Harding 2006; Bosma & Kelley 2019), women are less likely than men to engage in entrepreneurial activities (Bosma & Kelley 2019). Obviously, in Saudi Arabia, women's participation in entrepreneurship is influenced by obstacles regarding gender and cultural norms. Therefore, male Saudi entrepreneurs are more likely to engage in entrepreneurial activity (Total Early-stage Entrepreneurial activity – TEA rate: 14.7%) than female entrepreneurs (TEA rate: 8.5%) (Bosma & Kelley 2019). The theory of social feminism provides a useful account of how men and women are equal but how unique socialization processes make them different (Carter & Williams 2003). Also, a large wealth of literature demonstrated the differences between men and women entrepreneurs, which included the following: 1) the size of the SMEs enterprises, 2) the profit of the SMEs enterprises, 3) cognitive characteristics of entrepreneurs for starting up SMEs, 4) enterprise sector, 5) enterprises location, 6) enterprise workers, 7) enterprise capital, 8) governmental barriers and support, and 9) e-government services. Because of the limited previous studies in Saudi Arabia on gender differences in the informal economy, this study seeks to explore the gender gap in the informal sector.

#### **2.3.1. The size of the SMEs enterprises**

The gender gap in entrepreneurship exists across the world and one of the main differences between male and female entrepreneurs is the size of the businesses they operate. A variety of studies have established that female entrepreneurs operate smaller enterprises than male entrepreneurs (Breen 2010; Garwe & Fatoki 2012; Rijkers & Costa 2012). Female-owned businesses account for fewer sales (Loscocco et al. 1991; Robb & Wolken 2002; Coleman 2007; Rijkers & Costa 2012; Loscocco & Bird 2012), hold fewer assets (Robb & Wolken 2002; Coleman 2007), have lower incomes (Loscocco et al. 1991) and employ fewer workers (Robb & Wolken 2002; Heilbrunn 2004; Coleman 2007) than male-owned businesses due to the smaller size of female-owned ventures. One study by Bird and Sapp (2004) conducted in Iowa associated the smaller size of the businesses of female entrepreneurs with these entrepreneurs' lack of experience and civic involvement. Furthermore, a study has attributed the small size of female-owned businesses to the difficulties female entrepreneurs encounter when



obtaining financial aid and bank loans to expand their enterprises (Still & Walker 2006). However, in a study that investigated gender and entrepreneurship in Iran, Bahramitash and Esfahani (2014) found that female entrepreneurs in Iran tended to own larger firms more often than the MENA region. Importantly, researchers have not explored the difference between the business sizes of male and female entrepreneurs in much detail. On the contrary, some evidence in the MENA and Arabian gulf regions has suggested that small ventures are run by female entrepreneurs (Dechant & Lamky 2005; Drine & Grach 2012). Female Saudi entrepreneurs in particular have tended to operate micro businesses (Ahmad 2011). While most studies in the field of entrepreneurship have focused on the size of the enterprises of both male and female entrepreneurs, there are few studies in Saudi Arabia investigating why informal entrepreneurs, who run micro- and small- and medium-sized enterprises (SMEs), choose to engage to the informal economy. Therefore, this study seeks to explore the opportunities and challenges that self-employed entrepreneurs and the leaders of micro- and small- and medium-sized enterprises face.

### **2.3.2. The profit of the SMEs enterprises**

Enterprise profits are one of the factors that indicate the differences between companies run by men entrepreneurs and women entrepreneurs. Several studies have shown that male entrepreneurs are more successful in various measurements of performance and profit than their female counterparts (Bird & Sapp 2004; Watson & Newby 2005; Rijkers & Costa 2012; Henry et al. 2016). Furthermore, Bird and Sapp's study has highlighted the number of hours spent working (Bird and Sapp, 2004) as reasons why women's enterprises are less profitable than men's. On the other hand, a study finds that enterprises run by men get high profits more than women's enterprises, but there is no difference between the performances of male and female enterprises (Watson & Robinson 2003). These studies would have been more useful if they had focused on the profit of informal enterprises. Therefore, this study aims to investigate if the target for profit may have a more significant impact on male entrepreneurs more than women entrepreneurs for running informal enterprises.

### **2.3.3. Cognitive characteristics of entrepreneurs for starting up SMEs**

In the literature that has explored the differences in the cognitive characteristics of male and female entrepreneurs, the relative importance of knowledge and skills has been the subject of considerable discussion. There are several studies illustrated that knowledge, abilities and skill level impact entrepreneurs to start up their enterprises. Entrepreneurs' education can impact the performance of their enterprise and their chance to develop their businesses. Data from various studies has suggested that the performance of SMEs is high when the entrepreneurs behind the SMEs have high levels of education (Bowen et al. 2009). One study by Blumberg and Letterie (2008) pointed out that a business's administrative capability is improved by having a well-educated owner.

Moreover, an ambiguous relationship exists between male and female enterprises and entrepreneurs' education levels. In their analysis of gender and entrepreneurship in Iran, Bahramitash and Esfahani (2014) found that well-educated females who operated SMEs and large enterprises have business leadership skills and have strong access to financial sources and valuable networks. This view was supported by Storey (2004), who wrote that male entrepreneurs, who had higher levels of education than female entrepreneurs, had better chances to apply for loans successfully and were less likely to be rejected for loans than less educated entrepreneurs. Further, study has found that male entrepreneurs tend to be more educated in business and had managerial skills than female entrepreneurs (Greene et al. 2003). Other researchers, however, have claimed that female entrepreneurs who ran SMEs were better educated, more commonly having completed a high school or university degree (Ufuk & Özgen 2001; Bird & Sapp 2004; Breen 2010; Yilmaz et al. 2012) while other writers have found that male SME owners possess higher-level skills and education than female SME owners (Drine & Grach 2012).

Indeed, a study showed that women entrepreneurs in developing countries are characterized by having a few innovative and competitive skills (De Vita et al. 2014). In Malaysia, women entrepreneurs face difficulties in managing their enterprises, and therefore they believe that developing their skills and increasing their background in business management is one of the solutions to face difficulties (Ilhaamie et al. 2014). Data from several studies suggest

that women entrepreneurs see themselves as more open to innovation and have skills in entrepreneurship to start up their businesses (Dzisi 2008; Sharma & Varma 2008; Vorley & Rodgers 2014; Shastri 2019) while others indicated that women entrepreneurs suffer from a lack of knowledge and knowledge about business development and management and the lack of marketing skills, competitive skills and risk-taking skills (Kepler et al. 2007; Roomi et al. 2009; Modarresi et al. 2017). Furthermore, women entrepreneurs (especially who have a physical disability) suffer from low physical ability such as fatigue, tiredness or and muscular weakness from carrying weightlifting during the practising of their activities (Roomi et al. 2009; Modarresi et al. 2017).

In Saudi Arabia, Ahmad (2012) shows that Saudi male entrepreneurs suffer lack of business training. Likewise, Saudi women launch small enterprise with small capital in certain activities according to their skills, level of education and knowledge, which led these women entrepreneurs to have a lower level of competition less than male entrepreneurs (Ahmad 2011). However, other study finds that female Saudi entrepreneurs tended to achieve high levels of education (Welsh et al. 2014).

The other entrepreneurial characteristics that affect male and female business owners are the owners' experience. The other entrepreneurial characteristics that affect male and female business owners are the owners' experience and the age of the business. In fact, female entrepreneurs have been shown to have much less work experience (Bird & Sapp 2004). For example, industrial activities are less likely to be operated by women entrepreneurs due to their lack of experience with the field (Drine & Grach 2012). In other words, male business owners have tended to have employment experience before engaging in entrepreneurial activities (Kepler et al. 2007). However, in an analysis of Saudi entrepreneurs, Ahmad (2012) found that male entrepreneurs had lack of experience.

In general, the authors illustrate that cognitive characteristics of male and female entrepreneurs, included knowledge, abilities and skill, impact on them when they run their SMEs enterprises. According to many of the previously published studies on the level the knowledge, experience, abilities and skills of Saudi entrepreneurs and the gender are not consistent.

However, these studies in the field of Saudi entrepreneurship have only focused on men or women separately, so the aim of this paper is to explore not only the difference between male and female Saudi entrepreneurs who engage in micro ventures and SMEs but also study whether the lack of knowledge, experience, abilities and skills affect on the decision of male or female entrepreneurs to operate their enterprise in the informal economy.

#### **2.3.4. Enterprise sector**

A considerable amount of literature has been published on the association between gender and business sectors and showed the social and cognitive factors influence the participation of men and women entrepreneurs in specific sectors. Social norms are one of the main determinants that led entrepreneurs dominating some sectors based on gender. Previous researches have established that that the construction sector is dominated by male entrepreneurs, while the services sector such as educational, cultural and recreational services and the retail sector, in general, are increasingly run by women entrepreneurs (Hanson 2003; Watson & Newby 2005; Ardelean & Pribac 2015). Similarly, Breen (2010) study confirmed that women entrepreneurs in household businesses run their enterprise in the manufacturing and services sector such as personal services, food services, accommodation services and entertainment services, while male entrepreneurs dominated the construction trade sector. Also, Turkey women entrepreneurs had difficulty practising activities that are dominated by men such as the construction sector or technology as a result of the difficulty of building reliable relationships with stakeholders in these sectors (Maden 2015).

Although the agriculture sector has been dominated by male owners for thousands of years, women entrepreneurs have entered this sector in spite of the difficulties they faced from their male peers due to male social norms that believe that men perform higher than women, the absence of female models in running their enterprises in specific activities, the fierce competition and dealing with male stakeholders (Haimid et al. 2016). Additionally, Ghanaian women run their enterprises in traditional industries such as fabrics, sewing, hairdressing, jewellery attributing this to projects inherited from their families and the high demand in female products or services (Dzisi 2008). Further, women tend to run businesses in the retail sector which are trends that could be attributed to the conventional separation of occupations; the unique cultural

power in certain regions (Dechant & Lamky 2005). In Saudi Arabia, social acceptability such as gender segregation is influenced by choosing to engage in entrepreneurial activities (Ahmad 2011), and ethics and legality can play an important role in establishing the validity of these male and female businesses. For example, some industries, such as the tobacco industry, are accepted by Saudis and the government even though Islam describes these industries as harmful and unethical (Kayed & Hassan 2010).

The enterprise's inputs, which include skills, knowledge, raw materials, financial sources, constitute an impediment or incentive for men and women entrepreneurs when they choose the type of enterprise activities. Some researchers justified the focus of women entrepreneurs on the certain sectors due to the lack of experience and knowledge required to succeed in other sectors, women's tendency to invest and exploit their innovative skills and hobbies into businesses (McElwee & Al-Riyami 2003; Dzisi 2008; Roomi et al. 2009; Pablo-Martí et al. 2011; Vorley & Rodgers 2014). A study conducted in Turkey confirmed that women entrepreneurs are joining the services sector such as health care or entertainment or industrial sectors such as household consumer goods or making food because of the ease of access to knowledge and guidance (Maden 2015). A comparison between Arab women, Drine and Grach (2012) show that Tunisian women entrepreneurs chose to practice their business in the financial, telecom and real estate activities while the most common sectors among Saudi women entrepreneurs are fashion, jewellery, beauty salons, interior design, photography and retail / wholesale food industry and professional services such as consulting, marketing, public relations, event management and medical services (Alturki & Braswell 2010). Further, Saudi women entrepreneurs have found difficulties in limited experience and information led them to their choice to run their enterprises in the retail or services sector (Ahmad 2011). Many scholars adhere to the view that the availability of input of enterprises such as raw materials and infrastructure is one of the main factors that affect entrepreneurs in choosing a sector type (Sharma & Varma 2008; Pablo-Martí et al. 2011; Dubé et al. 2016). For illustration, although Saudi women entrepreneurs suffer from limited inputs, they run their enterprise in retail or services sectors that are commensurate with their available limited materials (Ahmad 2011).

Previous studies have shown that social factors and the enterprise's inputs affect male and female entrepreneurs in operating their enterprises in specific sectors. All the studies reviewed so far, however, focus from the fact that formal entrepreneurs run their business in specific sectors due to several sectors; therefore, this study aims not just to highlight the differences between informal Saudi male and female entrepreneurs, but also discover the reasons why entrepreneurs choose to join the specific sectors in the informal economy.

### **2.3.5. Enterprises location**

Many researchers studied entrepreneurship by looking at the criteria that male and female entrepreneurs consider in locating an enterprise. The density population and spatial concentration are considered one of the most critical factors that affect the decision of the entrepreneurs in determining the location of the enterprise. The establishments that focus on the activities such as wholesale trade, proximity trade, resources, extraction and general services are concentrated economically in an area where similar companies them which called spatial concentration (Dubé et al. 2016). Also, there is the relationship of the site is related to the type of activity, which means, that agricultural or food activities are located in places where economic diversification is low while establishments that provide public services exist in a diverse economic environment (Dubé et al. 2016). Men and women entrepreneurs rely on choosing the location of their enterprises based on area density through proximity to customers and existence in the large size of the shopping centre (Timmermans 1986; Schmenner 1994; Meester 2000; Wagner & Sternberg 2002). Further, both male and female entrepreneurs choose the location of the store based on the criterion of covering the demand and the percentage of sales (Wendt 1972; Reinartz & Kumar 1999) by calculating the number of families in the region, percentages of a family that consists of 4 and more individuals and the percentages of a family that consists of children (Reinartz & Kumar 1999). Another male and female entrepreneurs do not only use the strategy of proximity to commercial areas with high residential density but also focus on the characteristics of the population that included high income of individuals and the young age of the population and high household ownership (Karande & Lombard 2005). For example, in Indonesia entrepreneurs have opened coffee shops near schools and universities to attract customers (Nurul 2004). Also, female entrepreneurs also emphasized that the type and number of

clients are essential criteria for determining an enterprise location because it affects the business's performance (Roomi et al. 2009).

When entrepreneurs select an enterprise location, they pay attention to the region's infrastructure criterion. Other criteria that entrepreneurs, whether men or women, take into account when determining an enterprise's location are the infrastructure and accessibility of the site such as parking, attractive places and buildings, specialized space needs, human capital, demand (Wendt 1972; Timmermans 1986; Schmenner 1994; Dubé et al. 2016) and approaching the centre of the firm (Meester 2000). For example, entrepreneurs prefer running their enterprise in attractive, cultural, historical, urban areas and parks, as they feel comfortable and creative when doing their business (Smit 2011). The obstacles that entrepreneurs face lie at the heart of the understanding of the gender gap in entrepreneurship. Wagner and Sternberg (2002) find that the most difficulties that women face when starting an enterprise is the location of the enterprise. In particular, women entrepreneurs more frequently suffer from a shortage of infrastructure services, such as electricity and telecom services, than men (Breen 2010; Bahramitash & Esfahani 2014). Also, One of the most difficulties facing women entrepreneurs on the enterprise site side is the car park (Roomi et al. 2009). Likewise, Saudi women must deal with poor access to land because their renting location is more expensive (Welsh et al. 2014). Ahmad (2012) discussed the challenges and strategies associated with poor infrastructure in rural areas and how these barriers, such as inaccessible facilities, negatively affect the profit of a male business. However, these results were based upon data from male or female entrepreneurs, so the differences in the obstacles that male and female entrepreneurs in Saudi Arabia face are unclear.

One of the core criteria that affect entrepreneurs in determining the location of an enterprise is a cost standard. The cost of the land, tax on the site, labour and transportation are the critical factors that determine the location of the enterprise (Wendt 1972; Schmenner 1994). A study confirmed that the high costs of land and rents are one of the difficulties facing male and female entrepreneurs when starting up their enterprise (Wagner & Sternberg 2002). Renting an area in a shopping centre in the city centre is costly for owners of small business, but the terms of the contracts provide them with protection against competition in the shopping centre (Wendt 1972) On the other hand, some entrepreneurs pay high costs in order to compete in this business

area (Figueiredo et al. 2002). For example, male and female entrepreneurs, in India, take advantage of public places to sell their products as street vendors or to use fixed locations such as selling on sidewalks as a survival strategy (Singh et al. 2012). The women home-based businesses stressed the importance of the site's cost, so they decided to exploit their available home space as the site for the enterprise (Vorley & Rodgers 2014).

Social and personal considerations are an influencing factor on entrepreneurs' decision to choose an enterprise site. Environmental considerations and personal or family preferences influence the decisions of entrepreneurs when setting their location of the enterprise (Wendt 1972). Women entrepreneurs tend to start their enterprise in their local area or near their home, unlike men who could locate the enterprise elsewhere (Hanson 2003). This research has suggested that women in business tend to operate household enterprises to make the balance between family members duties and their works (Breen 2010; Pablo-Martí et al. 2011; Rijkers & Costa 2012).

In general, many studies indicate that men and women entrepreneurs are affected by factors of density and spatial concentration, infrastructure, cost, social and personal considerations to determine the location of the enterprises. Although these studies have shown us the reasons behind how entrepreneurs select the location of their enterprises, there are limited studies highlighting the differences between male and female informal entrepreneurs and the opportunities and challenges that affect them in determining the location of their enterprises.

### **2.3.6. Enterprise workers**

Employees are essential element of enterprises, which makes exploring the experiences of informal workers critical to our understanding about what constitutes informal employment in Saudi Arabia. It is a widely held view that men and women, whether employees or entrepreneurs, face unique opportunities and difficulties when agreeing to work together. For example, women tend to employ fewer workers (Rijkers & Costa 2012) than men (Breen 2010) and studies also show that women tend to be self-employed to a greater extent than men (Edwards & Field-Hendrey 2002; Roomi et al. 2009). In the 1970s, there was an oil boom in the Gulf countries, which led to a high demand for foreign migrant workers from other Arab and Asian countries in



order to develop the infrastructure for the manufacturing projects in those rich countries (Castles & Miller 1998). Governments who send workers to the Gulf States, such as the Philippines, Sri Lanka and Indonesia, have also been active in encouraging their citizens to emigrate to the Middle East (Robinson 1991; Gardner 1995; Castles & Miller 1998). Foreign workers, particularly if they are Muslims, often take advantage of this opportunity to emigrate to Saudi Arabia as there may be an opportunity to perform the Hajj (Silvey 2005). However, some workers, particularly Indonesian workers, prefer working in high-income countries such as Saudi Arabia in order to earn enough money to provide for their families back home (Silvey 2006). Although foreign workers often share the same history, religion, and language with Saudi citizens, foreign workers in Saudi Arabia suffer from restricted residency regulations and work restrictions, and often suffer violations of their rights due to the absence of laws and regulations that would otherwise protect them from being exploited by their employers (Atiyyah 1996; Fernandes & Awamleh 2006; Elamin & Alomaim 2011).

The most traditional type of employment is home-based workers who suffer social and regulatory barriers, and they use the home as work opportunities; therefore, a probable explanation is that entrepreneurs exploit home-based workers by avoiding registrar them with government agencies. Home-based workers are characterized as self-employed and family members who assist them in producing goods and services from home and providing those productions to the market as well as salaried labours and their family members, who help them, work for the employer who may or may not provide inputs and materials to produce goods or services (International Labour Organization 1996). To overcome poverty and support of their family, working from home is the only option for women, who suffer from the social constraints of working outside the home boundaries because of housework, veil, gender racism, limited mobility and taking care of the kids (Hassan 2014). Other women emphasized that they took advantage of the opportunity to work from home in order to care their family members whether they are children, the disabled, or the elderly (Edwards & Field-Hendrey 2002). Women home-based workers suffer from lower wages because of the fewer working hours more than men home-based workers (Rowe et al. 1992). Women workers based home assured that they suffer from low wages, and unhealthy and arduous work environment, and the absence of health insurance (Hassan 2014). Because of the lack of transportation and poor health women workers

find working at home an appropriate opportunity for their condition (Hassan 2014). Other women workers have indicated the positives of working from home that it gives them flexibility in time, reducing site and transportation costs (Edwards & Field-Hendrey 2002). Saudi government agencies support remote workers, especially women, by providing job seekers with training programs, supporting companies with 50% of workers' salaries, enacting protection laws for employees such as health insurance benefits and allowances (Evidence for Policy Design (EPD) 2015).

Multiple and stringent laws and regulations constitute an obstacle to entrepreneurs, and it is possible that entrepreneurs avoid or manipulate employee registration with government agencies. Regarding business registration, Iranian women have faced fewer problems with tax administration or government entities when registering their business than Iranian men and other women in the MENA region (Bahramitash & Esfahani 2014). In Saudi Arabia context, because of the high presence of low-wage foreign workers, the high cost of Saudi employees, the low participation of the workforce in the private sector, the Saudi government has enacted a system of quotas (Niqatat /Saudi-sation system) for business owners to provide employment opportunities for disadvantaged citizens (Saudi Hollandi Capital 2012; Evidence for Policy Design (EPD) 2015). As a result of the system of quotas (Niqatat/ Saudi-sation system), which aims to reduce the unemployment rate among Saudis; therefore, employers contributed to providing employment opportunities for women (Alfarran et al. 2018). To ensure nationalization scheme for Saudis, the government agency requires employers to register employees with the General Organization for Social Insurance (Saudi Hollandi Capital 2012). In particular, the Saudi government imposed the replacement of male foreign workers who sell women's products, such as underwear and jewellery, with Saudi female employees to raise the level of women's empowerment (Saudi Hollandi Capital 2012). However, despite the success of the Saudi-sation program in the government sector, expatriate workers are still present in the private sector (Ramady 2010). Also, the negative effects on the implementation of the Saudi-sation program is the closure of some employers their businesses (Saudi Hollandi Capital 2012; Koyame-Marsh 2016) and start-up enterprises bear considerable costs (Peck 2017) and the presence of ghost workers (Koyame-Marsh 2016). Both male and female Saudi entrepreneurs must contend with the bureaucratic processes of government agencies (Ahmad 2011; Ahmad 2012).

The presence of competing sectors that provide high wages, incentives and compensation for job seekers may be considered as a challenge for entrepreneurs to find job candidates that work formally. In particular, employers have struggled to meet the requirements of the Saudisation policy (a Saudi labour policy that mandates the replacement of foreign national workers with Saudi workers) and to find Saudi employees who prefer to work in the private sector rather than at a government job (Ahmad 2012). Due to the attractive work environment in the government sector, which includes obtaining high wages, working for a few hours, and job security, Saudi job seekers are interested in government jobs while the work environment in the private sector has long working hours and they do not provide childcare services and the wages granted are low (Alfarran et al. 2018). Saudi employees prefer to work in the government sector than the private sector as a result of job security and high wages in the government sector, where the average wage of government workers is 7,000 riyals, while the average wage of private-sector workers is 4,800 riyals (Evidence for Policy Design (EPD) 2015). Also, a study confirmed that the level of wages for Saudi employees in accounting or law jobs is high or similar or better in terms of wages for job positions in America and Europe (Ramady 2010). Despite the low wages of foreign labour compared to the salary of the Saudis (Koyame-Marsh 2016), the costs of their residence, such as visa or renewal of a visa, are costly (Ramady 2010). The job localization program requires a minimum wage for Saudi employees, which is one of the barriers for business owners (Alshanbri et al. 2015).

Social barriers for labours is one of the difficulties that may hinder the formal recruitment process. As a result of the social constraints of separating the sexes at work, it led to an increase in costs through the provision of workspaces for women as well as the right of working women to take maternity leave has made entrepreneurs reduce the cost by employing foreign men workers instead of women (Evidence for Policy Design (EPD) 2015; Peck 2017). Another study confirmed that Saudi women prefer to work with government agencies and institutions because they provide female workplaces while employers found that the regulations that impose gender segregation in the workplace which is appropriate to the Saudi social and cultural context made them avoid employing women (Ramady 2010; Alfarran et al. 2018). Moreover, women prefer employment in the government sector or clerical occupations in banks in Bahrain and Oman (Dechant & Lamky 2005). A study indicates that job seekers are willing to work in jobs such as

religious and administrative that are similar to the jobs in the government sector, while Saudis avoid working in socially unacceptable jobs such as agriculture, construction and maintenance (Peck 2017; Koyame-Marsh 2016). Saudi men have a higher rate of employment, and fewer of them are job seekers than Saudi women (General Authority for Statistics 2019b) due to the Saudi heritage that encourages males to work in government agencies and to reject working in menial jobs or the private sector (Burton 2016). Although some job seekers find it difficult to work in certain sectors such as selling vegetables due to social barriers and their impact on its relationship with others, the current Saudi youth generation accepts work in customer service jobs in hotels, restaurants and hairdressers, contrary to the beliefs of their parents and grandparents in working with these jobs (Ramady 2010). Accordingly, this study will explore the difference between men's and women's reasons to start their own businesses.

The level of workers skills and managing relationships with workers may be one of the factors that influenced employers' decision to violate job quota rules and to employ foreign workers informally. Several possible explanations for the personnel registration problems that entrepreneurs face are the lack of employees' skills (Ahmad 2012; Bahramitash & Esfahani 2014; Welsh et al. 2014), and difficulties with managing (Ahmad 2012) and keeping employees (Welsh et al. 2014). Establishment that are run by women face challenges in the high cost of employee training and the high turnover of skilful workers that receive training on the former company's expenses and then are employed by competing companies with better salaries and benefits (Roomi et al. 2009). Women entrepreneurs in Malaysia overcome difficulties in entrepreneurship by forming good relationships with employees and employing orphans (Ilhaamie et al. 2014). Historically, Saudi Arabia relied on expatriate workers because of economic development and the lack of skills and expertise of citizens (Saudi Hollandi Capital 2012). Thus, the Ministry of Labor launched a program to support the unemployed Saudi seekers financially, at the cost of 2000 riyals per month for a year, and to provide training courses for them (Saudi Hollandi Capital 2012). However, employers in the Saudi market face challenge that Saudi labour seekers are unskilful, as schools and universities do not train potential labourer on specific skills that reflect the needs of the Saudi labour market, such as English language skills or that job seekers do not prefer working in jobs with few skills/ blue-collar jobs (Alshanbri et al. 2015; Evidence for Policy Design (EPD) 2015; Koyame-Marsh 2016; Alfarran et al. 2018). For

example, Saudis are less attracted to occupying jobs as farmworkers, therefore employers in the agricultural sector find implementing the Saudi employment system is complicated (Ramady 2010). Also, study indicates that non-Saudi workers do not have high skills and working in long hours with low wages (Ramady 2010; Ramady 2013; Peck 2017) while some foreign employees with technical and professional skills get high salaries (Ramady 2010; Ramady 2013). Saudi employers prefer to employ foreign workers not only because it is easier to control them, but because foreign workers tend to be willing to work in mobile places (Ramady 2010).

In general, previous studies have shown that workers at home face difficulties, hence they took advantage of the opportunity to find a home job. Also, several lines of evidence suggest that entrepreneurs find difficulties in finding employees due to strict regulations related to employment, social restrictions in the job and work environment, high wages and the cost of financial compensation and incentives, incompatibility between employee skills and the level of the job. Although extensive research has been conducted on employment-related difficulties by business owners and employees in Saudi Arabia, these results are based on somewhat outdated data and do not keep pace with recent social and governmental changes and developments in Saudi Arabia. Therefore, it was necessary to search for hidden reasons that led entrepreneurs to avoid formal employee registration with government agencies.

### **2.3.7. Enterprise capital**

The availability and shortage of capital play a pivotal role in the level of establishment and growth of enterprises as well as it may affect avoiding formalizing the male and female enterprises by not paying the business's registration costs with government agencies or not bearing the burden of other costs related to establishing a formal enterprise. A large number of previous studies have shown that the barrier that male and female entrepreneurs face is a lack of finance capital. Both male and female entrepreneurs who run home-based businesses have struggled with finding financial sources (Breen 2010), and no significant difference with access to financial sources was found between male and female entrepreneurs (Garwe & Fatoki 2012). Iranian women have the ability to access financial credit because of the large size of their companies more than men entrepreneurs (Bahramitash & Esfahani 2014). On the contrary, much research has indicated that female entrepreneurs are more likely to face financial obstacles than

their male counterparts (Bird & Sapp 2004; Coleman 2007; Kwong et al. 2012; Mijid 2015). Other studies have confirmed that women entrepreneurs have difficulty obtaining capital to start their businesses (Morris et al. 2006; Roomi et al. 2009; Ilhaamie et al. 2014; Modarresi et al. 2017). Female entrepreneurs were less likely to submit applications for credit than males, which might be because these women doubted their ability to obtain credit successfully (Garwe & Fatoki 2012). This doubt might stem from women's lack of experience (Mijid 2015) the link between loan denial rates and personal wealth (Cavalluzzo & Wolken 2005) and banks' perception of applications for loans from female owners of small businesses as risky (Drine & Grach 2012). Hence, male and female entrepreneurs have tended to fund their businesses using their own savings or by obtaining loans through informal sources, such as family and friends (Alturki & Braswell 2010; Ahmad 2011; Ahmad 2012; Drine & Grach 2012; Welsh et al. 2014; Shastri 2019) Overall, many researchers have pointed out that entrepreneurs, especially women, face difficulties obtaining capital to form or develop their enterprise. Therefore, this research studies if the capital factor is considered one of the influencing factors that prevented Saudi male and female entrepreneurs from registering their enterprises with government agencies.

### **2.3.8. Governmental barriers and support**

The ease and difficulty with government conditions and requirements for registering enterprises may affect the extent of entrepreneurs' commitment to government agencies. Numerous previous studies indicate that both men and women entrepreneurs have found government barriers related to registering enterprise regularly. Indeed, female entrepreneurs lack to access to business information (Ahmad 2011; Drine & Grach 2012) and ignorance of government support (Sharma & Varma 2008) and Saudi rules and regulations are numerous and vague, and the procedures for commercial registration take a long time (Sadi & Al-Ghazali 2012). A study in Iran confirmed that women suffer from complicated procedures and the existence of legal and regulatory barriers, such as the difficulty of obtaining a permit (Modarresi et al. 2017). Similarly, male Saudi entrepreneurs lack to access information because they must deal with the Saudi court system, which is often slow and ambiguous (Ahmad 2012). The data also showed that entrepreneurs found government barriers that include taxes, regulations, and corruption (Nwajiuba et al. 2020). In contrast, a study of women entrepreneurs in England found government support to start their businesses (Roomi et al. 2009). In summary, previous studies

show that government terms and requirements constitute barriers for entrepreneurs, while some entrepreneurs have found government facilities in registering their enterprises. Therefore, this research aims to study the effect of governmental conditions and requirements on the decision of male and female entrepreneurs and the comparison between them.

### **2.3.9. E-government services**

Despite the government's efforts to facilitate government transactions through e-government, informal entrepreneurs avoid registering their enterprise through them. Information and communications technology (ICT) plays an important role in government procedures through the adoption of e-government services. Because the government provides ICT for the transfer of personal information and payments online, trust of e-government has two aspects: trust in the governmental agency that provides services and trust in the ability of ICT services to play a vital role that citizens will use (Akkaya et al. 2010; Mpinganjira 2015). In an analysis of e-tax filing and payment systems in Thailand, Bhuasiri et al. (2016) identified four factors of public acceptance of an e-government system which are performance expectancy\_ that focus on the benefits and actual performance of using information systems, facilitating conditions that providing technology, knowledge and resources to support personal beliefs about e-government systems, social influence\_ that refer to the degree to which a person realises that people think he or she must adopt the new system, and perceived credibility. Another factor that can affect the adoption of e-government services is self-efficacy, which refers to belief in one's ability to use computers in diverse settings (Hill et al. 1987; Compeau & Higgins 1995). In the United Arab Emirates, for example, trust of government and computer self-efficacy are important considerations regarding the intent to use e-government services (Zhao & Khan 2013).

Although previous studies indicate many of the advantages of using e-government, some authors have also highlighted the downsides of e-government. E-government services provides information and services to citizens in transparent, efficient, faster and easier ways (Anna Xiong 2006). Furthermore, e-government is essential to develop services quality which includes efficiency in responding to problems, broadening the customer base, flexibility, reliability (Prybutok et al. 2008), and to facilitate the citizens process of paying fees and fines online (Koh et al. 2008; Prybutok et al. 2008). Similarly, in 2005, the government of Saudi Arabia established

an e-government program to facilitate and coordinate transactions between government agencies (Ministry of Communications and Information Technology 2019; Unified National Platform GOV.SA 2019). The use of e-government services can result in benefits, such as reducing the corruption that comes from giving tribal preference, which would provide a solution for Saudi women to interact with male government employees through the Internet, help to address bureaucracy in the public sector and facilitate a connection between local government and citizens in various areas of Saudi Arabia (AL-Shehry et al. 2006). Also, e-government program use to limit the corruption that occurs when government employees exploit their authority for personal gain through favouritism, fraud and abuse of discretion (Kim et al. 2009). Krishnan et al. (2013) highlighted the positive link between e-government and fighting corruption. In contrast, a study has postulated that ICT alone cannot achieve transparency in government but may, in fact, increase the chance of corruption (Wescott 2001). Alshehri et al. (2012) found several very important obstacles to using e-government in Saudi Arabia from the citizens' perspective, including lack of awareness of e-government services, lack of access and reliable to an Internet connection and lack of a technical support team.

A wealth of literature has demonstrated the advantages and disadvantages of e-government in a regular business environment. However, there is a dearth of studies related to informal entrepreneurship about the impact of government facilities that include e-government in the decision of entrepreneurs to register their enterprises with government agencies. This study, therefore, explores if the government facilities through e-government contribute to addressing the issue of informal entrepreneurs' avoiding to register their enterprise with government agencies or not.

Overall, a great deal of previous research into entrepreneurship has focused on the differences between enterprises run by male entrepreneurs and female entrepreneurs, including the size of the enterprise, level of SME profits, enterprise capital, enterprise workers, and the sector and location of the enterprise. Several studies have investigated the influence of governments and regulatory policies, as well as e-government practices, on male and female entrepreneurs' enterprises, and have explored different leadership characteristics between male and female entrepreneurs.



## **2.4. Culture and entrepreneurship**

Each culture has features, which differ or are similar to other cultures in many countries, affecting entrepreneurs in operating their businesses. Undoubtedly, cultural variables are at the heart of the understanding of entrepreneurship across the world (Wennekers et al. 2001; Stewart Jr et al. 2003). At first, the term “culture” refers to customs, traditions, values, and written and unwritten rules (Alkahtani et al. 2013). According to Hofstede (1993, p.11), culture is “the collective programming of the mind which distinguishes one group or category of people from another.” That is, the customs, traditions and social norms of a group of individuals in a specific community, such as Saudi Arabia, shaped the actions of entrepreneurs. Furthermore, information technology may be considered one of the opportunities available to informal women entrepreneurs to overcome the cultural barriers that prevent them from starting their enterprises. Among female entrepreneurs, the use of information technology is a fundamental marketing method in both developing and developed countries (Dechant & Lamky 2005). In general, women entrepreneurs do not have as much access to information and communication technology (ICT) as men (Hattab 2012; Badran 2014). Another study (Mathew, 2010) found that female entrepreneurs in the Middle East face ICT challenges because men dominate the ICT sector and forbid access to most women. Because women have responsibilities at home, they have limited access to ICT tools. In addition, these women lack the awareness and motivation to use ICT tools and techniques (Mathew 2010). On the contrary, the use of ICT is lower among men than women (Communications and Information Technology Commission 2015). In addition, there is evidence to suggest that women in Saudi Arabia have internet access at home and tend to discuss their issues with others (Pharaon 2004). This section explores the impact of culture on entrepreneurs and how they may use social media platforms as a marketing tool for their enterprises. The section is divided into the following categories: 1) gender stereotypes and patriarchy, 2) separation, 3) work and Islam, 4) corruption and 5) social media platforms. Due to the limited number of previous studies of the informal sector in the Gulf region, particularly in Saudi Arabia, this study focused on Saudi culture to determine cultural factors that influence entrepreneurship.

### **2.4.1 Gender stereotypes and patriarchy**

The community culture associated with gender and parental stereotypes can influence entrepreneurs in their management of their projects. This opinion is supported by feminist scholars who seek to gender equality in social, economic and political aspects (Hurley et al. 2008). Initially, the patriarchal system referred to females that are under the control of males within their families still exists across countries (Brown 1975). Barakat (1993) expanded on the definition of the patriarchal system as a system in which the man in the family, commonly the father, is the authority for taking on the family's responsibilities and making decisions to protect the family. In other words, the patriarchy asserts roles of gender and stereotypes associated with tasks according to gender; women are seen as caregivers and men as breadwinners (Tlaiss 2013; Tlaiss 2014). Traditionally, it has been argued that women in various places are expected to look after their families' obligations (Bird & Sapp 2004; Watson & Newby 2005; Breen 2010). Similarly, Middle Eastern societies see women as mothers and wives (Pharaon 2004; Jamali 2009; Tlaiss 2014; Nieva 2015). Consequently, female entrepreneurs face struggle to find a balance between business and family life (Dechant & Lamky 2005; Jamali 2009).

Additionally, women entrepreneurs are not just subjected to negative criticism from members of society for entrepreneurship, but also confronting the barriers in obtaining loans from institutions. In many GCC, women who work and do not take care of their families are viewed as socially deviant (Zeidan & Baalbaki 2011); women leaving the home for work is viewed as a modern concept (Itani et al. 2011). As a result of gender stereotypes, females are often unable to get loans from the bank (Kumbhar 2013), so they fund their businesses through family or personal savings (Jamali 2009). In Saudi culture, the main challenge many female entrepreneurs face is gender stereotypes and patriarchy. For example, banks usually do not take action against women who do not pay their debts, so banks consider loans for women to be high risk (Nieva 2015). Saudi women were not just banned from driving (Al Alhareth et al. 2015), but also they are deterred by bureaucratic procedures and arbitrary decisions (Nieva 2015). Furthermore, Saudi women are required to get permission from a male relative to register their business and travel out of Saudi Arabia (Human Rights Watch 2016). Recently, the Saudi government changed this rule, so female entrepreneurs are no longer required to bring a male relative for consent (BBC News 2018; Al-Yusuf 2019).

In general, there is a substantial body of research on entrepreneurship in the different cultures highlight the impact of gender stereotypes and patriarchy and the negative effects on women entrepreneurs. The gender stereotypes and patriarchy and its impact on women entrepreneurs do not differ only between countries, but it may also differ in their impact during specific periods for a particular country. By examining the recent root changes in Saudi Arabia, this study will make a major contribution to understanding the change in the Saudi entrepreneurship culture.

#### **2.4.2. Separation**

The gender separation barrier is one of the cultural factors that have influenced women entrepreneurs in the decision to start their informal projects. Numerous literature indicates that women entrepreneurs faced social constraints in terms of working in a mixed environment with men. The concept of separation means male and female entrepreneurs do not want to work together (Kumbhar 2013). One difficulty women face in a mixed workplace is exposed to sexual harassment, which means unwelcome sexual or sexist conduct in the workplace (Fitzgerald 1993). Likewise, in Saudi Arabia, women have been found to be in danger of physical assault and exposure to sexual harassment in a hospital workplace setting (Ashry 2002). Ashry's (2002) study of sexual harassment did not deal with entrepreneurs, so this study will provide important insight into female entrepreneurs who use social media to run their business informally to avoid sexual harassment in the workplace. Moreover, in the United Arab Emirates, husbands do not allow their wives to work in mixed-gender organizations (Rutledge et al. 2014). Consequently, women engage in traditional professional roles as teachers in female schools (Abdulla 2006). Also, many women prefer to be worked in sectors that provide services to females, such as retail and education (Dechant & Lamky 2005). Due to this separation, female entrepreneurs, in Bahrain and Oman, cannot compete in various markets, exchange experiences and information, or access resources (Dechant & Lamky 2005). Studies have shown that women entrepreneurs faced the barrier of mixing in the business environment with men, which affected them negatively on the operation of their enterprises. Thus, this study explores the idea that female environment allows Saudi female entrepreneurs to engage in informal entrepreneurship despite.

### **2.4.3. Work and Islam**

The misunderstanding of the religion associated with women's work is one of the cultural restrictions that may lead women entrepreneurs to underestimate in registering their enterprises with government agencies. Numerous studies have attempted to explain how Islam negatively affects female entrepreneurs by encouraging gender stereotypes, such as men's financial and marriage authority (Tlaiss 2014) and the female's role as a mother (Tlaiss 2013). However, semistructured interviews, such as those conducted by Dechant and Al Lamky (2005), have shown that Islam supports female entrepreneurs through the Holy Book (Qur'an). The interviewees mentioned a businesswoman, Khadija, who was supported by her husband, the Prophet Muhammad (Tlaiss 2015). In addition, women entrepreneurs have been negatively impacted by Islam because some people misunderstand the Qur'an (Dechant & Lamky 2005; Tlaiss 2015). Female Muslim entrepreneurs in Morocco and Turkey indicated that according to the Qur'an, men and women are equal, and the discrimination in Muslim countries is due to misinterpretation of the Qur'an (Essers & Benschop 2009). Similarly, Saudi women face problems that come from customs rather than religious sanctions and doctrines (Pharaon 2004). Further, Islam itself has had a beneficial effect on entrepreneurial activities; it motivates people toward legitimatising their entrepreneurial ventures (Kayed & Hassan 2010; Tlaiss 2014). While some studies have emphasized the misinterpretation of women's work in the Islamic religion, which is one of the cultural challenges that women are trying to overcome, some literature has indicated the Islamic religion support for women entrepreneurship. This brings us to the question of recent changes that include empowering women, in Islamic culture as Saudi Arabia country, may affect women entrepreneurs in motivating them to start their informal enterprise.

### **2.4.4. Corruption**

Corruption is one of the greatest problems entrepreneurs face in all cultures, which may be one of the possibilities that push entrepreneurs to run their enterprises in the informal sector. Corruption exists all over the world (Transparency International 2020); bribery, nepotism, kickbacks and cronyism are forms of corruption that occur in all parts in the world (Hooker 2009). In Western society, business is based on laws and a transparent market system. Underdeveloped countries often fail to implement laws requiring transparency. Businesspeople in many cultures depend on their relationships with friends and family. On the one hand, in

Western culture, business authority is derived through rules and laws. On the other hand, cultures that conduct business based on relationships derive authority from people (Hooker 2003). For example, in North America, Nortel's accounting fraud scandal was solved using professional accounting instead of depending on friends and family relationships to settle this fraud case (Hooker 2009). Moreover, in Arab culture, successful businesses depend on a person's tribal, city or regional affiliation as personal identity (Ahmad 2012). Thus, the family leader provides waste services, which refers to communication, network nepotism (Hutchings and Weir, 2006) and a type of mediation or intercession (Ahmad 2012). Another significant aspect of corruption is paying or receiving bribes. For example, in Turkey, bribes are commonly exchanged between government officials and entrepreneurs to facilitate or accelerate procedures (Hooker 2009). Furthermore, a study in Latin America attributed the use of corruption by SMEs, such as bribery, to bureaucratic dealings in governments (Gaviria 2002). Also, Ahmad (2012) highlighted the link between entrepreneurial activities and bribery disguised as commission in Saudi Arabia. In general, various literature emerged on the multiple forms of corruption in government agencies, which posed a challenge for entrepreneurs in operating their enterprises. As a result of the limited studies related to corruption in the business environment in Saudi Arabia, this study aims to investigate the link between corruption and informal entrepreneurship in the Saudi context.

#### **2.4.5. Social media platform**

In the case of social media, a growing body of literature has recognised the advantages and disadvantages of social media as a marketing tool; therefore, entrepreneurs may have taken advantage of this opportunity to advertise their informal enterprise. Currently, not only traditional (one-way) marketing, such as television, newspapers, radio and magazines, but also social media play an important role in advertising. Therefore, social media has been defined as "user-generated information, opinion, video, audio, and multimedia that is shared and discussed over digital networks" (Andres & Woodard 2013, p.8). According to one group of scholars:

Social media is built on three key elements: content, communities and Web 2.0 ... as a functional definition, social media refers to the interaction of people and also to creating, sharing, exchanging and commenting [on] contents in virtual communities and networks. (Ahlqvist et al. 2008, p.13)

Numerous literature has determined why women entrepreneurs use social media is to broaden networks with clients (Kahar et al. 2012; Majláth 2012; Cesaroni & Consoli 2015; Genç & Öksüz 2015; Latiff & Safiee 2015) and to build strong relationships with customers (Kahar et al. 2012; Majláth 2012; Alkhowaiter 2016). Similarly, women entrepreneurs have taken advantage of social media to communicate with customers (Majláth 2012; Nakara et al. 2012; Syuhada & Gambett 2013; Cesaroni & Consoli 2015) and use the expedited messaging and responses features (Majláth 2012; Syuhada & Gambett 2013; Genç & Öksüz 2015). Social media has allowed female entrepreneurs to use customers' comments as points of references when marketing their products (Melissa et al. 2013). Zafar and colleagues (2017) asserted that entrepreneurs use social media to communicate with customers and suppliers, spread their brand around the world and obtain feedback to improve product quality. However, in Arab countries, Basri (2016) highlighted the link between social media and political, religious, cultural or economic factors and social media to attract customers and increase sales. Saudi women also use social media to access to customers (Alkhowaiter 2016).

Another benefit that led women entrepreneurs to use social media as an advertising medium for their enterprise is benefit from popular tools (Syuhada & Gambett 2013; Cesaroni & Consoli 2015; Latiff & Safiee 2015) that includes following trends (Genç & Öksüz 2015), showing products and portfolios (Genç & Öksüz 2015) and enjoying ease of use (Majláth 2012; Nakara et al. 2012; Syuhada & Gambett 2013; Cesaroni & Consoli 2015; Latiff & Safiee 2015). Because of the objective of reducing advertising costs, women entrepreneurs are resorting to social media platforms as a marketing tool (Majláth 2012; Nakara et al. 2012; Al-Mommani et al. 2015; Cesaroni & Consoli 2015; Genç & Öksüz 2015; Latiff & Safiee 2015; Alkhowaiter 2016). Additionally, entrepreneurs seek to increase sales (Kahar et al. 2012) and to obtain a competitive advantage (Al-Mommani et al. 2015) through the use of social media platforms. In Indonesia, for example, a group of female entrepreneurs who wanted to contribute to their families' income started a business and used social media to share their product with family and friends (Melissa et al. 2013). Doing so enabled them to gain respect and do business while staying at home to care for their families (Melissa et al. 2013).

On the other hand, number of studies see that women entrepreneurs face difficulties when using social media, including unidentified target customers (Genç & Öksüz 2015), inability to reach customers who do not use the internet (Majláth 2012) and weak feedback operations (Al-Mommani et al. 2015; Latiff & Safiee 2015), time constraints from customers to receive order (Majláth 2012; Al-Mommani et al. 2015; Latiff & Safiee 2015). In terms of the disadvantages of social media use, researchers also found inequitable competition (Nakara et al. 2012; Genç & Öksüz 2015), imitation of goods and services (Genç & Öksüz 2015) and decreased market share (Majláth 2012; Genç & Öksüz 2015). Moreover, the entrepreneurs in Nairobi who did not use social media either lacked computer skills or felt that social media tools were not appropriate for their enterprises (Jagongo & Kinyua 2013).

Entrepreneurs use social media to overcome geographical barriers, connect with customers for little expense, and build customer databases to grow sales and SMEs. On the other hand, studies revealed that entrepreneurs who use social media face challenges in dealing with some audiences and fierce competition, or the unwillingness to use this tool. The present study will fill a gap in the literature by studying the reasons why informal entrepreneurs to use social media.

Overall, a large number of studies have been published on the links between culture and entrepreneurship. These studies highlight the impact of social and religious norms and beliefs on the ways that entrepreneurs run their enterprises. Furthermore, a growing body of literature has linked the pros and cons of using social media with the various cultural barriers that entrepreneurs face.

## **2.5. Motivations of informal entrepreneurs and characteristics of informal enterprises**

Motivations play a key role in understanding why unregistered entrepreneurs start up an enterprise in the informal economy. In addition, their motivations are important in determining the enterprises that are characteristic of the informal economy. Although there has been increasing awareness of the informal economy, the academic literature has revealed the emergence of several contrasting perspectives that have interpreted the motivations for joining the informal economy as being driven by necessity and opportunity (Acs 2006; Williams 2007; Bosma et al. 2008; Williams 2008). Indeed, the literature regarding the informal economy has highlighted the modernisation perspective (Furnivall 1944; Williams & Gurtoo 2012) and structuralism perspective (Portes & Castells 1989; Sassen 1997; Raijman 2001; Das 2003) that explain the phenomenon of the informal economy in both developed and developing nations due to motives of necessity. In contrast, the literature also contained neoliberal perspectives (Soto 1989; Soto 2000; Perry et al. 2007; Cross & Morales 2013) and postmodern perspectives (Snyder 2004) that attributed the spread of the informal economy phenomenon to the opportunistic motives of entrepreneurs. Although a considerable amount of literature has been published on the motivations of entrepreneurs to participate in informal entrepreneurial activities (Tipple 2005; Williams & Round 2009; Shahid et al. 2020; Sharma & Biswas 2020), there has been no detailed investigation of the distinctions between the motivations of Saudi men and women who choose to set up enterprises in the informal economy. Therefore, this study seeks to understand the competing perspectives regarding entrepreneurial motivations and the determinant characteristics of informal entrepreneurs – an understanding that will help to address this particular research gap.

### **2.5.1 The competing informal economy perspectives**

The first serious discussions and analyses regarding the existence of the informal economy were attempted by modernisation scholars in the 20<sup>th</sup> century. The informal economy was seen as a leftover, or temporary issue, that would disappear when a modern economic structure inevitably took hold (Furnivall 1944). This view is supported by Williams and Gurtoo (2012) who write that street entrepreneurs can be seen as the remains of the traditional, premodern economy. In contrast, scholars who use the structuralism perspective have published a large volume of studies that assume that the reasons why some people enter the informal sector



of the economy are out of necessity due to the lack of a formal job and the basic need to survive (Unni & Rani 2003; Doane et al. 2004; Perry et al. 2007; Bhowmik 2013). In their case study of street entrepreneurship, Williams and Gurtoo (2012) also highlighted distinctive categories of Indian street vendors who were more likely to be women than men, and who would prefer a salaried job if they had the choice. Their findings also stated that 12% of Indian entrepreneurs entered the informal economy for reasons of survival, necessity, and/or because they lack other means. It is notable that although Williams and Gurtoos' study contributed to the scientific literature by evaluating the four competing perspectives – modernisation perspective, structuralist perspective, neoliberal theory and post-modern perspective – in the case of Indian informal street entrepreneurship, they did not take into account other forms of informal entrepreneurship, such as small and medium enterprises in the other venture locations.

However, although modernisation perspective and structuralist perspective impute the phenomenon of the informal economy to the existence of inherited and the need to survive, these perspectives have faced a strong challenge in recent years by a number of scholars who have observed that entrepreneurs launch informal enterprises for many different reasons. Recent research, from the neoliberal perspective and the postmodern perspective, has revealed that other motivations lead to entrepreneurs deciding to enter the informal economy. From the neoliberal perspective, scholars have described informal owners as heroic figureheads who have bypassed bureaucratic restrictions and an over-regulatory government and who substantiate the resurgence of capitalism and free-enterprise culture (Soto 1989; Soto 2000). Through this lens, entrepreneurs who have elected to enter the informal sector have done due to a rational, economic decision on their part (Williams & Gurtoo 2012). According to Gërxhani (2004, p. 274), entrepreneurs have elected to run their unregistered businesses either wholly or partly in the informal economy 'because they find more autonomy, flexibility and freedom in this sector than in the formal one'. Also, data from several sources have identified that entrepreneurs not only keep their enterprises unregistered to save time, costs and effort (Cross & Morales 2013; Aliyu 2020; Ilyas et al. 2020; Kruja & Hoxhaj 2020), they also hope to utilise the advantages of the informal sector, such as flexible working time, professional training, access to labourers, better income, independence, tax evasion and the avoidance of incompetent official regulation

(Maloney 2004). For example, 10% of business owners in Moscow did not formalise their enterprises because of perceived over-regulation (Williams et al. 2011).

Although poststructuralist and neoliberal scholars have argued that informal entrepreneurs enter the informal economy voluntarily, each approach offers different reasons as to why unregistered businesses exist. According to the postmodern perspective, informal entrepreneurs are social actors rather than rational, economic actors, and they voluntarily run their enterprises for social relationships, resistance, and redistributive or work identity purposes (Snyder 2004; Whitson 2006; Williams 2006; Biles 2009). Other reasons why informal entrepreneurs engage in this sector include social relationships with their community members, as relatives, friends and neighbours often work with them, the avoidance of financial earning, and redistributive and social purposes (Williams 2004).

This view also is supported by Williams and Gurtoo (2011a; 2012), who write that informal Indian entrepreneurs think of themselves as community and cultural actors; they operate in this sector in order to support their community members and to work flexible hours rather than working for profit. As can be seen, the perspective of poststructuralism claims that entrepreneurs start up their businesses within the informal economy for opportunistic and social reasons. However, all the previously mentioned perspective have various limitations and contradictions because their adherents attribute the existence of informal enterprises to inherited and family traditional reasons, survival reasons, rational reasons, or a combination of many. This study, therefore, aims to broadly investigate the issue of informal entrepreneurship through the perspective of Scott's institutional theory that renews interest in the effect of regulative, normative and cultural cognition sides.

### **2.5.2 Necessity-driven informal entrepreneurship versus opportunity-driven informal entrepreneurship**

Even though there are competing theories in the informal economy that attempt to explain the reasons behind the establishment of informal enterprises, there are a large number of published studies that have demonstrated that entrepreneurs can be motivated to participate in the informal sector by one or a combination of necessity or opportunistic reasons. For example,

‘Necessity Entrepreneurship’ refers to individuals who engage in entrepreneurship out of necessity and as the best available option, even though it might not necessarily be the preferred option, while ‘Entrepreneurship Opportunity’ is defined as people who become entrepreneurs out of choice (Hechavarria & Reynolds 2009; Williams 2009b; Williams & Lansky 2013). A quantitative and qualitative study by Pitamber (2000) described how both necessity and opportunity play important roles in the decision of female entrepreneurs to engage in informal entrepreneurship in Libya and Sudan. One question that needs to be asked in Pitamber’s study, however, is whether men had both the ‘push and pull’ motivation to start up informal enterprises. By the same token, many researchers have argued that entrepreneurs are simultaneously driven by necessity and the opportunity to operate invisible enterprises (Williams & Round 2009; Adom 2014). In addition, most entrepreneurs in England and Russia start their informal enterprises for both commercial (for-profit) and social purposes (non-profit goals) (Williams & Nadin 2012b). In the case of the gender gap, women were more likely to run their businesses out of necessity, while men were more likely to run their ventures in the informal sector and to pursue opportunities in both urban and rural areas of England (Williams 2009a). Similarly, women in Brazil are more likely to be forced into the informal economy, while men tend to operate in this sector voluntarily (Williams et al. 2012).

In a comparison between salaried and self-employed Indian women, the salaried women worked in the informal sector for reasons of necessity, while the self-employed women started their enterprises out of rational choice (Williams & Gurtoo 2011b). Moreover, several lines of evidence suggest that entrepreneurs’ motivations for running their enterprises in the informal economy are not fixed; they may shift from necessity/opportunity incentives to opportunity/necessity incentives. Williams & Round (2009) found that informal entrepreneurs shifted from necessity-driven motivation to opportunity-driven motivation when their ventures became more established. Indeed, the reasons why women in Moscow entered the informal economy changed over time from necessity-based reasons to opportunity-based reasons (Williams 2009a). Similarly, Adom (2014) asserted that women in Ghana often started their enterprises out of necessity, and some of them later shifted to the informal sector in order to seek more opportunities. The motivations for entrepreneurs who operate their enterprises for both commercial and social purposes have also been shown to change over time (Williams & Nadin

2012a; Williams & Nadin 2012b). However, although these studies explain the motives behind entrepreneurs entering the informal economy, there are inconsistencies within these arguments as studies have emerged that indicate that the reasons for the emergence of the informal economy is the presence of necessity-driven and/or opportunity-driven entrepreneurs.

### **2.5.3. The competing informal economy studies**

Several studies not only provide important insights into what motivates entrepreneurs to enter the informal economy, but also highlight the key drivers of informal entrepreneurship and undeclared work. Therefore, this study seeks further to explore the effect of motivation on informal entrepreneurs. First, the literature attributed the reasons for the emergence of the informal economy to inheritance and family traditions. Entrepreneurs chose to run their unregistered enterprises because they were continuing a long-running family tradition of entrepreneurship. For instance, in India, 15% of informal street entrepreneurs who did not register their enterprises with governmental agencies followed traditional business models and/or an ancestral working style (Williams & Gurtoo 2012). Other authors have demonstrated the relevance of money, whereby entrepreneurs have had to enter the informal economy to earn an adequate income because their current pension payments and income were inadequate and they had no other option if they wanted to sustain themselves (Honyenuga 2019; Knox et al. 2019; Ilyas et al. 2020; Thapa Karki et al. 2020).

On the other hand, other researchers have shown that improving their economic status and living standards are also motivational factors for entrepreneurs (Bewayo 1995; Chu et al. 2008). For example, Indian entrepreneurs have entered the informal economy for many reasons, such as the possibility of new opportunities, the possibility of greater earnings, ease of establishment, little need for expertise and investment, and low competition from larger companies (Williams & Gurtoo 2011a; Williams & Gurtoo 2012). In terms of gender comparison, a study in Brazil found that entrepreneurs were motivated to enter the informal economy because of their experience in the field (10.6% of men and 4% of women), possible future opportunities (8.4% of men and 5.3% of women), offers from a partner (1% of men and 1% of women) and as a secondary occupation (2.3% of men and 1.7% of women) (Williams et al. 2012). With regard to entrepreneurial reasons, Snyder (2004) points out that entrepreneurs

enter the informal economy in order to create an informal work identity and to discover their 'real selves'. Other reasons include extra money, the opportunity to fulfil their passion, a means to reach their desired identity or as an escape from a crisis situation. For example, a Jordanian study confirmed that women entrepreneurs who run their businesses from home hope to increase their income and use their talents to produce goods or provide services to their customers (Mehtap et al. 2019). However, despite the fact that this study highlighted the motivations of women entrepreneurs in Jordan in entering the informal economy, it would have been more relevant if the researchers had studied male entrepreneurs as well. Many entrepreneurs also stated that they did not register with government agencies because their goal, in the beginning, was simply to launch their enterprise as a hobby (Llanes & Barbour 2007). In addition, women entrepreneurs from Cameroon have launched enterprises in the informal economy so that they might feel self-empowered (Fonchingong 2005). Previous research has established that the exploitation of opportunity has been a primary motivation for entrepreneurs to run informal enterprises (Aidis et al. 2007; Bosma & Harding 2006)

Another important motivation is that entrepreneurs may have launched their unregistered enterprises with government agencies as a result of the corruption of their governments. In this sense, entrepreneurs join the informal economy as a form of resistance due to a lack of government distributive justice (Shahid et al. 2020). A previous study has also established that entrepreneurs entered the informal economy in response to the corruption and kickbacks that occur in some more formal sectors, and in order to resist the exploitation of labourers in the neoliberal global economy (Biles 2009). For example, Williams and Gurtoo (2012) found that Indian entrepreneurs suffered greatly at the hands of corrupt government officials who demanded that they were given kickbacks in order for the authorities to ignore them.

Furthermore, although there are a large number of published studies (Gray 2001; Ntseane 2004; Fonchingong 2005; Williams & Gurtoo 2012; De Castro et al. 2014; Aga et al. 2019) that describe the relationship of government intervention – which includes government corruption, bureaucratic procedures, fees and tax costs – in avoiding business leaders to register their projects with government agencies, a study indicated that limited government intervention influenced the decision of entrepreneurs to join the informal economy (Knox et al. 2019).

However, because there are currently few studies that have shown that government intervention does not unduly influence entrepreneurs in launching their informal enterprises, it was nonetheless essential to study this effect on informal entrepreneurs in countries that have recently enacted large-scale regulatory changes, such as Saudi Arabia.

#### **2.5.4. The risks of detection and sanctions in the informal entrepreneurship**

The scientific literature in the field of the informal economy has highlighted the decisions of policymakers in enacting sanctions and the necessary measures to eliminate informal enterprises. Studies indicate that economic sanctions and the difficulties caused by sanctions encourage entrepreneurs to participate in the informal economy instead of the formal sector (Petrescu 2016; Early & Peksen 2019). It is noted that these studies focused on external economic pressures, not only the internal pressures of the state. Others who believe in the new approach of social actor explained the emergence of the informal economy with the presence of participants with low tax morality; therefore the lifting of sanctions and the risks of the detection has no influence on the prospect of engaging the informal economy (Williams et al. 2016a). Moreover, entrepreneurs join the informal sector when they realize rationally that the payoff from tax evasion is higher than the risk of detection and sanctions (Allingham & Sandmo 1972). Hence, others suggest performing passive reinforcement (sticks approach) to eliminate the informal sector that indicates raising the costs of detection risks and punishments (Hasseldine & Li 1999; Richardson & Sawyer 2001; Williams 2015).

On the contrary, some scientists believe that the increase in the cost of disclosure risks and the enactment of penalties and extensive controls result in a backlash in the spread of informal enterprises because entrepreneurs do not believe in the fairness of the system (Murphy 2005; Bergman & Nevarez 2006) and that small enterprises are the seeds for the spread of entrepreneurial culture; therefore, there is no procedure to impose penalties and fines. Another approach sees that facilitating the process of formalizing enterprises contributes to reducing the presence of informal entrepreneurs through the approach of carrots, which seeks to implement preventive measures. The carrots approach recommends three ways to eliminate informal entrepreneurship, including deterring new entrants in participating in the informal economy, conducting remedial measures for current informal participants, implementing measures to

encourage loyalty to tax morality (Andreoni et al. 1998; Wenzel 2002; Torgler 2003). Overall, there are several writers offer different type of solution before, during and future to address the issues of informal enterprises. Therefore, this study aims to explore government regulations that incorporate sanctions and how those sanctions affect informal entrepreneurs.

### **2.5.5. Informal employment**

There is evidence that recruitment process plays a crucial role in the presence of informal enterprises through informal employment of workers. More clearly, the term informal workers refer to workers who work without a formal contract, lack / obtain less social contributions or earn wages below the minimum wage. It also indicates the concealment of the wages of workers or informal workers and the announcement of only the wages of official workers (Mojsoska & Williams 2018). Women workers tend to be employed in the informal sector more than men workers (International Labour Office 2002; Raveendran et al. 2013). On the contrary, in 2011-2012, the self-employed men run their businesses in the informal sector more than the self-employed women (Raveendran et al. 2013).

Scholars from various informal economy perspectives also highlighted the emergence of informal workers. Perry and her colleagues found that workers choose to work in the informal sector as a result of exclusionary practices in the formal sector (Perry et al. 2007). Namely, the study explained the preference for informal labours to work in small-sized enterprises, which not only register them with government offices but also do not provide them with a social security contribution, desiring to obtain benefits equivalent to working in the formal sector (Perry et al. 2007). From another point of view, others see that the informal labours or low-income workers either work in an oppressive and compelling environment due to their lack of power in imposing rules that protect them or see work in the informal economy as a means of resistance to improve their status (Whitson 2006; Mojsoska & Williams 2018). The study shows that the reason for the spread of informal employment is due to weak government interference and the existence of government corruption (Williams 2017).

Furthermore, social capital is defined as collective action consisting of rules and networks (The World Bank 2014). Social capital is also defined as cooperation within or among

groups that have emerged as a result of shared networks, values, and beliefs (Organisation for Economic Co-operation and Development (OECD) 2001). Koto (2017) proved in his study that informal social networks play a role in hiring workers looking for work or wanting a way to reach towards formal jobs. Because of the inconsistency between standards and beliefs of employers that other owners businesses are hiring informal workers and regulations and laws of formal institutions, informal employment has arisen, and the penalties are neither rewarding nor deterrent (Williams & Bezeredi 2019). Entrepreneurs and workers join the informal sector through the recruitment process based on exploitative or exclusionary reasons.

Several studies have found a link between the informal sector and the absence of workers' rights. In important study conducted in 41 countries by (Williams 2013), the existence of informal employment was linked with an underdeveloped economy; smaller government; a smaller rate of taxation; and a lack of governmental intervention, which protects poor workers (Williams et al., 2012). Worker's ignorance of labour protection rules is one of the reasons that led entrepreneurs to exploit informal home workers and take away their labour rights (International Labour Organization (ILO) 2017; Afolabi 2019). Work from home presents an opportunity for women who face social challenges such as difficulty in moving (Kazi & Raza 1989; Raveendran et al. 2013) or family duties such as raising children (Raveendran et al. 2013). Tipple (2005) points out that female labours were enabled to work in restricted and closed communities by empowering them to work from home informally. A critical study also highlighted on the impact of the socio-cultural aspects and the difference between male and female workers in the informal economy, where the results indicated that working women who have housework, get a low wage due to their exit from the home to work is limited. In contrast, men workers earn a high wage because they work in informal enterprises for long hours (Mitra 2005). However, informal women workers based home find help from female family members to produce goods and services due to social norms, where the girl helps her mother, and the boy helps his father (Mehrotra & Biggeri 2002). Also, a study in Pakistan confirms that the majority of workers' family members assist home workers in providing goods and services (International Labour Organization (ILO) 2017).



Migrants also work at home informally as a result of discrimination in the market, cultural barriers, language and the legal status required to work in the formal sector (Jhabvala & Tate 1996). Although working from home provide informal workers with a job opportunity to work, and for women, in particular, an additional opportunity to perform household tasks, workers based home face difficulty obtaining health insurance and social protection and, for child labour especially, losing an educational opportunity, (Mehrotra & Biggeri 2002). Indeed, informal workers suffer from a lack of job security and social protection as they are at risk of work injury or health and safety hazards in a dangerous profession (International Labour Office 2002). Jhabvala & Tate (1996) stressed that informal workers, especially women, children and migrants with disabilities, lack social protection because they are at risk of physical and moral injury, a loss of education for children, and a lack of protection measures. Specifically, children are exploited by employing them in informal jobs, which affects their social upbringing, education, and health negatively (Fonchingong 2005).

Number of studies have revealed the challenges facing entrepreneurs to formalize their enterprises by employing formal labour, which is the cost of employment. In other words, entrepreneurs find it difficult to pay for workers' wages and training costs, so they hire informal low wage workers (Al Riyami et al. 2015; Jha & Bag 2019). For example, Pakistani workers earn less than the minimum wage when working in embroidery in the informal sector (International Labour Organization (ILO) 2017). Entrepreneurs also hire low-wage women as home workers or street vendors (Jhabvala & Tate 1996). Therefore, informal entrepreneurs employ relatives and friends because they accept working with them for low wages or benefits in kind (Tipple 2005). However, as seen on the positive side entrepreneurs not only establish businesses for themselves but also create family members and those close to them with jobs in their informal enterprises (Ilyas et al. 2020). For illustration, Mujeyi & Sadomba (2019) found in their study in Zimbabwe that young entrepreneurs suffered from unemployment; therefore, they set up their informal enterprises to create employment opportunities for themselves and their family members. However, other studies indicate that the workers depend not only on the salary to work with the firms, but also the workers count the benefit that is means workers participate as informal workers voluntarily and not necessarily for need. Maloney (2004) illustrated that workers agree to unofficially receive a low salary because of a relationship with entrepreneurs

and to obtain benefits implicitly such as food and housing. When comparing the salaries of formal and informal workers, the study conducted in Brazil, Mexico, and South Africa that informal workers earn a low wage less than formal workers (Bargain & Kwenda 2011).

The strict government regulations in localizing jobs have made entrepreneurs enter the informal economy through the employing of ghost or informal workers. A study proved that the main reason for the existence of informal enterprises is due to the system of localizing jobs and making them restricted to citizens of the United Arab Emirates (Al Riyami et al. 2015). Also, researcher pointed out that Saudi government enacted the job localization rule as a result of the high rate of unemployment among citizens and because of the difficulty in adhering to this condition, entrepreneurs entered the informal economy to employ informal foreign employees (Ramady 2010). Because of the job localization rule, the Saudi informal workers, who refer to the fake recruitment process of Saudis with government agencies, have emerged (Alsharbri et al. 2015). Moreover, Koyame-Marsh (2016) confirmed that the rate of Saudi-sation of jobs rose, and at the same time failed to reduce the unemployment rate, the emergence of informal employment, and the closure of a large number of enterprises due of the Saudi job localization rule.

Studies have shown that enterprises enter the informal economy by employing informal employment. Previous publications also indicate that informal workers choose informal work to obtain equal or higher benefits in the formal sector or work informally as a result of the exploitation of entrepreneurs by them. On the other hand, entrepreneurs face challenges in government regulations and difficulties related to the cost of labour, which led to the use of informal employment. Although numerous studies were conducted in many countries on informal employment, few Saudi studies that used government sources published on informal workers. Therefore, this study highlighted in the Saudi context to deepen our understanding of the reasons for the existence of informal employment after the government enacted a new rule of women empowering.

### **2.5.6. Informal enterprise location**

Enterprise locations are an important driving factor for entrepreneurs to launch their enterprises in the informal economy. To broaden our understanding of the reasons why informal entrepreneurs choose an enterprise site, this chapter reviews some of the literature for writers interested in the informal economy. Informal property refers to settlements that are subject to an informal social standard for regulating transactions between the parties as a result of the absence and lack of formal law. Informal property is acquired through invasion or unlawful purchase. Through a gradual invasion or violent invasion, government or private lands are occupied. In detail, a gradual invasion occurs when the land occupier - e.g. farm workers or tenants who have a relationship with the owner- gradually overrun the land of the owner who does not concern to expel them because they do not give much value to the land. Over time, the relatives of the original occupiers (farmers or tenants) take over the land and neighbour's land completely. The second type of invasion is the violent resistant and unexpected invasion of the land by a group of people who have a relationship such as family, neighbourhood or region. The occupiers focus on seizing government lands such as parks or schools more than private lands because of their easy conquest and the government's tolerance of them (Soto 1989). Certainly, profit-oriented enterprises are placed in affluent areas, unlike social or non-profit enterprises, which are located in deprived areas in the informal economy (Williams & Nadin 2012a). Another study finds that street entrepreneurs are located in fixed booths at high and low-income neighbourhoods to sell non-perishable products such as clothing and handicrafts (Williams & Gurtoo 2012). Also, the data indicated that informal enterprises are established in the streets or informal markets (Soto 1989). However, because of corruption in government agencies, some areas where informal enterprise exist are not subject to government oversight and inspection (Dube 2014). Choongo et al. (2020) maintains that some informal entrepreneurs choose places far from government authorities to avoid paying taxes.

The cost of the enterprise site is considered one of the obstacles facing entrepreneurs to formalize the enterprises; thus, entrepreneurs choose an unofficial site in the informal sector. Tipple's study (2005), which was conducted on informal entrepreneurs who run their enterprises from home informally, confirmed that entrepreneurs choose the home as a workplace to reduce expenses related to the enterprise site and take advantage of home spaces and facilities and

household items. Another studies also indicates that informal entrepreneurs faced difficulty in choosing suitable enterprise sites due to a lack of capital (Knox et al. 2019; Choongo et al. 2020). Also, a study indicates that entrepreneurs based home chose the home as the location for their informal enterprise to cost reduction and not require a commercial site (Mason et al. 2011). Baruah & Bezbaruah (2020) confirmed that entrepreneurs in Northeast India generally enter the informal economy due to a lack of access to financial sources.

In literature, proximity to customer presence, the residential area and production sources is linked to the decision of entrepreneurs to choose the location of the informal enterprise. Street vendors invade the streets to set up their enterprises after an economic calculation of the street that relies on assessing the number of potential buyers and expected profit and evaluating the resistance of existing competitors, authorities, and other workers (such as transportation operators) at the target site (Soto 1989). Also, entrepreneurs who exist in informal sites are aware that the new entrepreneur who comes to the site enhances their presence because the small size of the clusters/conglomerate, the lack of customers, the lack of variety, quality, safety and cleanliness of goods leads to few buyers (Soto 1989). A study conducted in Nigeria confirms that entrepreneurs in the informal economy are taken into account when choosing the location of their enterprises where the potential customers are positioned (Ubogu et al. 2011). Others assert that proximity to customers and production sources influences entrepreneurs' decision to choose the informal enterprise site (Mujeyi & Sadomba 2019; Choongo et al. 2020). The residential area / or proximity to the residential area for entrepreneurs is one of the reasons that affected entrepreneurs in choosing informal sites. Studies show that entrepreneurs prefer to launch their enterprise in their residential areas for reasons of comfort and convenience (Mason et al. 2011; Choongo et al. 2020) and due to the presence of social networks with the residents of the neighbourhood (Choongo et al. 2020). However, socializing from childhood about the role of men and women that sees men as the protector and head of the family and women as subject and housewife (Perez Sainz 1998; Gray 2001; Fonchingong 2005; Franck & Olsson 2014) may affect women entrepreneurs in choosing the enterprise site. The literature on the informal sector has highlighted that entrepreneurs choose the location of the informal enterprise in their residential areas in order to stay close to their family (Tipple 2005; Ubogu et al. 2011).

In general, many studies indicate that there are factors that affect entrepreneurs in their entry into the informal economy through their selection of informal enterprise sites, including these factors: corruption and poor oversight by government agencies, costs related to the enterprise site, and entrepreneurial preferences in proximity to the source of production, clients and residential areas. However, these studies would have been more interesting if they had included a gender comparison of why entrepreneurs choose informal sites to launch their enterprises. Therefore, this study aims to discover and compare the reasons that lead male and female entrepreneurs to engage the informal Saudi economy through enterprise sites that are not licensed by government agencies.

### **2.5.7. Enterprise sectors**

A number of factors play a role in determining the sector of activity operated by informal entrepreneurs. Entrepreneurs in the informal sector dominate some sectors, for example retailing, such as clothing, food, cosmetics, accessories, electronic devices, and the food industry (McCrohan & Smith 1986; Tipple 2005; Aga et al. 2019; Honyenuga 2019; Mehtap et al. 2019; Mujeyi & Sadomba 2019; Shahid et al. 2020). A study found that the repair sector is a popular venture in Brazil (Williams & Youssef 2014), whereas some writers in other countries concluded that the most common enterprises in the informal sector were food enterprises (Ahmad et al. 2011; Williams et al. 2016b). Another study indicates that Mexicans entrepreneurs sell food products such as ice cream, corn, and fruit in the streets and it is a traditional enterprise in Chicago (Raijman 2001). Furthermore, because the MENA region varies in terms of size, economic development and demographic structure, its citizens behave differently. More urbanised people enter the formal sector than the informal economy, whereas a considerable number of agricultural entrepreneurs enter the informal economy (Angel-Urdinola & Tanabe 2012). However, in Saudi Arabia, entrepreneurs operate businesses in a wide range of fields. For example, a study in Saudi Arabia showed that most informal businesswomen operate art and design, professional services, and homemade food businesses in their homes (Alturki & Braswell 2010).

The social roles and religious culture affected the entrepreneurs in choosing their enterprise sector in the informal economy. By way of illustration, female entrepreneurs dominated enterprises that provide sewing or hairdressing services are more than men entrepreneurs as a result of cultural

and religious restrictions (Ubogu et al. 2011; Shuvam & Mohanty 2020). More specifically, Rajjman (2001) found that personal home services (the childcare and house cleaning activity), sales (food and clothing) and making home crafts products are run by informal women entrepreneurs while informal men entrepreneurs operate construction and repair services enterprise. The study confirms that women entrepreneurs tend to run their enterprises in the food industry more than men in the informal economy. The fact that women are involved in food-making activities is attributed to a gender identity that sees the role of women as a caregiver (Fonchingong 2005). However, some entrepreneurs run their enterprises in the agricultural sector as an extension of family responsibilities (Gray 2001). Women entrepreneurs also create handicraft enterprise as a result of getting encouragement from their family (Gray 2001).

Lack of sources and skills may play a contributing role in entrepreneurs operating their enterprises in specific activities in the informal economy. Education and skill levels are a fundamental factor in determining whether prospective entrepreneurs will enter the informal economy. Some studies have argued that informal entrepreneurs tend to have low levels of education (Gallaway & Bernasek 2002; Angel-Urdinola & Tanabe 2012; Gërxhani & Van de Werfhorst 2013; Williams et al. 2016b). Because entrepreneurs lack sources (Gray 2001; Fonchingong 2005; Tipple 2005; Aga et al. 2019; Knox et al. 2019) some skills (Gray 2001; Fonchingong 2005; Mehtap et al. 2019) that may lead them to operate their enterprises in activities that do not require high skills or have knowledge and experience with them. Indeed, entrepreneurs who run their enterprise in the food industry activity suffer from the rise in the prices of stuff and consider that capital is an influencing factor when starting the activity (Fonchingong 2005). Moreover, a study conducted in Nigeria indicates that women establish their enterprises at a higher level in the agriculture, trade and industrial service sectors because these activities require low levels of capital and low professional performance. In contrast, Nigerian women tend to operate their enterprises at a lower level in the utility, mining, construction and transportation sectors due to a lack of education and inadequate financial capital (Aliyu 2020).

The competitive advantage may have contributed to increased entrepreneurs operating their ventures in certain activities in the informal economy. A study confirmed that customers prefer to

buy products of informal entrepreneurs such as tools, equipment and machinery for agricultural purposes because their products are distinguished from foreign competitors in quality and durability (Mujeyi & Sadomba 2019). For example, women entrepreneurs run their childcare enterprises as babysitting due to lack of facilities and high demand from clients (Raijman 2001). Similarly, Mehtap et al. (2019) indicated that women entrepreneurs launch their enterprises in a field in the food sector or in women's clothing and accessories, despite the intense competition between these two sectors.

Generally, data from several studies suggest that informal entrepreneurs choose to operate their enterprises in certain sectors based on social factors, availability of production resources and skills, and competitive advantage. However, researchers have not treated the reason affecting entrepreneurs' decision to join a specific sector in the informal economy in much detail. Thus, this thesis analyses the impact of opportunity and challenging that facing Saudi male and female entrepreneurs which led them to run their enterprises in certain sectors in the informal economy.

In general, not only does the literature show the multiple motivations pushing entrepreneurs to join the informal economy, but it also sheds light on the risks of detection and sanctioning for informal enterprises. Previous studies have also revealed the peculiar attributes and necessities of informal entrepreneurship, including informal employment and informal enterprise location and sector.

## **2.6. Conclusion**

Overall, while informal entrepreneurship does exist in Saudi Arabia, studies of this phenomenon have been limited. Therefore, this study aims to explore the regulative, normative and cultural-cognitive opportunities and challenges that lead Saudi entrepreneurs to operate their informal enterprises. To facilitate understanding of the phenomenon of informal entrepreneurship in Saudi Arabia and explore which major pillar has an impact on informal entrepreneurs, this study employs Scott's "three pillars" institutional theory, which focuses on regulative, normative and cultural-cognitive elements of social structure.

Moreover, many studies in different countries have revealed the gender gap between entrepreneurs in the size of their enterprises, levels of profit, sources of capital, and employment. These studies also showed distinctions between male and female entrepreneurs in the types of enterprises they run as well as the locations of those enterprises. The impact of gender differences on the skills, abilities and knowledge of entrepreneurs is a reflection of the way various entrepreneurs run their businesses. Studies have indicated that the impact of government regulations differs between male and female entrepreneurs. This paper aims to enrich and enliven this aspect of the existing literature by comparing the reasons that male and female entrepreneurs avoid registering their enterprises with government agencies.

Furthermore, several previous studies have described the association of culture with entrepreneurship. Gender stereotypes and patriarchal structures and values are among the cultural barriers that have caused especial hardship for women entrepreneurs. The separation of the sexes in particular restricts Saudi women's ability to run their enterprises. While misinterpretation of Islam in terms of female entrepreneurship is an obstacle unique to women, Saudi entrepreneurs of both genders face the cultural challenge of institutional corruption. As a result of these cultural barriers, male and female entrepreneurs have used social media platforms as a marketing tool to promote their enterprises. This study aimed to explore the opportunities and normative challenges faced by Saudi entrepreneurs that led them to operate their enterprises in the informal sector, often with the aid of social media marketing strategies.

This literature chapter also illustrates that a great deal of previous research has focused on the motives and characteristics of informal enterprise, including the recruitment process, enterprise location and enterprise sector, all of which play a fundamental role in understanding why and how entrepreneurs join the informal economy. Although extensive research has been carried out on informal economic sectors in general, however, there has been no detailed investigation of the regulative, normative and cultural-cognitive conditions that affect Saudi male and female entrepreneurs' decisions to participate in the informal economy. Therefore, this study seeks to explore regulative, normative and cultural-cognitive perspectives on the opportunities and difficulties that Saudi entrepreneurs face while striving to achieve their goals within the



informal economy, as well as their recruitment processes and their methods for selecting enterprise sites and sectors.

### **Chapter 3: Methodology**

This study aims to explore the reasons behind the Saudi informal economy by following scientific methods to obtain quality research and valid results. Traditionally, philosophical paradigms are scientific principles and worldviews that consist of ontology, epistemology, methodology and axiology. Researchers obtain valid results by knowing the nature of the social world (ontology) and knowledge (epistemology) as well as the research objectives and information related to a research topic (Snape & Spencer 2003). Although several types of study designs exist for collecting and analysing data, this study used a case-study approach because it is useful for identifying why and how phenomena happen in contextual conditions and does not manipulate phenomena elements (Yin 2017). A theoretical framework that adopts Scott's pillars to address the phenomenon of informal entrepreneurship in Saudi Arabia's economy guided the selection of research methodology for this study. To understand why both male and female entrepreneurs run informal enterprises, a series of scientific procedures was performed in selecting the samples. Further, to obtain in-depth and reliable results, the respondents were asked open-ended questions based on the following five aspects: 1) nature of their informal business, 2) problems in registering their business with government agencies, 3) impact of community customs, traditions and taboos on their business, 4) impact of their cultural situation on their entrepreneurial interpretation of starting an unregistered business and 5) demographic information. Moreover, data analysis was performed using cross-case synthesis/cross-case analysis design with theme analysis. Although this thesis followed scientific methods and procedures, it encountered some limitations that were either addressed in this study or must be considered in future studies. This chapter provides an outline of the research method used to obtain data related to why entrepreneurs engage in the informal sector. The chapter comprises six sections: research philosophical paradigms, research design, sampling design, interview questions, data analysis, ethics and limitations and research quality.

#### **Research philosophical paradigms**

This study seeks to illustrate the appropriate philosophical approaches and scientific methods that contribute to achieving valid results in revealing the reasons for the emergence of informal enterprises run by male and female entrepreneurs. Historically, Kuhn (1962) in his book 'The structure of scientific revolutions' referred to the concept of the paradigm as philosophical

thinking methods in research. The research paradigm is defined as a worldview that includes discipline that researchers infer in the research topic, research activity and research nature (Pickard 2013). Others viewed the paradigm as a way to conduct research based on the theoretical framework (O’Gorman & MacIntosh 2015). Furthermore, the paradigm consists of components that include ontology, epistemology, methodology and axiology (Lincoln 1985).

Choosing a scientific lens (ontology) through which to view reality is one of the important steps for designing a suitable research paradigm. Ontology can broadly be defined as ‘the study of being’ (Crotty 1998, p. 10). The term ontology is generally understood to mean ‘the nature of the world and what we can know about it’ (Snape & Spencer 2003, p.16). In other words, ontology is loosely described as a science concerned with the study of reality or existence through a lens in which we see reality (Guba 1990; Blaikie 1993; O’Gorman & MacIntosh 2015). Ontology not only concentrates on questions about the nature of reality but also highlights the nature of the human being in the world (Denzin & Lincoln 2005). Philosophers consider ontological paradigms by asking if reality is ‘relatively inert and beyond our influence or ...very much a product of social interaction’ (Bryman 2012, p.6). In other words, while some people view reality as independent of individual consciousness and experience, others interpret reality as existing only within the consciousness of a human being and as being constructed through his or her experiences.

The main controversy among scholars about ontology is that they view reality from two different perspectives: objective ontology/critical realism and subjective/relativist ontology. Specifically, critical scholars define reality (or social phenomena) as a constitution of facts and meanings that are independent of the social actors who live in it (Bryman 2012). On the other hand, the subjective/relativist perspective sees reality as multifarious, ever-changing and shaped by our beliefs and perceptions (O’Gorman & MacIntosh 2015). Indeed, this second, constructionist approach posits that social ontology is built from social actors' perceptions and behaviours, and it rejects the objectivist notion that culture constitutes an external reality that constrains individuals (Bryman 2012). Subjective ontology requires that researchers study social phenomena through observations of participants, with the understanding that social reality may be influenced by researchers' interpretations (Meredith et al. 1989; O’Gorman & MacIntosh

2015). This thesis adopted a subjective ontological perspective in exploring the impact of regulative, normative, and cultural-cognitive experiences on Saudi entrepreneurs in the informal economy, because its author believes that their reasons for engaging in the informal economy are numerous and stem from the beliefs and perceptions of these unregistered Saudi male and female entrepreneurs.

Epistemology paradigms provide a useful account of how we know the nature of research. The epistemology refers to ‘the nature of the relationship between the knower (the inquirer) and the known (or knowable)’ (Guba 1990, p. 18). It thus provides an overview of not only the nature of knowledge, but also of how knowledge can be obtained (Snape & Spencer 2003). One common type of epistemology is interpretivism. Specifically, a researcher following interpretive epistemology seeks to find meaning by exploring and understanding study participants’ views (Bryman 1988). Moreover, interpretive epistemology assumes that researchers build meaning through an interactive process between themselves and study participants, as well as through their interpretation of participant data within a specific environment or context based on the researchers’ cognition and experiences (Punch 2005). Interpretive epistemology is also related to a qualitative, inductive approach to research; the world is seen as interpretable, meaning that the researcher and the social world influence each other mutually and through an inductive paradigm (Snape & Spencer 2003). This inductive approach to qualitative research builds themes from particulars to generalisations, and interpretations of data are explained by the researcher (Punch 2005). Researchers in qualitative research are, therefore, considered co-observers who interpret data collected through interviews, notes, records, pictures and conversations (Denzin & Lincoln 2000). This study adopts the interpretivist paradigm because it seeks to find meaning behind the issues of the informal economy and to understand and interpret Saudi entrepreneurs’ reasons for running their enterprises informally.

To learn more about the world and persuasion, or to prove the truth of these learnings, methods of deduction and induction are used in the research. Deductive reasoning, or a top-down approach, generates results from the most general to the most specific by testing or confirming hypotheses that are adopted from theory. In contrast, inductive reasoning, or a bottom-up

approach, indicates that generalisations and theories are developed or created by formulating specific observations, discovering patterns and regularities and measuring tentative hypotheses (Trochim 2001). Although several researchers have studied informal economies around the world, there is a dearth of studies about the existence of the informal economy in Saudi Arabia. Therefore, it was appropriate to conduct this study through inductive reasoning, which explores this phenomenon, instead of deductive reasoning, which would be concerned with applying and testing a theory. Because the study also sought to fill the gap of the scarcity of Saudi studies in exploring the effect of regulative, normative and cultural-cognitive experiences for male and female entrepreneurs when operating their enterprise in the informal economy, the researcher used interpretive data to find substantial meaning in the patterns emerging from participants' views.

### **Research design**

To choose the most suitable research framework and methods for the study topic, this study adopted a qualitative research design. Several qualitative research designs can contribute to collecting, measuring and analysing data appropriately to prepare an effective research design. These include grounded theory, ethnographic research, narrative research, historical design, phenomenology and case-study design. However, several scholars maintain that the case-study approach is useful for obtaining in-depth detail about a particular topic (Zikmund 2010; Creswell 2014). In the same way, Kumar (2011) illustrated that the case-study approach focuses on studying a situation to understand the location, event, people or society being studied. For this study, an explorative multi-case-study approach was chosen to perform an in-depth analysis and explore how the Saudi institutional environment affects an entrepreneur's decision to enter the informal economy in Jeddah.

In order to choose the most suitable research methods for the study topic, and in order to use a successful research framework as well as the most optimal methods and techniques, this study adopted a qualitative research design. Several qualitative research designs can contribute to collecting, measuring and analysing data appropriately to prepare an effective research design. These include grounded theory, ethnographic research, narrative research, historical design, phenomenology and case-study design.

Grounded theory is a systematic procedure that follows an inductive exploratory theoretical approach and aims to develop a theory of a specific phenomenon or events, rather than study individual behaviour by collecting experimental and observation data (Glaser & Strauss 1967). Regarding research into cultural phenomena, ethnographic research is a form of social research that aims to explore cultural phenomena and characteristics. In other words, it studies the lives of people within their societies and requires the researcher to spend long periods of time in the field observing and interacting with the research subjects in order to explain, understand and document their distinctive ways of life (Hammersley & Atkinson 1983). Another research design is the narrative approach, which is described as ‘a vital human activity that structures experience and gives it meaning’ (Kramp 2003, p. 104). The narrative is a research method that gathers people’s stories in order to analyse them and to write narratives about them (Connelly & Clandinin 1990). In contrast, historical research aims to study, understand, interpret and narrate past events and periods, as well as the researcher, uses valid and reliable sources to support the study (Given 2008). Another type of qualitative humanistic research is phenomenology, which depends on a complete description of the lived experience, in that it focuses on describing the common characteristics of phenomena within a particular group (Todres & Holloway 2004; Creswell 2013).

One of the most well-known tools in business research is the case-study approach (Zikmund 2010; Creswell 2014). This approach relies not only on ‘why’ and ‘how’ research questions that can explain behaviour without manipulation and trace phenomena over time but also focus on studying phenomena and their contextual conditions because the boundaries between them are unclear (Yin 2017). The case study also is characterised by its ability to analyse complex events and explore causal relationships because it generates overlapping variables and assumptions in detail through the use of the inductive method (George & Bennett 2005; Cronin 2014; Yin 2009). Notably, the Saudi society has recently witnessed a paradigm shift to liberation from strict social beliefs and has worked on regulation changes; therefore, this thesis adopted an explorative multi-case-study approach to help capture concepts and variables that appeared in Saudi society recently and understand the impact of these complex events on the decisions of male and female entrepreneurs to join the informal Saudi economy. Indeed, this thesis chose the case study because it raises the question of ‘why’ and ‘how’ things happen,

which helps us in a detailed exploring of the phenomenon of informal Saudi enterprises. Since this thesis addresses the lack of research in the informal Saudi economy, a case study was used because it is concerned with explaining a new, unexplained or unstudied social phenomenon (Yin 2017). Although different types of qualitative research designs exist, the benefits of designing a case study are not only based on qualitative data, such as interviews, notes and documents, but also the possibility of triangulating data to obtain clear meaning and diverse perceptions (Stake 2005). Given the flexibility of the design of the case study in its use of data collection tools, it was an appropriate method for this thesis to answer the research questions through interviews and data triangulation.

The additional advantage of the case-study approach is that it provides a comprehensive and direct understanding of a social phenomenon through studying the event and its context closely. The design of the case study sheds light on the study of a particular unit that may be an individual, group or event to an intensive understanding of the phenomenon and its context (Stake 2005; Yin 2017). Thus, for this thesis, it was suitable to consider Saudi entrepreneurs as cases. As every society has special and unique social standards and systems, this study avoided isolating the social phenomenon from its context. In particular, this study focused mainly on male and female informal entrepreneurs and the impact of environmental institutions that include normative social beliefs, rules and regulations in the Saudi context that led them to avoid registering their enterprises with government agencies. It is important to clarify that this study chose entrepreneurs as cases instead of Jeddah city as a case. This was because the study sought to explore Saudi entrepreneurs who decided to join the informal economy, not on the city of Jeddah and its informal economy, which includes different nationalities of informal entrepreneurs who belong to diverse societies and beliefs. Moreover, the case-study design provides a detailed and varied analysis that covers the aspects of the social phenomenon as it directly approaches the real life of an event (Flyvbjerg 2006). Therefore, the case-study design was used in this thesis to deeply understand the phenomenon of the informal Saudi economy.

The case-study approach consists of a single-case-study design and a multiple-case-study design. The holistic single-case study involves a subunit, whereas the study consists of a number of subunits. The holistic multiple-case study comprises a subunit for each case study, whereas

the embedded multiple-case study incorporates a number of cases that branch out from each case into a number of subunits. The single-case study is used for the following purposes: a longitudinal study, a critical test of an existing theory, case model or according to rare and unique circumstances (Yin 2017). In contrast, multiple-case studies are used to identify and characterise the difference and similarities within and between cases (Yin 2017; Baxter & Jack 2008). Because this study argues that regulative, normative and cultural-cognitive experiences drive male and female entrepreneurs to engage in Jeddah's informal sector, a holistic multiple-case-study design in one episode of fieldwork was adopted to compare male and female cases and to provide well-rounded and detailed illustrations of this phenomenon. Furthermore, using a multiple-case design not only takes advantage of a single-case design that provides in-depth details in contextual conditions but also offers valuable results through literal replication cases (the cases are anticipated to be analogous with each other) or theoretical replication cases (the cases are anticipated to be dissimilar to each other) (Yin 2017; Baxter & Jack 2008). Indeed, multiple-case studies offer an in-depth way to explore research questions and develop a theory (Eisenhardt & Graebner 2007).

Although qualitative research tools include archived records, documents, observation, focus groups and interviews (Yin 2017), this study used interviews as a tool to collect data due to their suitability to the research. In the structured interview, the interviewer elicits responses from participants through closed and standardised questions, which are arranged according to chronological order and used in survey research (Bryman 2012). Alternatively, structured interviews are flexible because the interviewer asks questions or points in a simple way to motivate the participants to discuss the topic (Tracy 2013). For semi-structured in-depth interviews, the research study not only provides lists of questions or lists of topics to be discussed but also offers an effective way of dealing with complex and sensitive issues (Bryman 2012; Legard et al. 2003; Zikmund 2010). According to Yin (2017), in-depth interviews form the basis of case-study design because they focus on asking respondents about their opinions and facts about a certain situation in more than one interview over time. Also, scholars assert that in-depth interviews, defined as one-on-one interviews between a researcher and a participant that last more than an hour for each interview, are particularly useful for intensively studying a person to obtaining details within the subject's context (Legard et al. 2003). To gain a detailed



understanding of multiple cases that involve Saudi male and female entrepreneurs who engage in Jeddah's informal sector, semi-structured in-depth interviews were conducted for a minimum of 30 minutes from 19 December 2018 to 31 June 2019 with 62 entrepreneurs.

In summary, although different types of qualitative research design are available, the benefits of the case-study approach are numerous and appropriate to gain insights into the phenomenon of the informal economy in the Saudi context and explore how the number of institutions – including regulative, normative and cultural-cognitive experiences – determine to what extent men and women avoid registering their enterprises with some or all government agencies.

### **Sampling design**

To obtain accurate and high-quality results, this study employed a non-probability sampling (purposive sampling) strategy, snowballing sampling (chain sampling) techniques and the flow populations sampling technique. First, Saudi informal entrepreneurs were divided into two groups: male and female entrepreneurs. To compare them, a non-probability sample (purposive sampling) was used for distinguishing between sampled populations. The aims of adopting purposive sampling was to ensure that all aspects of an issue were covered and that diversity in criteria were provided to explore the studied phenomenon. Because a non-probability sample reflects certain characteristics or groups within the sampled population (Ritchie et al. 2003), the research data in this thesis was drawn from stratified purposeful sampling, which focuses on comparing various groups comprised of totally homogeneous units within each group (Patton 2002).

Given that information about the population of this study are not provided in official statistics and this makes sampling difficult, snowballing (also known as chain sampling), was used to access samples. Specifically, this study uses snowballing or chain sampling, which are methods to access potential participants through suggestions from previous participants (Ritchie et al. 2003). This technique requires a level of trust between the interviewer and previous interviewees to initiate contact with potential participants (Atkinson & Flint 2008). Therefore, the researcher in this study spent a long time with participants to build reliable relationships with

them before gathering any data. Before conducting the interview, the researcher explained the study goals and interview questions to the participants and showed them how their data would be protected, such as making the identity data anonymous or choosing to record their voices or taking notes in the interviews. Also, the researcher assured the participants of the possibility of sending a complaint to the university if the researcher violated the data protection law. To obtain a response to participate in the study, the researcher indicated to the potential participants the importance of the study in communicating their voice to government agencies to solve the obstacles they face or put forward their suggestions. In addition, one benefit of the snowballing technique is that the researcher can reach hidden populations through the social networks of previous participants (Atkinson & Flint 2008). A second benefit of using this technique is flow populations, which refers to a way of looking for samples by approaching potential participants' locations and inviting them to participate in the study (Ritchie et al. 2003). In other words, the researcher reached informal entrepreneurs by approaching their workplaces, such as a store or the street, and asked them to take part in interviews in the public place.

Because each context has different institutional elements that affect the entrepreneur (Thornton et al. 2011), the participants in this study were selected from one location, Jeddah City. This location was chosen based on the size of the city and its population diversity to cover and compare two groups totalling 62 cases of entrepreneurs. Jeddah is the most suitable location for this study because not only is it the main commercial city of the western region of the country (Anwar & Shoult 2009) but it also has the largest population (1,729,192) with different groups being represented, such as different age groups, educational levels and marital status (General Authority for Statistics Kingdom of Saudi Arabia 2010). Such characteristics are important to consider when exploring entrepreneurs' decisions to not register their informal enterprises. In the city of Jeddah, many informal blocks, markets and slums exist, so it was also chosen for easy access to the study sample. The location of the in-depth interviews depended on the participants, who were not always able to travel to the researcher's location. The researcher went to the entrepreneurs, who were located in fixed and non-fixed places, to conduct the in-depth interview and record it with an audio recorder. Because this study consists of interviews with Saudi participants, the interview questions were translated into Arabic and the participants' responses were then translated into English.

This study is distinguished by the fact that it conducted interviews with a number of participants who are both similar and dissimilar in characteristics, which will help to gain a deeper understanding of the phenomenon of the informal Saudi economy in different contexts. The participants' characteristics are shown in Table 1. Semi-structured interviews were conducted with 62 respondents, the total number of informal entrepreneurs interviewed. Of the interviewees who participated in the research, 60% (N=37) were female entrepreneurs, while 40% (N=25) were male entrepreneurs. A large majority (73%, N=45) of the informal entrepreneurs did not fully register their enterprises with government agencies, while 27% (N=17) partially registered their enterprises. Most of the entrepreneurs (79%, N=49) had individual enterprises, while the remaining 21% (N=13) had joint enterprises. Table 1 also shows that 73% (N=45) had owned their enterprises for two or more years, 15% (N=9) for between one and two years, and 13% (N=8) for less than one year. 63% (N=39) of the entrepreneurs kept their enterprises open throughout the year, while 31% (N=19) worked seasonally and 6% (N=4) worked both regularly and seasonally. In this study, a regular enterprise refers to an enterprise that operates at consistent and regular times throughout the year, while a seasonal enterprise refers to an enterprise that operates intermittently or at limited or certain times throughout the year.

According to the Small and Medium Enterprises General Authority's standards for determining the size of an enterprise, micro-enterprises employing 1 to 5 employees, and small enterprises involving 6 to 49 employees were considered in this study. In other words, interviews were conducted with partially- and fully-informal entrepreneurs who owned different-size enterprises, including individual entrepreneurs (47%, N=29), micro-enterprises (47%, N=29) and small enterprises (6%, N=4). Because the situation of career entrepreneurs affects their decision not to register their enterprises with government agencies, the interviewees consisted of a mixture of experienced entrepreneurs, students, employees in the government or private sector, and those who were unemployed. Finally, the study sample included informal enterprises from different sectors that all varied in size and year of establishment in order to aid in discovering the reasons for running informal enterprises.

Table 1 Characteristics of the participants

Participant code	Gender	The commitment period of the enterprise (in year)	Firm age	Firm age	Number of enterprise employees	Firm size as defined by number of employees	Ownership of the enterprise	Registering the enterprise with government agencies	Previous or current entrepreneur experience	The nature of the product or service
ME 1	Male	Regular Enterprises	From two years and more	3 years	Three workers	Micro-enterprise	Individual ownership	Full informal enterprise	Experienced entrepreneur. Private employee	Floral and gifts arrangements . Souvenirs. Electronic games
ME 2	Male	Seasonal Enterprises	From two years and more	3 years and 6 months	One worker	Micro-enterprise	Individual ownership	Full informal enterprise	Government employee	Clothing retailer. Devices and mobile phones Accessories
ME 3	Male	Seasonal Enterprises	More than one year and less than two years	6 months	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Private employee. Previous private employee	Delivery Service
ME 4	Male	Regular Enterprises	More than one year and less than two years	1 year and 4 months	Seven workers	Small enterprise	Individual ownership	Partial informal enterprise	Ex-employee in family enterprise	Food industry
ME 5	Male	Regular Enterprises	More than one year and less	1 year and 8 months	Four workers	Micro-enterprise	Individual ownership	Partial informal enterprise	Private employee	Food industry

			than two years							
ME 6	Male	Regular Enterprises	Less than one year	1 month and 15 days	Five workers	Micro-enterprise	Individual ownership	Partial informal enterprise	Private employee. Previous private employee	Food industry
ME 7	Male	Have seasonal enterprises and regular enterprises	From two years and more	5 years	One worker	Micro-enterprise	Individual ownership	Full informal enterprise	Experienced entrepreneur. Retired Government employee	Agriculture industry, Livestock industry. Retail agriculture crops
ME 8	Male	Regular Enterprises	From two years and more	4 years	One worker	Micro-enterprise	Partnership ownership	Partial informal enterprise	Student	Selling mobile phones and accessories and maintenance them
ME 9	Male	Regular Enterprises	Less than one year	5 months	One worker	Micro-enterprise	Individual ownership	Partial informal enterprise	Previous private employee	Perfumery and incense industry
ME 10	Male	Regular Enterprises	More than one year and less than two years	2 years	Four workers	Micro-enterprise	Individual ownership	Partial informal enterprise	Government employee	Advertising and marketing industry
ME 11	Male	Regular Enterprises	From two years and more	17 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Experienced entrepreneur. Retired	Rental property

									Government employee	
ME 12	Male	Regular Enterprises	Less than one year	6 months	One worker	Micro-enterprise	Partnership ownership	Partial informal enterprise	Experienced entrepreneur. Private employee	Food industry
ME 13	Male	Regular Enterprises	From two years and more	4 years	Nine workers	Small enterprise	Partnership ownership	Partial informal enterprise	Private employee	Petrol station
ME 14	Male	Regular Enterprises	Less than one year	3 months	One worker	Micro-enterprise	Individual ownership	Full informal enterprise	Government employee	Amusement park. Food industry
ME 15	Male	Regular Enterprises	More than one year and less than two years	1 year	Two workers	Micro-enterprise	Individual ownership	Partial informal enterprise	Private employee	Food industry
ME 16	Male	Seasonal Enterprises	From two years and more	15 year	One worker	Micro-enterprise	Individual ownership	Full informal enterprise	Experienced entrepreneur. Private employee	Retail agriculture crops. Construction and building materials. Agriculture industry
ME 17	Male	Regular Enterprises	From two years and more	3 years	Two workers	Micro-enterprise	Individual ownership	Full informal enterprise	Previous private employee	Amusement park. Food industry
ME 18	Male	Seasonal Enterprises	From two years and more	4 years	One worker	Micro-enterprise	Individual ownership	Full informal enterprise	Government employee	Rental property

ME 19	Male	Seasonal Enterprises	From two years and more	3 years	One worker	Micro-enterprise	Individual ownership	Partial informal enterprise	Unemployed	Retail agriculture crops
ME 20	Male	Regular Enterprises	From two years and more	30 years	Six workers	Small enterprise	Individual ownership	Partial informal enterprise	Experienced entrepreneur	Retail agriculture and animal crops
ME 21	Male	Regular Enterprises	From two years and more	8 years	Two workers	Micro-enterprise	Individual ownership	Partial informal enterprise	Ex-employee in family enterprise	Selling mobile phones and accessories and maintenance them
ME 22	Male	Regular Enterprises	From two years and more	2 years	Two workers	Micro-enterprise	Partnership ownership	Full informal enterprise	Student	Selling mobile phones and accessories and maintenance them
ME 23	Male	Regular Enterprises	Less than one year	3 months	One worker	Micro-enterprise	Partnership ownership	Full informal enterprise	Previous private employee. Student	Selling mobile phones and accessories and maintenance them
ME 24	Male	Have seasonal enterprises and regular enterprises	From two years and more	Agriculture Sector: 15 year. Equipme	Two workers	Micro-enterprise	Individual ownership	Full informal enterprise	Experienced entrepreneur. Government employee	Maintenance and repair of electrical equipment.

				nt Maintena nce Sector:8 years						Agriculture industry
ME 25	Male	Seasonal Enterprises	From two years and more	2 years and 3 months	Self- employ ment	Individual entrepreneur	Individual ownership	Full informal enterprise	Government employee	Amusement park
FE 1	Female	Seasonal Enterprises	From two years and more	3 years	Two workers	Micro- enterprise	Individual ownership	Partial informal enterprise	Unemployed	Government bookings management services
FE 2	Female	Seasonal Enterprises	From two years and more	4 years	Self- employ ment	Individual entrepreneur	Partnershi p ownership	Partial informal enterprise	Private employee	Perfumery and incense industry. Souvenirs
FE 3	Female	Seasonal Enterprises	From two years and more	3 years	Self- employ ment	Micro- enterprise	Individual ownership	Partial informal enterprise	Student	Advertising and marketing industry
FE 4	Female	Regular Enterprises	From two years and more	4 years	Self- employ ment	Individual entrepreneur	Individual ownership	Full informal enterprise	Unemployed	Household utensils retailer
FE 5	Female	Seasonal Enterprises	Less than one year	1 month	Self- employ ment	Individual entrepreneur	Individual ownership	Full informal enterprise	Unemployed	Beauty and personal care
FE 6	Female	Seasonal Enterprises	From two years and more	5 years	One worker	Micro- enterprise	Individual ownership	Partial informal enterprise	Ex-employee in family enterprise. Student	Food industry
FE 7	Female	Seasonal Enterprises	From two years and more	16 years	One worker	Micro- enterprise	Partnershi p ownership	Full informal enterprise	Unemployed	Food industry



FE 8	Female	Seasonal Enterprises	More than one year and less than two years	1 year and 4 months	One worker	Micro-enterprise	Individual ownership	Full informal enterprise	Unemployed	Food industry
FE 9	Female	Regular Enterprises	From two years and more	12 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Unemployed	Clothing retailer. Perfumery and incense industry. Incense retailer. Food industry
FE 10	Female	Regular Enterprises	From two years and more	6 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Experienced entrepreneur	Clothing retailer. Incense retailer. Food industry
FE 11	Female	Regular Enterprises	More than one year and less than two years	1 year and 8 months	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Unemployed	Fashion design. Clothing retailer. Food industry
FE 12	Female	Seasonal Enterprises	From two years and more	3 years	Three workers	Micro-enterprise	Partnership ownership	Full informal enterprise	Unemployed	Food industry
FE 13	Female	Have seasonal enterprises and regular enterprises	From two years and more	5 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Experienced entrepreneur	Clothing retailer

FE 14	Female	Regular Enterprises	From two years and more	4 years and 3 weeks	Eight workers	Small enterprise	Individual ownership	Full informal enterprise	Experienced entrepreneur	Floral and gifts arrangements . Souvenirs
FE 15	Female	Regular Enterprises	From two years and more	7 years	Four workers	Micro-enterprise	Partnership ownership	Full informal enterprise	Experienced entrepreneur	Fashion design. Perfumery and incense industry Clothing retailer. Food industry
FE 16	Female	Regular Enterprises	From two years and more	6 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Experienced entrepreneur	Jewelry and accessories industry. Perfumery and incense industry. Food industry
FE 17	Female	Seasonal Enterprises	Less than one year	3 months	Two workers	Micro-enterprise	Partnership ownership	Full informal enterprise	Unemployed	Food industry
FE 18	Female	Seasonal Enterprises	From two years and more	4 years	Four workers	Micro-enterprise	Individual ownership	Full informal enterprise	Previous private employee	Floral and gifts arrangement. Jewelry and accessories industry. Devices and mobile phones Accessories

FE 19	Female	Regular Enterprises	From two years and more	25 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Experienced entrepreneur	Grocery retailer
FE 20	Female	Regular Enterprises	From two years and more	6 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Experienced entrepreneur	Incense retailer. Food industry
FE 21	Female	Have seasonal enterprises and regular enterprises	From two years and more	7 years	Self-employment	Individual entrepreneur	Partnership ownership	Partial informal enterprise	Unemployed	Gents Salon. Contracting agency
FE 22	Female	Regular Enterprises	From two years and more	13 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Experienced entrepreneur	Food industry
FE 23	Female	Regular Enterprises	From two years and more	18 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Unemployed	Grocery retailer
FE 24	Female	Regular Enterprises	From two years and more	7 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Unemployed	Clothing retailer. Incense retailer
FE 25	Female	Seasonal Enterprises	From two years and more	5 years	Self-employment	Individual entrepreneur	Partnership ownership	Full informal enterprise	Experienced entrepreneur	Clothing retailer. Incense retailer. Agricultural and animal crops and Spices
FE 26	Female	Regular Enterprises	From two years and more	3 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Unemployed	Food industry

FE 27	Female	Regular Enterprises	More than one year and less than two years	1 year and 3 months	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Unemployed	Clothing retailer. Incense retailer. Retail agriculture crops
FE 28	Female	Regular Enterprises	From two years and more	10 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Unemployed	Clothing retailer. Beauty and personal care
FE 29	Female	Regular Enterprises	From two years and more	14 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Unemployed	Beauty and personal care, Clothing retailer. Food industry. Retail animal crops
FE 30	Female	Seasonal Enterprises	From two years and more	7 years	Self-employment	Individual entrepreneur	Partnership ownership	Full informal enterprise	Experienced entrepreneur	Household utensils retailer
FE 31	Female	Regular Enterprises	From two years and more	5 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Experienced entrepreneur	Clothing retailer. Incense retailer. Food industry. Retail agriculture crops
FE 32	Female	Seasonal Enterprises	From two years and more	6 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Ex-employee in family enterprise.	Fashion design. Clothing retailer.

									Experienced entrepreneur	
FE 33	Female	Regular Enterprises	From two years and more	5 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Experienced entrepreneur	Household utensils retailer
FE 34	Female	Regular Enterprises	More than one year and less than two years	1 year and 7 month	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Experienced entrepreneur	Fashion design
FE 35.	Female	Regular Enterprises	Less than one year	3 months	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Private employee	Retail agriculture crops
FE 36	Female	Regular Enterprises	From two years and more	8 years	One worker	Micro-enterprise	Individual ownership	Full informal enterprise	Government employee	Clothing retailer. Incense retailer. Retail Spices
FE 37	Female	Regular Enterprises	From two years and more	3 years	Self-employment	Individual entrepreneur	Individual ownership	Full informal enterprise	Unemployed	Clothing retailer

## The interview questions

The interview questions were divided into several themes in an effort to discover the phenomenon of informal entrepreneurship among partially and/or fully informal Saudi entrepreneurs. The interview questions in this study were designed based on research objectives and research questions that are associated with Scott's three pillars of institutional theory (see Table 2 below as an example). The interview questions were divided into five groups, each containing several questions (Please see Appendix C for more information). In the first part, participants were asked questions about their nature of unregistered business, the experiences entrepreneurs had with government agencies regarding procedures and conditions for business registration and the penalties they may face as a result of not registering their business. The interview questions also focused on traditions and cultural norms that support or hinder entrepreneurs in establishing their informal enterprises. In the fourth part, the interview questions asked about the effect of the cultural environment on the cognition of entrepreneurs in running their enterprises in the informal sector. The last group of interview questions focused on demographic information of the entrepreneurs, such as gender. To ensure the interview questions were appropriate and cover the objectives of the study, a pilot study was conducted on many individuals.

Table 2 An example of interview questions

Interview parts	Interview questions
Part 1: Nature of the informal business	<ul style="list-style-type: none"><li>- Can you tell me about your business?</li><li>- In what types of locations (e.g. shop, bazaar stall, street and Internet by using social media) do you run your business?</li><li>- What type of industry is your organisation a part of?</li><li>- Did you have a previous business before you started to run an unregistered business?</li><li>- Do you use social media in your business?</li><li>- Have you registered your business with all local or national government agencies?</li></ul>

Part 2: Problems in registering your business with government agencies	<ul style="list-style-type: none"> <li>- Why you have not registered your business with all local or national government agencies?</li> <li>- What are your experiences with inspectors/employees from government agencies?</li> </ul>
Part 3: Impact of community customs, traditions and taboos on your business	<ul style="list-style-type: none"> <li>- How would you describe the support given by government entities to small businesses?</li> <li>- How would you describe the support given by private entities (e.g. Alahli Bank or Bab Rizq Jameel Microfinance) to small businesses?</li> <li>- How did your family support you when you were starting your business?</li> <li>- What does your business community (customers, suppliers, stakeholders, etc.) expect you to achieve in your business?</li> </ul>
Part 4: Impact of your cultural situation on your entrepreneurial interpretation of starting an unregistered business	<ul style="list-style-type: none"> <li>- How did you access the tools and resources you needed to start a business?</li> <li>- What encourages you to run an unregistered business?</li> </ul>
Part 5: Demographic information	<ul style="list-style-type: none"> <li>- What is your gender?</li> </ul>

### **Data analysis**

The objective of this study is to compare male and female entrepreneurs in the informal economy. As such, this thesis uses thick descriptions of interviews conducted with entrepreneurs and a cross-case synthesis/cross-case analysis design with theme analysis. The term *thick description* refers to the noted social activity (or behaviour) that is accurately described and interpreted by the researcher within a certain context within a smaller or larger unit (Ponterotto 2016). This study was synthesised using a cross-case analysis design similar to that used by Yin (2000) in the book chapter ‘Transformed’ Firms: An Analysis of Case Studies of 14 Small- and Medium-Sized Manufacturing Firms’. The design used in these studies was chosen because it is effective in identifying the similarities and differences between cases after gaining a detailed

understanding of the themes within each case. Furthermore, cross-case synthesis is used in this study to obtain detailed descriptions of each case and capture the themes and patterns of phenomena that arise in the cases.

Given that this study is aimed at deeply understanding and comparing groups of entrepreneurs, the thick description approach and theme analysis were chosen, owing to their usefulness when conducting a comparative case analysis in illustrating similarities and differences. *Thematic analysis* refers to coding a group of research-related data to generate themes and patterns; this facilitates a deeper understanding of the data and provides the theoretical contribution (Bryman 2012). As such, thematic analysis is also performed in the present study, given its advantages in the examination of different perspectives and its ability to enable the researcher to focus on similarities and differences (King 2004; Braun and Clarke 2006).

Once a detailed understanding of the themes within the cases is gained, a holistic case-study design and cross-case synthesis—specifically, the stacking technique—was used to further identify the similarities and differences between the cases. Furthermore, using comparisons across and within cases allows us to generate accurate and in-depth information, generalise facts and generate and test theories (Miles & Huberman 1994). Ragin (1987) illustrated that cross-case analysis involves two approaches: a case-oriented approach, which means that after the researcher understands each case and finds themes, relationships, similarities and associations across the cases are compared; and a variable-oriented approach, which identifies intersections across cases after the researcher builds initial variables or themes that may change during the analysis stage. In particular, a case-oriented approach allows the researcher to assess complex patterns and interpret conjunctural causation, whereas a variable-oriented approach enables the researcher to conduct an analysis of a large number of cases (Ragin 1987). These two approaches can also be merged into a synthetic strategy, which not only highlights relationships among variables and constitutional illustrations but also focuses on the chronological individualities of cases and characteristics of the people studied (Ragin 1987). According to Yin (2017), cross-case synthesis means that each case study is analysed as its own entity, and similarities and differences are studied to identify cross-case patterns. In other words, cross-case analysis does not just focus on the description of each



case but requires themes and patterns to be produced and synthesised across cases (Miles & Huberman 1994).

Miles & Huberman (1994) recommended two interdependent methods for using cross-case analysis: variable-oriented analysis and cross-case analysis. Therefore, in this study, the analysis was composed of four processes, or steps, explained below.

Step 1: The initial variables and themes are outlined.

Although the initial variables (Table 3) arose from interview questions, in this method, each interview and statement or phrase is coded, resulting in the emergence of a group of words with a common meaning. In addition, the initial variables listed in Table 3 were refined during the analysis phase by grouping them into categories or dropping them.

Table 3 The initial variables and themes

Pillar	Variable	Description
<i>Regulative Pillar</i>	Government Agencies' Regulations	This variable explores how the regulatory pillar affects Saudi entrepreneurs in their refusal to register their businesses with some or all local or national government agencies. In other words, this variable describes the rules, regulations, procedures and fees of government agencies through the experiences of entrepreneurs.
	Inspections and Penalties	This variable describes the effect of the power of sanctions and inspectors on entrepreneurs in the informal sector.
<i>Normative Pillar</i>	Supporting and Challenging Entrepreneurs	This variable offers an effective way of identifying the effect of support and challenge from government entities, private entities, family and society (e.g. friends, neighbours or clan) and community customs, traditions and taboos on entrepreneurs' businesses.

<i>Cultural-Cognitive Pillar</i>	Availability of Tools and Financial and Human Sources	This variable explores the impact of the availability of physical tools and financial and human sources on the decision of entrepreneurs in the management of their projects in the informal sector. This variable is used to help understand how informal entrepreneurs exploit existing resources in selecting the location or sector of their ventures.
	Ability to Manage a Venture	This variable shows how the cultural knowledge and experience of entrepreneurs are reflected in the management of their informal venture, such as conducting a feasibility study, in applying a strategic method to run their businesses.
	Motivation	This variable explores the impact of entrepreneurs' cultural situation on their entrepreneurship motivation (either necessity or opportunity driven) to start an unregistered business.

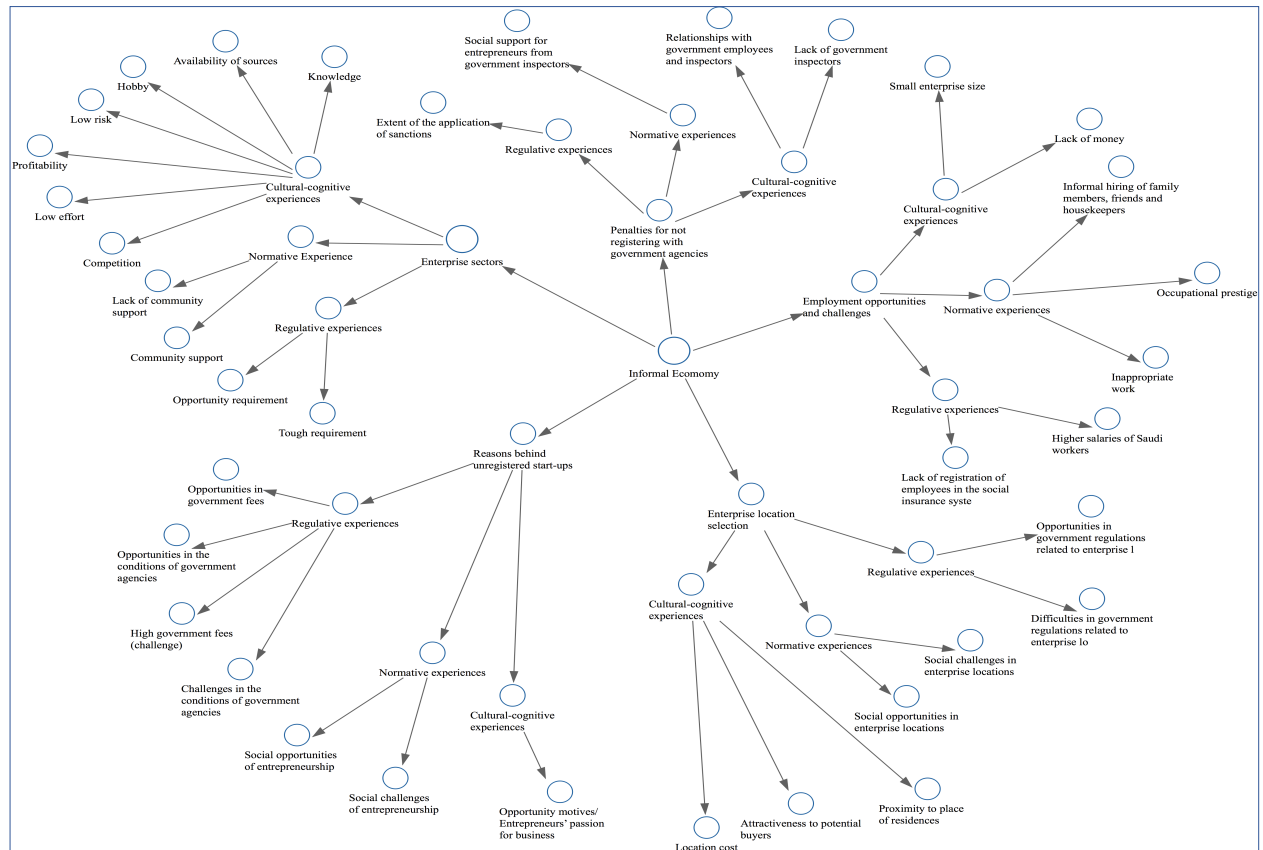
Step 2: Each case was analysed individually.

The purpose of analysing interviews individually was to study the case intensively and thickly to explore the regulative, normative, and cultural-cognitive aspects that led the entrepreneur to engage in the informal economy. During this stage, additional themes, as illustrated in Figure 2 Second cycle coding for main and branched themes of research findings were created, which fall under the initial themes mentioned in Step 1. The transcripts of the interviews, at this step, were analysed in Arabic (the language of the interviewee and interviewer) to obtain deep meanings and accurate data and to avoid losing any meanings of the data when translating it into English. To organise the interviewing process, a special code was created for each participant with a certain number. By way of illustration, the abbreviation ME denotes informal male entrepreneurs, whereas the symbol FE refers to informal female entrepreneurs.

Figure 1 An example of a process for generating themes for interview transcripts in Arabic

53	هند - في أي نوع من المواقع تدير مشروعك؟ (مثل المتجر، سوق، بازار، الشارع او عبر استخدام وسائل التواصل الاجتماعي) <u>إلا تخبرني</u>
54	<u>عن عنوان عملك</u> لماذا قررت إدارة مشروعك في هذه الأماكن؟
55	بناء على دراسته جدوى
56	انا اول فود ترك جيت هينا في المنطقه بصعوبه جدا في المكان هذا لان المنطقه تعتبر ممشى ما احد موجود في المنطقه هذي مستثمر ياخذها من الحكومه لكن الحمد لله سعينا فيها في ناس كثير انتقدوا لا حرام ليش تفتح هذه المنطقه المكان ميت اللي ماتروح الشمال انا عملت هنا
57	انا عملت شويه دراسته خفيفه طبعاً بالمكان انا قررت انا اقول لك هذه المنطقه هذه المنطقه تخدم خمسة احياء ، خمس احياء تعتبر من اكتظاظ السكاني جدا جدا عالي هدفي في المنطقه ككل بشكل عام 5 احياء منافسينك جدا قليل. الخمس احياء يمكن في مطعم معروف ومشهور بدون ذكر اسماء طبعاً هو ماخذه يعني ما شاء الله تبارك الله الله يبارك له ماخذ سمعه وما اخذ صيت الى اخره بسبب شيء واحد انه ما شاء الله تبارك الله عمله مؤسسي مطعم مبني كبير وكذا زي ما تقولي ماخذ المنطقه ككل فصار معروف فلماجيت ان هنا الان هذا هدفي الخمس احياء، طموح ان شاء الله الملكة كلها لكن المنطقه هذي بالضبط عدد الاكتظاظ السكاني يعني لمن يجيني 50 جدا جدا ان اكون مبسوط لان الزبون بيحب زبون ثاني وثالث ورابع وخامس. الحمد لله خلال سنة وثمانيه شهر قدرت اوصل الى خارج المنطقه هذه بناء على السمعه

Figure 2 Second cycle coding for main and branched themes of research findings



Step 3: A cross-case analysis was conducted based on the revised variables.

The details of the meta-matrix were used across both groups and includes 62 entrepreneurs, both men and women, and referenced the regulative, normative and cultural-cognitive aspects, the variables and themes in order to perform a holistic comparison among the groups, and these three aspects. For simplicity, the research findings were divided into several overarching themes, including informal employment, informal enterprise location selection and informal enterprise sectors, reasons behind unregistered start-ups, and penalties for not registering with government agencies. During the analysis process, the study revised the themes, with each main theme generating several sub-themes as shown in the example in Table 4. These were then examined and discussed by focusing on the regulative, normative and cultural-cognitive aspects. This thesis also showed which aspects of Scott’s pillars affect the Saudi men and women who enter into Jeddah’s informal economy within each theme.

Table 4 Penalties for not registering with government agencies

Penalties for not registering with government agencies	
Regulative experiences: Inefficient regulative sanctions	
Participant code	Comments
ME 1	I never encountered inspectors through social media. I think inspections and punishments occur when the customer complains through the ministry in case of fraud.
ME 3	No one came to me from the inspectors, nor had I seen anyone.
ME 4	The inspectors are good with me, and they make sure that I follow the regulations, for example, that I have a health card and I hire a Saudi worker.
ME 5	I have relationships with government employees, so the monitors condone some violations.
ME 6	The inspectors are kind and I did not have any trouble with them when I followed the regulations for employing Saudis.

ME 7	However, if I have a store, they will be severe with me because inspectors know that I have money and I must pay them a bribe to not give me an offence if I have a little dust in the shop.
ME 8	When the inspector comes and makes sure that I am a Saudi, the inspector does not ask about fingerprints or identity and tolerates me. The inspector does not ask whether the employees are registered with social insurance or not as the inspector focuses [on making sure] that no foreign employee is working with me due to the Saudi-sation of the mobile shop system. However, if the inspector sees a violation of the foreign employment rate, the inspector gives me a high fine of 20,000 riyals. The Ministry of Labor and Social Development requires that the employees in the store be 70% Saudi and 30% foreign.
ME 9	I have not seen inspectors since I started managing my venture.
ME 10	The inspectors are different. Some deal in a very sophisticated manner, but a few of them put me in a narrow corner when they ask about my documents.
ME 11	At the construction stage, I did not see the municipal inspectors, because the area is far from the inspectors' attention. I just finished the construction, and nobody asked me about the building permit. Most of the people have apartments for rent and there is no one to ask about the license.
ME 12	When the inspectors see Saudi employees inside the truck, they do not ask about the renewal or the health card.
ME 13	The inspectors are strict with me and record violations because the employees are irregular and because I have not complied with safety requirements. I have to pay the violation so I can continue government services in the Absher system.
ME 15	Municipal inspectors are lenient, but sometimes they ask me about the health card. If I do not have a health card, I will get a fine of 500 riyals. The inspectors do not check very often to see if my worker has a health

	card. The inspectors check that the truck owner is a Saudi and has a health card, and the worker is Saudi, and sometimes they overlook these things, it depends on the employee.
ME 16	The inspectors are not strict. The inspectors come to the shop, but they are not accurate because the products are building materials that do not have an expiration date or pose a risk to the consumer like foodstuffs. The inspectors do not ask about registering the worker in social insurance because I am often in the store when the inspection comes. The inspectors overlook the violations and don't require me to get a license because the shop is small and in a slum neighbourhood ... I do not feel it is essential because no one forces me or gives me a violation, so I feel I do not need to renew and bear costs.
ME 17	I did not get a commercial license because the inspectors do not come here. If inspectors record any violations, I am the first one you will find at the municipality's door. There are no violations on the place and there are no problems; everything is perfect.
ME 18	The location of the guest house within the neighbourhood is not on the main street, so the inspector does not notice it. Most guesthouses and homes in Saudi Arabia do not have a title deed or permit; so, the inspectors are not strict, except in the event of complaints from others.
ME 20	Inspectors rarely come for an inspection. When the inspectors come, they are not accurate in checking that I have implemented the Saudization system. If they see my sons and me in the shop, they tolerate me.
ME 21	The monitors are hard-liners because this sector has become for the Saudis. If I hire a non-Saudi employee, the inspector gives me a financial violation that reaches 20,000 riyals.
ME 22	When the inspectors from the labour office come to the shop, they do not check if I have registered the employees in the system or not or the shop in my name or not. The inspectors ask the employees and me to show our national identity to make sure that the employee is Saudi, and I am a Saudi. I will pay 20,000 riyals if I violate the Saudization requirement.

ME 24	The inspectors do not come to inspect electrical maintenance shops inside this slum neighbourhood. The inspectors may be strict with restaurants and cleanliness, but not with maintenance shops ... The land is originally in the name of the Ministry of Finance (state property), and none of the employees come and prevent me from temporarily cultivating it.
ME 25	My friend is an employee of the municipality, so when an inspection warrant comes, he informs me on the mobile phone to close the games enterprise.
FE 1	The Ministry of Commerce sees our accounts and advertisements in social media, and no one has given us a fine or banned us from working on this enterprise.
FE 2	There are no inspectors. Some competitors steal my trademark and attribute it to their name.
FE 3	I did not register the venture because there are no inspectors, and no one has told me that I must register my venture.
FE 4	Two of the men said to me they are government inspectors and asked me to remove the store and sign the papers, but I did not believe them. They were thieves who wanted to seize the land. I did not see government employees, and they did not ask me to remove the shop.
FE 5	Government inspectors have not asked me for a license. Even the apothecary who buys a set of oils and soap from me and sells them to his customers in his shop has not asked me about the commerce license.
FE 6	The inspectors in social media are not present, nor I have contacted or seen them.
FE 8	I am not afraid of the inspectors because this is my country, why would I be afraid?! In fact, I have not seen the inspectors.

FE 9	Last year, the municipal inspectors did not stop me; they just took our names and mobile numbers to contact me when they give me the shop, but nothing happened. The municipality has now started to demolish and remove this market.
FE 10	The Labor Office staff came here and asked if someone worked with me and I said, “No”, so they leave me ... They are lenient.
FE 11	I wanted to sell in this market and found this shop for rent. The owner of the shop has a license from the municipality. The store is not in my name; it is considered a violation. Municipal employees focus on the fact that the shop is open, and the shop owner and employees are Saudi. Municipal inspectors do not ask about the contract, and they only check that you are a Saudi national and you have an ID. The inspectors are not strict and do not perform the inspection much more than once a year.
FE 13	Currently, the inspectors say there is an order to remove the market, and the municipality inspectors have not carried out an inspection for a year ... Municipal employees issued a removal order, as they considered the shop to be an infringement. After I reviewed and complained to the mayor, they allowed me to open the shop and all the shops in the women’s market ... A long time ago, they were tough with us, and when we put up booths, they destroyed them with tractor trucks.
FE 14	The inspectors are not rigorous, and they have not come here much. Even if the inspectors are punishing me, they just say to me collect my goods and leave the place... I have not seen social media inspectors, and no one spoke to me or complained.
FE 16	Initially, when I put up the stall, municipal inspectors broke it and took the luggage that contained my goods and put it into a damaged section. Municipal inspectors did not come a year ago. They come once a year or twice at 3:00 in the morning, and there is no warning. The municipality employees now tell us to sit down until a removal order comes.



FE 17	The inspection depends on the employees, some of the inspectors are not strict with me when they know that I am Saudi, and some inspectors throw food.
FE 18	The municipal employees do not want us to sell in the park because the residents of the neighbourhood complained about the inconvenience caused by visitors in the park, such as the sounds of tanks, harassment and fighting. Municipal inspectors do not want us to sell in the park because we encourage people to come to the park and sit until 3:00 in the morning. The inspectors sometimes take our goods and sometimes give us a warning to close the stand, and after the inspectors go away, we open the ventures again. In the world of social media, there are no government inspectors for our ventures.
FE 20	The inspectors were coming to close our businesses. This year, inspectors have not come because they were tired of our resistance to them.
FE 21	The inspectors focus on having a Saudi worker, and they do not interfere with the employee's details. When I do not pay the annual fees, I will pay a fine. If the fine is not paid within a specified time, the fine will be doubled. The inspector only comes if there is a complaint notification or at the beginning of opening the venture to ensure that everything required of you is implemented.
FE 23	Municipal inspectors sometimes prevent me from selling and take the goods and destroy them. Sometimes, municipal inspectors condone me if they know I am Saudi.
FE 24	Municipal inspectors kicked me out of the place because the land is not mine, but I came back and opened the shop. Some of the inspectors condone us because the market is large, and they are unable to evict us. Some of the inspectors are ashamed of expelling us because we are old women, and they treat us like their mother. Some inspectors are severe and take our goods and destroy them.
FE 25	I am not afraid of the municipal inspectors because the goods are in my house and they do not know anything about me.

FE 26	Municipal inspectors often break the stand and go, and I go back and open my enterprise again. Municipal inspectors and police come to the market because of problems and fights between female competitors. For example, they argue over, “Why did you take my customer and why did you take my place?”
FE 28	I am supposed to pay the municipality 600 riyals per year. I have not paid the license renewal fees for about 6 years because they said, “We send employees who collect fees after we determine if there is a license renewal or not.” The inspectors did not come to the market, so I have not renewed the license.
FE 29	None of the inspectors told me about the license, even though they always came to search for other shop owners. I rented and sat in a place that is not forbidden. The inspectors do not speak to Saudi women entrepreneurs because we are poor.
FE 30	The municipal inspectors did not check for the renewal of the license. Initially, the municipality employees passed through here, and they saw us sitting on the street, and they said to us, “Pay 600 riyals. That is a symbolic amount [for us] to give [you] a stand”, so I paid it. The municipality initially prevented us from turning the stands into shops, but we ignored the instructions. We resisted the municipal inspectors as I built the shop, and I put the door in my shop. It is difficult to leave goods on an outdoor exhibition stand and go home.
FE 31	The inspectors refused to allow us to build stores, but when they saw a large number of violators, they could not punish us, so they accepted us. Four years ago, there was news that our stores were going to be removed but no one has spoken to us.

FE 32	When I put up a stand, the municipal inspectors broke it. After that, the municipality opened our shops. The municipality conducts the inspection once a year, and they tell me to remove that the goods from the pavement. Because the shop is small, I put a stand in front of the shop, and the inspectors refused that. Now, inspectors do not break a stand, but they warn orally. I ignore them.
FE 33	I did not renew the license because the staff did not come and ask me to renew the license.
FE 35	In the city centre, the municipality every week comes to give me an oral warning; if I do not follow the instructions, they break the kiosk. I close the booth and come back the next day.
FE 36	The inspectors come to the market and break the goods, but I ignore them and open the venture. When the inspectors saw our insistence, they did not speak to us and said, "Sit here until the removal order comes." I sat for years, and no removal order came. There were no penalties and no fine but, at first, the inspectors were breaking our stands.
FE 37	The inspectors ask about licenses, and when they know that I have no money, they ask about my ID. Because my financial situation is weak and I am an old Saudi woman, the inspectors respect and tolerate me.

#### Step 4: Writing the research report (Results chapter)

After the process of analysing the interviews and classifying them into main and branch themes, the texts were translated from Arabic to English. The numerical results used to compare male and female informal entrepreneurs to highlight the significant differences in opportunities and challenges they face in all the research themes that have been examined according to Scott's three aspects. Software is useful for organising and comparing data (Yin 2017), therefore, the perspectives of the participants compared using MAXQDA software. In details, the interview findings explained why entrepreneurs avoid complying with the rules of employment for Saudis that are applicable to their enterprise and the registration of employees with the Ministry of Labour and Social Development and General Organization for Social Insurance. This study was also interested in determining how social experiences affect male and female entrepreneurs who

face difficulties in trying to recruit Saudi employees and officially register them with government agencies and how normative support from hiring communities members informally is reflected in entrepreneurs' decisions to not register enterprises as fully formal. Further, interview findings illustrated the effect of the enterprise location on entrepreneurs by exploring the opportunities and difficulties facing entrepreneurs in complying with the conditions set by the Ministry of Municipal and Rural Affairs and Civil Defense for choosing an official enterprise site to issue a municipal licence. The interview findings cover how special customs and traditions have influenced entrepreneurs in their choice of a special sector. Findings also describe the reasons why entrepreneurs launched their informal enterprises and how government sanctions and inspectors affect entrepreneurs' commitment to registering or not registering their enterprises.

### **The Saudi context**

Since this research seeks to discover regulative, normative and cultural-cognitive opportunities and challenges that push male and female entrepreneurs to avoid registering their enterprises with some or all government agencies, clarifying and understanding the regulations and requirements of government agencies and the Saudi environment is extremely important to achieve the purpose of this research study. In particular, although the former Saudi state derived its legislation and regulations from the Islamic religion, the current Saudi government has recently undergone a major cultural transformation that challenges Islamic heritage and the bureaucratic regimes that have been in place for decades. Women gained greater rights during the era of the current Saudi government, which made extensive reform changes that allow women to work and exercise their rights, which were fought by social customs and traditions and conservative individuals who misinterpret the Islamic religion. Further, Saudi government agencies have worked to add or delete requirements and regulations for the process of organising enterprises. However, under the cases of informal enterprises, government regulations and requirements may represent opportunities or challenges for entrepreneurs that discourage them from registering their enterprises with government agencies. The following highlights the Saudi context, which includes the empowerment of women entrepreneurs, the labour rights of working women, labour regulations, labours' financial rights, support for government and private bodies,

enterprise location regulations, licensing requirements related to the type of sector and requirements for business registration.

The Saudi government has worked to support women's rights based on the Islamic religion, which urges the principle of equality between men and women. The Saudi state enacted laws not only to protect women's rights in the work environment but also support women in economic, human, health and education rights. Therefore, any individual can file a report in the event of a violation of these rights (Unified National Platform GOV.SA 2021). In detail, the Ministry of Commerce allowed women to participate in economic development by ensuring equality between them and their male peers in the process of establishing enterprises, such as registering trademarks, reserving trade names and practising all activities (The Embassy of the Kingdom of Saudi Arabia: Washington DC 2019). One of the most important decisions supported by the Saudi government is that women can act/establish their enterprises without the permission of a male guardian (mahram) and live on their own (The Embassy of the Kingdom of Saudi Arabia: Washington DC 2019). In addition, the Saudi government has been interested in providing financial and counselling support to women by registering them with social security or by encouraging female enterprise owners, especially divorced women and widows, to participate in the Social Development Bank programme (Unified National Platform GOV.SA 2021). Given the Saudi state believes in the importance of education and its effective role in developing the economy and expanding enterprises, the Ministry of Education has provided equal educational opportunities for both sexes in free education and illiteracy eradication as well as established university cities for girls, such as Princess Nourah bint Abdul Rahman University (Unified National Platform GOV.SA 2021). In short, Saudi female entrepreneurs were not just given the opportunity to operate their own enterprise from legal and regulatory sides, they were provided with financial and educational support from the Saudi government.

The rights of workers, especially working women, is one of the major changes that the Saudi government has recently supported. Especially, the Saudi Ministry of Labor and Social Development has recognised gender equality in women's rights in the work environment, such as work wages, job search, retirement age and on-the-job training programmes (The Embassy of the Kingdom of Saudi Arabia: Washington DC 2019). The Saudi Labor Law prohibits the employer

from employing women in harmful industries or dangerous places. Rather, employers must provide comfortable and safe places for women and provide a nursery for their children if the number of working women is large (Ministry of Human Resources and Social Development Kingdom of Saudi Arabia). Labour laws enacted the right of a working woman to obtain leave for the death of her husband as well as maternity leave with the continuation of her wage according to the number of years of work, and the employer is prohibited from dismissing a woman or threatening to dismiss her during the maternity leave period (Ministry of Human Resources and Social Development Kingdom of Saudi Arabia). To empower women and reduce the unemployment rate among women, the Ministry of Labor and Social Development has obligated entrepreneurs to feminise jobs in certain activities, such as clothing, jewellery and perfumes (Ministry of Human Resources and Social Development Kingdom of Saudi Arabia 2019). Moreover, the government supports women employment in the education sector by agreeing with enterprise owners to contribute 50% of the basic salary of employees for 5 years with setting a minimum salary of employees to reduce unemployment rates (Unified National Platform GOV.SA 2021). The Saudi government has also paid attention to women by enacting regulations that protect them from sexual harassment (The Embassy of the Kingdom of Saudi Arabia: Washington DC 2019). For more information about women's rights in the work environment, you can see the attached link in the appendices below.

The Saudi government attaches great importance to achieving the principle of human rights protection – especially for labourers – so government agencies have enacted regulations and penalties to guide the working relationship between employers and labourers. The Ministry of Human Resources and Social Development obligates employers to register their workers and contract with them according to the ministry's model with specifying working hours, recording workers' data, wages, medical examinations, fines, attendance and dismissal (Ministry of Human Resources and Social Development Kingdom of Saudi Arabia). Further, the employer must issue a letter explaining the nature of the jobs and information about the employees and send it to the labour office (Ministry of Human Resources and Social Development Kingdom of Saudi Arabia). To reduce the unemployment rate among Saudis, the Ministry of Human Resources and Social Development has legislated that employers hire Saudis in administrative careers, such as clerk, receptionist, human resources employee and security guards, and foreigners are prohibited

from working in these careers (Ministry of Human Resources and Social Development 2019). In particular, the Ministry of Human Resources and Social Development (2017) enacted a system for the localisation of professions (Nitaqat), which determines the percentage of Saudi nationals based on the size and sector of the enterprises. Nitaqat classifies the institution under several domains: the highest is the platinum scale, meaning that the entity has achieved the Saudization rate, and the lowest scale is red, which indicates the entity has not committed to a high rate of Saudization and deserves the most severe penalties (Ministry of Human Resources and Social Development). Employers are punished by the Ministry of Human Resources and Social Development and the Ministry of Interior if they hire foreigners with a criminal record or cover-up for foreign workers who work for their own account (For details about the labour regulations, you can see the link in the attachments) (Ministry of Human Resources and Social Development Kingdom of Saudi Arabia). In general, government agencies aim to protect the rights of national and foreign workers within Saudi territory and have enacted penalties for violators of labour regulations.

Given the importance of workers' financial rights, the Saudi government has stressed enterprise owners must abide by the regulations and instructions regarding workers' wages and the insurance and pension liability of workers. To protect and achieve fair wages for Saudi workers in the labour market in proportion to the cost of living, the Ministry of Human Resources and Social Development has set a minimum wage of 3,000 riyals (Ministry of Human Resources and Social Development). In the case of workers' insurance, the General Organization for Social Insurance requires enterprise owners to include their employees at 18% of the wage in the pension programme, which is paid equally between the employer and the worker, and the worker is entitled to collect the funds upon retirement, disability or death (General Organization for Social Insurance 2021). The Saudi government also takes care of Saudi workers who are unemployed due to external circumstances by involving them in the Unemployment Insurance (SANED) programme. For this programme, the employer and contributor are both responsible for paying 1% for a total participation rate of 2% (General Organization for Social Insurance 2020). The General Organization for Social Insurance obliges enterprise owners to register their workers in the occupational hazards system at a rate of 2% of the wage (General Organization for Social Insurance 2021). However, the link attached in the Appendix below provides all the

details about workers' financial rights. Overall, the Saudi government has enacted financial regulations and laws to guarantee and preserve workers' rights not only at the beginning of their career but also during their retirement period.

Financial and consultative support is one of the motivating elements that play an important role in the establishment and development of enterprises. Therefore, the Saudi government established the Monshaat authority, which not only provides financial and consultative solutions supportive to the emerging enterprises but also provides support to the enterprises that are looking for expansion and development (The General Authority for Small and Medium Enterprises "Monshaat"). The government also established the Social Development Bank, which supports entrepreneurs with financial loans that fall within several programmes as one of the solutions to reduce the unemployment rate among graduate youth and contribute to providing an opportunity for passionate entrepreneurs to set up their enterprises (The Social Development Bank 2020). To obtain a loan from the Social Development Bank, the applicant must be of Saudi nationality, at least 18 years old, in an appropriate financial position, able to repay a loan and bank administration fee and have the qualification or experience to run their enterprise. In detail, the applicant must submit guarantees to the Social Development Bank, such as a debtor guarantor or mortgage their property to obtain a loan. The applicant is required to be involved with the business on a full-time basis; however, an administrator can be appointed to manage the enterprise if this is not possible. The Social Development Bank offers loans of up to 4 million riyals according to the feasibility of the project and its investment cost approved by the bank. The loan is dependent on continuous supervision of the enterprise's progress, such as reviewing the accounting statements and regular payment of financing instalments (For details about government funding, you can see the link attached to the annexes) (The Social Development Bank 2020). Ultimately, these programmes have been made available by the Saudi government agencies to provide financial and consultative support to enterprise owners because they have recognised the positive impact they have on the performance of enterprises in the country.

The government is not the only agency that provides support to entrepreneurs, private entities also play an effective role in contributing to the development of the national economy by



providing financial support to small and medium enterprises. For instance, the Bab Rizq Jameel institution offers a financing programme to support the enterprise of productive families with a loan of up to 50,000 Saudi riyals and cash loans for entrepreneurs with a maximum of 200,000 Saudi riyals (Bab Rizq Jameel Microfinance). The institution provides loans with an annual return rate of 18.3% to 19.9% and an administrative fee of 1% with a maximum of 5,000 riyals. To obtain these loans, the applicant is required to provide a guarantor agent (Bab Rizq Jameel Microfinance). The link in Table 25 in the appendices and page 288 provides more information about financing from private institutions. In general, the private bodies recognise the importance of emerging enterprises and the difficulties business owners face. In response, they provide financial and consultative support with conditions and requirements the applicant must meet.

Some entrepreneurs tend to avoid registering their enterprise sites with government agencies because the regulations and requirements related to the enterprise site constitute a motivating element or obstacle for entrepreneurs. Therefore, it is important to clarify the enterprise location regulations and requirements that government agencies require of Saudi entrepreneurs. The Ministry of Municipal, Rural Affairs and Housing expect enterprise owners to conduct their activities in accordance with the safety requirements enacted by the Civil Defense. For example, the Civil Defense requires that the walls of the enterprise site be fire-resistant, all electrical wires insulated, any flammable materials be stored in a safe place and the corridors of the building be a specific width (Unified National Platform GOV.SA). In particular, to obtain a municipal licence for a fixed/permanent location, such as a shop or restaurant, the enterprise owners must provide proof of the location, address, GPS coordinates, building permit and building completion certificate or lease contract and attach photos of the site and other requirements on the municipality's website (Meras). On the other hand, owners of mobile enterprises, such as a food truck, must upload photos of the interior and exterior of the vehicle and a copy of the health certificate on the Balady platform to obtain a food truck licence (Unified National Platform GOV.SA). However, it is notable that municipal licence issuance fees depend on the size of the enterprise location and the type of site, whether it is fixed or mobile. Overall, to organise and manage the Saudi market, municipal and rural affairs in Saudi Arabia impose safety and security regulations and requirements related to enterprise location that enterprise owners must fulfil to obtain a municipal licence.

Each business activity has requirements and characteristics that distinguish it from other business sectors. Therefore, the Saudi government has enacted a variety of regulations and requirements that each enterprise owner belonging to a specific sector must implement to benefit from government services. That is, companies must go through several steps to become registered, starting with the reservation of a company name from the Ministry of Trade and Industry and ending with the registration of the enterprise with the Department of Zakat and Income (World Bank Group 2016). In particular, the Ministry of Commerce enacted a system of trade names for the regulation of enterprises in the Saudi market, where it stipulated that the trade name must consist of Arabic or Arabised words, except for foreign, international or mixed companies for which trade names may include foreign words. Moreover, to start registering the business, the institution needs to register on the national platform Meras, which is linked to several government agencies, to obtain licences from the municipality, the Ministry of Labor and Social Development (MLSD), the General Organization for Social Insurance (GOSI), the General Authority for Zakat and Tax (GAZT) and the Wasel mail. The business must also open a bank account and make a business seal (World Bank Group 2019). To enhance the relationship of trust between e-store owners and buyers, the Ministry of Commerce has created a free *Ma'arof* platform that allows e-store owners to instantly register their enterprises' data (Ministry of Commerce 2018).

Due to the diversity and multiplicity of the characteristics of business sectors, government agencies have enacted regulations and requirements specific to each sector and entrepreneurs must register their enterprise according to the type of activity. For example, the owner of an enterprise whose commercial activity is advertising and media must hold a university degree with 5 years of experience in the field (media studies and consultancy) or a university qualification (for press services) and pay the licence fee of 2,000 riyals with 30 working days to obtain the licence (Meras). On the other hand, the owner of an enterprise specialising in customs clearance work must undergo a medical examination (toxicology examination) and forensic evidence (fingerprints), attend a customs business course and pass its examination, submit a bank guarantee (200,000) riyals and pay 3,000 riyals for licence fees with 3 working days to obtain the licence (Meras). The attached link in the appendices below provides information on business registration in detail.

To explore why male and female entrepreneurs avoid registering their enterprises with government agencies, it is necessary to understand the Saudi context. The Saudi government has recently worked toward the social transformation of women entrepreneurs and working women by passing regulations that enable them to run their enterprises and ensuring rights that enable them to work in a just and appropriate environment. Government agencies have also achieved a just labour relationship by enacting laws that preserve the contractual and financial rights of employees in the work environment. Financial and consultative support for entrepreneurs has been provided by the government and private entities because of its contribution to achieving local income growth. The Saudi government stressed entrepreneurs must abide by safety requirements and provide an organised and appropriate enterprise location for obtaining municipal licences. To organise and manage the Saudi economy, government agencies have enacted general regulations that entrepreneurs must abide by and special legislations to which certain business sectors must adhere.

### **Ethics and limitations**

Several challenges were encountered during this study. Given that this study involves the informal economy, the research topic is sensitive, and unregistered entrepreneurs might think the researcher is part of a government agency, unstructured face-to-face interviews were used to build rapport with the participants, in accordance with Reinharz's (1992) suggestion. In particular, a face-to-face interview builds trust between the participant and the researcher (Seidman 2013) and allows for the collection of in-depth and quality information (Karnieli-Miller et al. 2009). To accomplish this objective, the researcher conducted a series of informal meetings with each participant before conducting the in-depth interviews. The respondents were also informed that their responses would be kept secure and only used for the purposes of this study and that their participation was voluntary.

This study planned to compare informal Saudi male and female entrepreneurs who use social media and those who do not. Due to the difficult nature of contacting entrepreneurs via social media, researching them was not possible. When I tried to communicate with entrepreneurs through social media messages, some of them did not fit the sample selection criteria (for example, interview subjects must be Saudi). Others were afraid to being interviewed

because they suspected that I was untrustworthy, even though I provided documents showing that I was conducting interviews for research purposes. Entrepreneurs who run their enterprise in a fixed place such as a shop or kiosk use social media as a secondary tool, so interview questions explored social media's impact on their informal enterprise.

Although the researcher ensured rapport with the participants, discussing issues relating to an unregistered business, general personal information (e.g. standard of living, gender, level of education, status), harassment, political opinions and corruption in public agencies with Saudi participants could be difficult. Therefore, the researcher reminded each interviewee not to share their information sheet with their real name and sign the consent form using a pseudonym. For the participants to feel comfortable with the security of their data, they were told they could have the researcher record the interview with an audio recorder or take notes only. Participants were also informed they could file a complaint with Sheffield University if they felt the consent form was violated in any way. The interviews were meant to be conducted in quiet spaces and recorded using a high-quality audio recorder to ensure accurate transcription. However, many participants wanted to conduct the interviews in a public place, leading to difficulties in sound quality from interruptions from the entrepreneurs' customers or background noises, such as car horns. To solve this challenge and confirm that the recording was clear, the researcher performed a pre-interview soundcheck in all cases and, when possible, conducted interviews in quiet public places.

Additionally, before an interviewee responded to any question, he/she had the opportunity to notify the researcher about his/her comfort level on a scale of 1 to 10. A rating of 1 indicated "highly uncomfortable," 5 indicated "comfortable" and 10 indicated "highly comfortable." If the interviewee felt uncomfortable or gave a question a rating of 1, the researcher asked the interviewee if they wished to withdraw from the interview or continue the interview by skipping the question. However, if the interviewee's feelings about a certain question fell around 5 on the scale, the interview continued, and the researcher did not ask the interviewee for any more details about this question. When an interviewee felt completely comfortable (10 on the scale) about a question, the researcher asked for more information (see

Appendix A for more information regarding the information sheet, Appendix B for the participant consent form and Appendix C for the in-depth interview guide).

The researcher also encountered some limitations during data collection. Prior to data collection, the researcher planned to conduct interviews with the participants for at least 45 minutes, but due to the refusal of many participants to conduct lengthy interviews, the participants were interviewed for at least 30 minutes with a high number of participants overall (62 cases). Further, due to the sensitivity of the questions and the subject of the research, the majority of entrepreneurs refused to record the interview using an audio recorder, so the researcher used to take notes and transcribe each interview immediately.

### **Research quality**

Although qualitative approach does not endeavour to generalise its findings the researcher should still consider the validity and reliability of the study (Denzin 1989; Bryman 2012). The term validity refers to determining the most appropriate measures for studying research issues through the data collection stage (Yin 2017). The term reliability refers to the reproducibility of the findings resulting from the accuracy of the data analysis process (Bryman 2012). This study used methods that are suitable for a qualitative approach (i.e. data triangulation and thick description) to ensure the trustworthiness and quality of the research. Data triangulation means collecting various data sources from different individuals at different times and in different locations (Denzin 1970). Patton (2002) also emphasised that the triangulation technique studies the phenomenon in several ways to obtain reliable conclusions that enhance research credibility. Denzin (1970) illustrated the triangulation strategy consists of several types, such as methodological triangulation, investigator triangulation, theory triangulation and data triangulation. In methodological triangulation, the researcher uses different methods to collect data for the same sample to enhance the reliability of the data. Investigator triangulation focuses on the data analysis process with a different number of researchers. According to Denzin (1970), theory triangulation means researchers adopt multiple theories when interpreting the data. Triangulation of data sources is characterised by the collection of research data at different times, in different contexts or with different individuals to obtain reliable data. Another way to achieve trustworthiness in qualitative research is the use of thick description, which means the researcher

gathers detailed and rich data for research (Geertz 1973). The qualitative researcher who obtains rich and detailed data achieves high-quality research results (Neuman 2014). Therefore, this study used 62 in-depth semi-structured interviews with male and female entrepreneurs to reach the stage of data saturation. Specifically, the researcher followed strict steps, such as identifying eligible informal entrepreneurs who match the selection criteria by gender, and employed multiple-case-study methodology to ensure rich data were collected. Data collection then continued until no new themes emerged.

## **Conclusion**

This study aimed to explore the differences between male and female entrepreneurs and, therefore, the researcher employed suitable philosophical paradigms through the perspective of subjectivity, interpretive epistemology and inductive reasoning. Multiple holistic cases (n = 62) were divided into two groups based on gender (male and female) and entrepreneurs participated in in-depth semi-structured interviews. This study adopted a cross-case synthesis/cross-case analysis design to explore the distinctions between male and female entrepreneurs as well as the most significant aspects—regulative, normative and cultural-cognitive aspects—that led the entrepreneur to engage in the informal economy. Furthermore, to obtain in-depth and trustworthy research results, this study relied on data triangulation and thick description. Although this study faced ethics challenges and limitations in collecting data, the researcher was able to address these by following the scientific methods and applying the lawful rules of the University of Sheffield to protect the participants' data.

## **Chapter 4: Findings**

This chapter presents an analysis of in-depth interviews with Saudi entrepreneurs who avoided to register their enterprises with some or all of the local and national government agencies in Jeddah. This study used Scott's institutional lens to interpret and analyse the regulative, normative and cultural-cognitive institutional pillars of these entrepreneurs' experiences and how they influenced the unregistered entrepreneurs to avoid registering their enterprises with all or some government agencies. When exploring these experiences with the unregistered entrepreneurs in the interviews, the participants described their experiences in terms of supportive opportunities and challenges that affected their decisions to avoid registering their enterprises with all or some government agencies.

Regulative experiences refer to those experiences related to government regulations and punishments. Normative experiences refer to the impacts of customs, traditions and support. Cultural-cognitive experiences refer to the effects of the entrepreneurs' access to tools and resources and their ability to manage their enterprise. As described in Chapter Three, this study involved interviews with both partially- and fully-informal entrepreneurs with enterprises of various sizes in a variety of sectors. Importantly, each government agency enacts its own conditions, procedures and fees depending on an enterprise's size and type of sector activity. Therefore, this chapter is composed of sub-sections related to government agencies that issue enterprises licenses and permits in order to explore the regulative, normative and cultural-cognitive opportunities and challenges that influenced the entrepreneurs' refusal to register their enterprises with all or some government agencies. This chapter comprises six sections: 1) informal employment; 2) informal enterprise location selection; 3) informal enterprise sectors; 4) reasons for not registering start-ups; 5) penalties for not registering with government agencies; and 6) conclusions.

### **4.1. Informal employment**

To address the emergence of the informal economy in Saudi Arabia, this study found the opportunities and challenges that prompt entrepreneurs to avoid registering their enterprises with some or all government agencies. It was important to discover the roots of fully- and partially-informal enterprises by highlighting informal employment experiences. Generally, entrepreneurs

must abide by regulations and procedures to obtain all necessary licenses and permits from various government agencies before their enterprises can be fully formal. The Ministry of Labor and Social Development (MLSD) and the General Organization for Social Insurance are two of the agencies responsible for issuing licenses and permits to enterprises in accordance with state labour regulations. Therefore, this study highlights the opportunities and challenges that prompt entrepreneurs to avoid registering their enterprises with the Ministry of Labor and Social Development and the General Organization for Social Insurance. The government has enacted several laws aimed at reducing the high unemployment rate among Saudis by imposing rules that encourage the employment of native citizens (Saudi-sation), including penalties for not employing Saudis and implementation of insurance for employees. The Ministry of Labor and Social Development has imposed a Saudi nationalisation scheme (*nitaqat*) that divides entities into several categories based on their rate of employing Saudis. Enterprises in the highest category, the green band, are able to obtain several employment-related services such as work permits (Saudi-sation certificate), while those in the lowest category, the red band, are effectively unable to receive any employment-related services, such as new employment visas. Additionally, to further reduce the high unemployment rate among Saudis, the Ministry of Labor and Social Development has enacted a job-localisation system that prohibits expatriates from working in twelve fields, including but not limited to watches and eyeglasses, clothes and perfumes, furniture and household utensils, electronics and electrical appliances, mobile phones and sweets.

The Ministry of Labor and Social Development has specifically targeted the increased economic participation of Saudi women, particularly in the private sector. To this end, it has implemented legislation mandating the feminisation of stores selling various products for women. In details regarding decisions of Saudi-sation and feminisation, the Ministry of Labor and Social Development specified that only Saudi women can work in organisations or divisions devoted to divisions like women's underwear, cosmetics, or women's factories. Moreover, employers can only employ Saudi women in the self-service departments of pharmacies, supermarkets and hypermarkets if they also sell women's underwear and cosmetics. The Ministry of Labor and Social Development has also stated that Saudi male and female labourers can only be employed in designated facilities or departments that sell evening dresses, bridal gowns, women's hijabs, women's accessories, maternity care supplies, women's Jalabiya



(traditional Arab garment), women's shoes, women's bags, women's socks and women's ready-to-wear fashion. The Ministry of Labor and Social Development has also applied a 70% Saudi-sation of Saudi male and female jobs in women's perfumes and fabrics. The Ministry of Labor and Social Development also requires the provision of safe working environments for women such as working as security guards in areas designated for rest and prayer. Regarding penalties, the Ministry of Labor and Social Development can levy fines or can force a shop to close if they violate the regulations.

Furthermore, the Ministry of Labor and Social Development has set a monthly minimum wage of 3,000 riyals for full-time Saudi workers; the nationalisation scheme considers an employee with a salary of 3,000 riyals as one Saudi worker. The monthly minimum wage for part-time student workers is 1,500 riyals; the nationalisation scheme counts an employee with a salary of 1,500 riyals as half of a Saudi worker. Those who earn less than 1,500 riyals per month do not count in the Saudi-sation ratio. The Ministry of Labor and Social Development requires that both Saudi and foreign employees register with the General Organization for Social Insurance (GOSI) to obtain work permits (Saudi-sation certificates). Obtaining these certificates is a step toward registering with government agencies. Thus, for this research, it was essential to ask entrepreneurs about their reasons for not fully or partially complying with employment-related government policies.

Despite several stringent government regulations aimed at increasing the formal employment of Saudis in the private sector, the entrepreneurs who participated in this study worked in the informal sector due to regulative and normative opportunities and challenges, as shown in Table 5. Informal entrepreneurs reported being significantly affected by government employment regulations (50%). The participants also discussed being considerably affected by normative opportunities and challenges in Saudi society (50%), which led them to violate employment regulations and operate in the informal sector. Notably, entrepreneurs' cultural-cognitive opportunities and challenges had no influence on their decisions to engage in the informal sector. In this section, I present the study's principal findings on what factors led the entrepreneurs to engage in the informal economy. These factors are grouped into two themes related to informal employment: 1) regulative experiences and 2) normative experiences.

Although entrepreneurs reported regulative and normative experiences based on their involvement in the informal sector, it is worth noting that the effects of the cultural-cognitive experiences of entrepreneurs on their decisions regarding informal employment were not mentioned in the interviews when I asked the participants about it.

Table 5 Institutional experiences affecting entrepreneurs’ decisions to hire informal workers

Types of institutional experiences affecting entrepreneurs in the informal employment process	Percentage of entrepreneurs
Regulative experiences	50%
Normative experiences	50%
Total	100%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 6 Gender comparisons of the effect of institutional experiences decisions to hire informal

Types of institutional experiences affecting entrepreneurs in the informal employment process	Percentage of male entrepreneurs	Percentage of female entrepreneurs
Regulative experiences	54%	46%
Normative experiences	67%	33%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 7 Institutional experiences affecting entrepreneurs’ decisions to hire informal workers (A detailed table showing the sub-reasons affecting entrepreneurs’ decisions to hire informal workers)

Types of institutional experiences affecting entrepreneurs in the informal employment process	Percentage of entrepreneurs
<b>Regulative experiences</b>	
Higher salaries of Saudi workers	29%

Lack of registration of employees in the social insurance system	21%
<b>Normative experiences</b>	
Occupational prestige	14%
Inappropriate work environments	13%
Social support for informal employment	22%
Total	100%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 8 Gender comparison of the effect of institutional experiences on decisions to hire informal workers (A detailed table showing the sub-reasons affecting male and female entrepreneurs' decisions to hire informal workers)

Types of institutional experiences affecting entrepreneurs in the informal employment process	Percentage of male entrepreneurs	Percentage of female entrepreneurs
<b>Regulative experiences</b>		
Higher salaries of Saudi workers	39%	61%
Lack of registration of employees in the social insurance system	74%	26%
<b>Normative experiences</b>		
Occupational prestige	72%	28%
Inappropriate work environments	88%	12%
Social support for informal employment	50%	50%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

#### 4.1.1. Regulative experiences: Informal employment

When the entrepreneurs were asked about their reasons for not adhering to employment regulations, two themes related to the impacts of regulative experiences emerged. It is clear that, relative to the female entrepreneurs (46%), the male entrepreneurs (54%) had reported being more negatively affected by government employment regulations, eventually leading them to

enter the informal economy. The regulatory challenges in the recruitment process were divided into two themes based on the perspectives of the informal entrepreneurs: 1) Saudi workers' higher salaries and 2) the lack of employee registration in the social insurance system.

#### **4.1.1.1. Saudi workers' higher salaries**

To explore the obstacles faced by male and female entrepreneurs that prompt them to avoid compliance with Saudi nationalisation requirements, I asked the participants about the barriers to hiring Saudi employees. As shown in Table 7, the most common obstacle identified by the participants (29%) was Saudi workers' higher minimum salaries. The Ministry of Labor and Social Development issues work permits if private-sector enterprise owners commit to implementing the classification programme for employing Saudis and to paying the required minimum wage. Due to the difficulty of complying with Saudi-sation policies, however, the entrepreneurs largely engaged in the informal sector. A gender comparison reveals that a majority of the female entrepreneurs (61%) felt that the greatest obstacle to hiring Saudi employees was their higher salary minimum. While the male entrepreneurs expressed a greater variety of perspectives, they also reported, as detailed in Table 8, that it was difficult to provide high salaries to Saudi employees of their small enterprises. One male entrepreneur described how trying to comply with the Saudi nationalisation scheme by recruiting Saudi employees rather than foreigners negatively impacted his enterprises. The Saudi-sation system, he said, forced him to reduce the number of his stores:

*'We had six shops. After the enactment of the Saudi-sation job requirements, we have two shops ... due to reducing employment of foreign workers whose salaries are low.'* (ME 21)

Similarly, a female entrepreneur let illegal foreign employees go despite her need, as she had difficulty committing to employing Saudis who required high salaries. She explained:

*'I have no one to help me ... Someone told me bring a foreigner on my sponsorship to work with me, but it's tough, as I must follow the regulations for employing Saudis. In the past, we employed irregular*

*workers and did not register them with the social insurance system and had no employment contract. This time, they say I have to employ Saudi workers, but I cannot hire anyone as my retirement salary is 2,000 riyals. I can't hire drivers or domestic workers, although the house needs a domestic worker. I mean, I can't lease a domestic worker for the enterprise as the Saudi agency requires us to hire Saudi employees.'* (FE 9)

Several female interviewees indicated that it was difficult to comply with the Saudiisation programme and register employees with the GOSI due to their financial inability to pay the salaries of Saudi employees. Consequently, some female entrepreneurs simply ran their enterprises by themselves. One woman mentioned that her family's income level was low and that the enterprise's profits would not cover any salary costs:

*'I have not employed anyone. My husband has high blood pressure and diabetes. He rents the house for 18,000 riyals. I have no one to employ, and I do not have daughters to help me. I cannot hire an employee here as there is no income. I mean, I earn only 50 or 100 riyals per day.'* (FE 23)

These excerpts illustrate the influence of the Saudi nationalisation requirements on entrepreneurs' decisions to avoid to register their enterprises with government agencies. The entrepreneurs explained that they preferred foreign employees to Saudi ones because their minimum salaries are lower. These results also demonstrate the relationship between difficulties associated with abiding by employment-related regulations and the lack of hiring due to the female entrepreneurs' inability to pay for salaries. Consequently, both male and female entrepreneurs opt to work in their enterprises by themselves or use informal employees. The female entrepreneurs in this study tended to avoid to comply with the Saudi nationalisation requirements for this reason more than male entrepreneurs did.

#### 4.1.1.2. Lack of employee registration in the social insurance system

The interview data on employment-related questions reveal another recurrent problem: the entrepreneurs' (21%) refusal to register any employees in the social insurance system, Saudi and non-Saudi alike. Refusing to register employees with the GOSI or doing so fraudulently to acquire work permits led the entrepreneurs to operate their enterprises in the informal sector. While 74% of the male entrepreneurs faced challenges providing insurance to Saudi employees, just 26% of the female entrepreneurs encountered this issue. Some entrepreneurs stated that it was challenging to provide the required financial benefits to their Saudi employees, such as end-of-service salaries and health insurance. For example, one participant preferred to hire a foreign worker with no pension and a monthly occupational hazard reward of 16 riyals rather than a Saudi worker with a pension and an occupational hazard reward of 616 riyals per month. She stated:

*'The Saudi employee who takes the salary of 3,000 riyals, I pay 600 riyals into the social insurance system for him. Otherwise, the foreign worker who receives a salary of 400–800 riyals, I pay 8 riyals into the social insurance system for him. The social insurance system takes 600 riyals every month whether the Saudi employee's salary is 3,000 or 8,000 riyals. I wrote to the social insurance system that the Saudi employee takes a salary of 3,000 riyals, so one Saudi worker takes 616 riyals with tax per month. The social insurance system does not accept less than 3,000 riyals ... There are differences between nationalities: the Pakistani takes a salary of 800, and Palestinians' and Yemenis' salaries reach 1,000 riyals ... Do you see the difference?! ... If the foreigner's salary is 800 riyals, 16 riyals go into the social insurance system. The system of social insurance calls it occupational hazards pay. If I have a Saudi worker, he receives the occupational hazards and retirement salary, while the foreigner does not have retirement salary but only occupational hazards.'* (FE 21)

Some of the other participants considered not registering their employees who had not asked to be registered, as they were illegal workers who entered Saudi Arabia on Hajj and Umrah visas. One male entrepreneur, for example, indicated that he employed foreign workers but did not register them with the GOSI. He stated:

*'The foreign worker does not ask to be insured and cannot be registered because he is an irregular worker, he does not have a legal visa, so his salary is weak. Thus, I cannot register in social insurance because social insurance rule requires that the worker must be legal. The issue is I do not have money to transfer the sponsorship of the worker legally on my account. In fact, most of those who work in Saudi Arabia jobs illegal workers or servers who come to Saudi Arabia by visa Hajj and Umrah, not a worker visa. The government is trying to catch them, but the number of illegal workers is higher and pilgrims come to Saudi Arabia in the millions every year.'* (ME 7)

A few of the participants reported refusing to comply with government agencies by fraudulently registering ghost workers with the GOSI. For example, through a scheme that entrepreneurs called Illusional Saudi-sation, one entrepreneur would register one nominal Saudi with the GOSI for free, or for a nominal salary, then hire a foreigner without registering them. The interviewee stated:

*'The Saudi employees in the enterprises are me, one of my relatives and my foreign husband, who actually works instead of the nominal Saudi employee. I do not pay a salary for a nominal Saudi but only pay a salary in the social insurance system. As, in the contracting activity, I do not need the Saudi employee to oversee the workers, as my husband is already the supervisor ... And I exist through the illusional Saudi-sation in this activity. I pay Saudi Arabia 600 riyals every month, which is not a small amount with the conditions of the country. Sometimes, I can manage a project, and sometimes, there is no work. I*

*mean, when I went to the Labour Office and the Ministry of Commerce, I saw many people had closed their activities as they did not make profits. I hire a Saudi, okay—where do I get his salary? The Saudi wage is no less than 3,000 riyals, and I pay in insurance of 600 riyals.’ (FE 21)*

In short, some entrepreneurs faced difficulties registering employees with the GOSI, and a few tried to falsify employee registrations to overcome these difficulties. Overall, the male entrepreneurs had more challenges registering employees with the government system than did the female entrepreneurs because of the difficulty in paying end-of-service salaries, providing health insurance for Saudi employees, and employing illegal foreign workers.

#### **4.1.2. Normative experiences: Informal employment**

The interview data demonstrate that normative experiences, meaning those with potential Saudi employees’ customs and traditions, significantly affected the entrepreneurs (50%). They had difficulty obtaining formal employees, so they used informal labour. As indicated in Table 6, more male entrepreneurs (67%) than female entrepreneurs (33%) reported being affected by the normative opportunities and challenges in informal employment. In this section, the customs and traditions affecting entrepreneurs in the recruitment process are divided into three categories: 1) occupational prestige; 2) inappropriate work environments; and 3) social support for informal employment.

##### **4.1.2.1. Occupational prestige**

One problem repeatedly reported by the interviewees (14%) was occupational prestige. Several participants suggested that Saudi workers view certain jobs, such as electricians, chefs and goat herders, as low-class careers that should be occupied by foreign workers, as they are scorned by Saudi society. Consequently, the entrepreneurs could not employ Saudis and, thus, were unable to abide by the Saudi-sation programme. This eventually led them to the informal sector. As can be seen from Table 8, a majority of the male entrepreneurs and a minority of the female entrepreneurs faced difficulty employing Saudis due to occupational prestige. One entrepreneur, for example, stated that informal foreign workers expect and accept such jobs whether they have degrees or not:



*'Saudis do not work raising sheep as goat herders, as it is considered to be a defect, and people criticise them. Society is not accustomed to employing Saudis in this sector, as goat herders [are regarded] as servants ... Foreign workers are satisfied with this job, as they do not have educational degrees and this is their expected job.'* (ME 7)

Similarly, a female entrepreneur hired informal foreign workers because she could not find Saudis willing to accept work as porters or carpenters due to social considerations. Consequently, she engaged in the informal economy. She stated:

*'I choose a foreign worker [for] this task, as no Saudi is working as a porter or a carpenter. These jobs are for foreigners. I have never seen a Saudi working as an electrician, a carpenter or a porter, as we are used to it. Even when we ask for carpentry, plumbing or electricity workers in our house, they are foreigners. A Saudi does not agree to take these jobs, as people despise his work and no one will appreciate or respect him.'* (FE 18)

Due to occupational prestige, Saudi workers avoid working in certain jobs, so the entrepreneurs found it difficult to hire formal Saudi workers in accordance with the Saudi-sation programme. The male entrepreneurs relied on informal employment more than did the female entrepreneurs.

#### **4.1.2.2. Inappropriate work environments**

The Ministry of Labor and Social Development requires employers seeking work permits to employ Saudis, feminise certain activities and provide appropriate work environments, especially for female employees. As a result of social restrictions on employing women, however, the entrepreneurs (13%) had difficulty employing Saudis and resorted to informal employment. Table 8 indicates that male entrepreneurs (88%) reported that their work

environments made it difficult to hire Saudis; in contrast, a minority of the female entrepreneurs (12%) mentioned that their work environments made it difficult to hire Saudi workers. Although the Ministry of Labor and Social Development enacted a law mandating feminisation to enable women to monopolise some employment activities, some of the male entrepreneurs did not abide by this law, arguing that harassment situations can arise when women mix with men. One male entrepreneur, for example, justified informally employing men by telling a story about female employees being harassed in Jeddah and explaining that there is a lack of social acceptance of women in certain sectors. He did not want to hire women because they could be harassed and he could not afford to hire special security guards for them. He explained:

*'I have not hired women in the shop ... One is afraid of problems and harassment of your female employees, such as the story of a female employee in the Hamdania neighbourhood. A woman was working for an entrepreneur in a hijab shop, and young males entered the shop to harass the employee. Then she told the shop owner, and he called his sister's son, as his house was close to the shop. After a fight between the entrepreneurs' relatives and the harassers, the harassers stabbed and killed him.'* (ME 8)

Another challenge regarding the effects of work environments on hiring employees is that some community members avoided to fulfil the Ministry of Labor and Social Development requirements for appropriate facilities for female employees, such as prayer areas, electricity and offices. They opted instead to hire informal male workers. For example, one male entrepreneur indicated that he could not employ women because his landlord was a religious conservative and did not agree with the Ministry of Labor and Social Development requirements—he avoided to mix with women. He stated:

*'I would like to hire a woman, no problem for me. Nevertheless, one of my competitors tried to hire a woman who is a maintenance expert, but the landlord refused, as he is religiously radical and prevents*

*employment of women. When we signed the shop lease, he wrote terms and conditions even on paintings. ' (ME 21)*

While few of the female entrepreneurs indicated that their work environment made it difficult to hire Saudis, the problem did exist. Two of the female participants had problems hiring because their shop environments were impoverished, insecure, and inappropriate for native Saudis. One of them, who struggled to hire female employees, stated:

*'The income is not much to employ Saudi(s) ... And, the place here [has] no lighting and no air conditioning and unknown person come to me and quarrel with me to go out of here. ' (FE 4)*

The results in this section indicate that the lack of appropriate work environments makes it difficult to abide by Saudi employment law, though this issue is more prominent for male entrepreneurs than it is for female entrepreneurs.

#### **4.1.2.3. Social support for informal employment**

Some of the entrepreneurs (22%) stated that, due to difficulties meeting the Saudi employment programme, they had social support to ensure the survival of their enterprises by informally employing family members, friends, housekeepers and illegal foreign workers for low or symbolic fees. Half of both female entrepreneurs and male entrepreneurs mentioned this strategy as an informal solution to the recruitment dilemma (see Table 8). Some of the entrepreneurs' family members and friends agreed to support them by working informally for symbolic salaries. For example, one male entrepreneur stated that he employed a female relative to work informally from home, which allowed her to balance her work and home duties and produce materials at a comfortable place. The entrepreneur's wife helped him by preparing the enterprise's food at home for wages while taking care of her children and performing household duties. He said:

*'My wife cooks meals, pasta, sweets and pies at home, and I sell them. There were three female employees: my wife, my wife's aunt and a*

*Saudi employee. Now there is no employee except my wife's aunt. As I did not have money to pay the salary, the Saudi employee resigned; her salary was high—2,000 riyals. My wife comes to the workplace every Thursday, Friday and Sunday—at the end of the week—and there are profits, especially during the holidays. I give my wife a salary according to the profits, but in the days that the profits are small, I do not give [her a salary], as I spend the profits on the house. She cooks [because] she wants to help me with income and [because] I can't hire an extra worker. And she chooses to cook at home, as it is a comfortable place for her and [she can] take care of the children and the house.' (ME 15)*

Additionally, the results indicate that the entrepreneurs found social support from illegal foreign workers, who agreed to work informally for low wages. For example, one female entrepreneur found social acceptance from illegal workers who entered the country with a Hajj and Umrah visa, not a work visa. She explained:

*'My foreign employee is irregular and does not have a work visa. She entered Saudi Arabia using a Hajj and Umrah visa. She is not interested in the location of the enterprise or the type of work; she performs any task. She does not want incentives or social insurance because she is a foreigner who entered Saudi Arabia irregularly, and a Hajj and Umrah visa is not a work visa. Saudi women are not satisfied with unguaranteed work in a small enterprise for a low salary. They want to have guaranteed work in a company that provides insurance.'* (FE 36)

The female entrepreneurs also mentioned using their formally employed maids to work outside the scope of their visa in their informal enterprises to capitalise on their housekeepers' presence. For instance, one female entrepreneur used her domestic worker as an informal worker in her enterprise. She recounted:

*'I recruited a foreign domestic worker to help me only with the tasks of the house. When she is in Saudi Arabia, I make her help me with the functions of the house and the enterprise, such as preparing food. No, I don't give her extra salary. She only takes the salary that I contracted with the office. That is the recruitment fee with the visa for 18,000 riyals and a monthly salary of 1,500 riyals. There are also living expenses such as [those for] food, housing and clothes. As the tasks of the house are simple, and the cleaning is not much or tiring, and I spend so much money on her, I have her work with me in the enterprise.'* (FE 6)

These accounts show that both the male entrepreneurs and female entrepreneurs found social support for informally employing their family members, friends, housekeepers and illegal foreign workers in response to the difficulties that come from adhering to the Saudi nationalisation scheme.

#### **4.1.3. Conclusions on informal employment**

In summary, this study explored the reasons behind entrepreneurs' decisions to engage in the informal sector. This was done through interviews in which participants were asked about their reasons for refusing to comply with the Saudi nationalisation requirement. The data reveal that the entrepreneurs often did not abide by Saudi employment regulations (50%) due to Saudi workers' relatively high salaries (29%) or challenges related to employee registration with the GOSI (21%). To overcome these difficulties, the entrepreneurs avoided to hire or hired employees informally. The results indicate that the male entrepreneurs (54%) were more affected by employment-related government regulations than were the female entrepreneurs (46%). Additionally, normative opportunities and challenges elicited responses from many participants (50%). The most common opportunities and challenges faced by the entrepreneurs were found to be occupational prestige (14%), inappropriate work environments (13%) and social support for informal employment (22%). The results also show that more male entrepreneurs (67%, N=42) than female entrepreneurs (33%) faced normative opportunities and challenges in employing

Saudis. None of the informal entrepreneurs indicated that cultural-cognitive experiences influenced their decision to engage in the informal sector.

#### **4.2. Informal enterprise location selection**

The informal entrepreneurs in this study were asked about their site-selection strategies in order to understand how regulative, normative and cultural-cognitive opportunities and challenges affect location decisions. Entrepreneurs indicated they avoided registering with the municipal agency for a variety of reasons. Consequently, they used informal enterprise sites, such as social media platforms, public locations, white land (land forcibly acquired without payment) and property without title deeds or leases to operate their enterprises. None of these choices complies with government requirements, which must be met for entrepreneurs to obtain a municipal license.

The results also show the impacts of regulative, normative and cultural-cognitive opportunities and challenges on the site-selection strategies of partially informal entrepreneurs (those with municipal licenses but no other government licenses). Government regulations on obtaining municipal licenses posed challenges for fully informal entrepreneurs, which drove them to engage in the informal economy, thus making it easier for the partially informal entrepreneurs (40%) to run their informal enterprises. Cultural-cognitive experiences (32%) not only influenced the fully informal entrepreneurs' decisions to run informal enterprises but also pushed the partially informal entrepreneurs to exploit location advantages in managing their enterprises. The results, as shown in Table 9, also indicate that social beliefs influenced the entrepreneurs' (28%) enterprise location selections in the informal sector. The entrepreneurs indicated that they selected their locations based on the following criteria, beginning with the most frequently cited: 1) opportunities and difficulties with government regulations regarding enterprise location; 2) social opportunities and challenges in enterprise locations; and 3) cultural-cognitive criteria for location selection.

Table 9 The effect of institutional experiences on the decision of enterprise location

Types of institutional experiences affecting informal entrepreneurs in selecting enterprise locations	Percentage of entrepreneurs
Regulative experiences	40%
Normative experiences	28%
Cultural-cognitive experiences	32%
Total	100%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 10 Gender comparison of the effect of institutional experiences on the decision of enterprise location

Types of institutional experiences affecting informal entrepreneurs in selecting enterprise locations	Percentage of male entrepreneurs	Percentage of female entrepreneurs
Regulative experiences	30%	70%
Normative experiences	26%	74%
Cultural-cognitive experiences	45%	55%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 11 The effect of institutional experiences on the decision of enterprise location (A detailed table showing the sub-reasons affecting entrepreneurs' decisions to select enterprise locations)

Types of institutional experiences affecting informal entrepreneurs in selecting enterprise locations	Percentage of entrepreneurs
<b>Regulative experiences</b>	
Opportunities related to government regulations	7%
Challenges related to government regulations	32%
<b>Normative experiences</b>	
Supportive opportunities	21%

Social normative challenges	7%
<b>Cultural-cognitive experiences</b>	
Attractiveness to potential buyers	32%
Total	100%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 12 Gender comparison of the effect of institutional experiences on the decision of enterprise location (A detailed table showing the sub-reasons affecting male and female entrepreneurs' decisions to select enterprise locations)

Types of institutional experiences affecting informal entrepreneurs in selecting enterprise locations	Percentage of male entrepreneurs	Percentage of female entrepreneurs
<b>Regulative experiences</b>		
Opportunities related to government regulations	30%	70%
Challenges related to government regulations	30%	70%
<b>Normative experiences</b>		
Supportive normative opportunities	21%	79%
Social normative challenges	40%	60%
<b>Cultural-cognitive experiences</b>		
Attractiveness to potential buyers	45%	55%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

#### 4.2.1. Opportunities and challenges in government regulations regarding enterprise location

Opportunities and challenges in municipal-license registration constituted a major theme in interviews with both the fully and partially informal entrepreneurs (40%) about how they selected locations for their enterprises. Table 10 shows that the female entrepreneurs (70%) were more affected than the male entrepreneurs (30%) by government regulations regarding enterprise



location. This study highlights the regulative experiences of entrepreneurs—the opportunities and challenges in government regulations—when selecting enterprise sites.

#### **4.2.1.1. Opportunities in government regulations regarding enterprise location**

A few informal entrepreneurs (7%) have taken advantage of government opportunities to get municipal licenses due to the low fees and an ability to comply with site regulations. These regulations include size measurements for trucks and shops, safety measures, and site registration with the Ministry of Commerce (*Maroof*, or the government website for registering e-stores) in order to obtain government authorisation of e-stores freely using social media platforms. Interestingly, despite government regulations aimed at ensuring equal opportunities for male and female entrepreneurs to obtain municipal licenses, the female entrepreneurs (70%) recognised the facilities in government regulations as related to location selection more than the male entrepreneurs (30%). For instance, one partially informal entrepreneur explained that he obtained a municipal-shop license but did not get any other government licenses, as the fees depend on the area of the shop, and he considered it to be a symbolic fee. He stated:

*'The municipality issues a shop license with a fee of 313 riyals depending on the area of the shop (meter width \* meter length). The fees are considered to be symbolic.'* (ME 9)

These cases illustrate that a minority of the entrepreneurs were positively affected by taking advantage of regulative opportunities to obtain municipal licenses for their enterprise locations. Interestingly, however, the male entrepreneurs were less likely than the female entrepreneurs to take advantage of government facilities related to obtaining municipal licenses.

#### **4.2.1.2. Challenges in government regulations regarding enterprise location**

Although the entrepreneurs were provided regulatory licensing opportunities by municipalities, a majority of the fully informal entrepreneurs (32%) had difficulty adhering to the necessary conditions. This influenced them to select illegitimate enterprise locations and drove them to the informal economy. As set out in Table 12, more female entrepreneurs than male entrepreneurs faced challenges obtaining municipal licenses from the government, including

owning a store with an official contract or title deed, being in a field with safety specifications, and the high costs related to registering enterprise locations. For example, one male entrepreneur explained how the stricter municipal specifications for mobile trucks led him to choose an informal enterprise location:

*'I rented the place from one who has a municipal license. I did not get the license despite my attempts to obtain the license. It is difficult to obtain a license for mobile truck enterprises, as the municipality has severe terms, such as the car needs to have particular specifications.'* (ME 19)

More evidence of challenges facing entrepreneurs trying to obtain municipal licenses was found in the case of one female entrepreneur who sold food products in public parks. She did not register her enterprise with the municipality due to the requirement that vendors must own a truck, the undesirable mandated locations, and the high cost associated with obtaining the municipal license, which she could not pay. She stated:

*'Government agencies have difficult conditions and ask for many requests. They do not want to put a stand in the park, but they want to rent a kiosk or cart, and I cannot rent it as it is expensive to rent. The municipality can choose a place far from my home. The municipal employees go to us and say, "You are offenders. Change your situation".'* (FE 23)

The findings also suggest that the entrepreneurs found the costs of formal locations to be too expensive. Therefore, they took advantage of the opportunity to use free social media platforms as online stores. One male entrepreneur shared that he had closed a gift and party shop due to high rental costs but replaced it with an e-shop through social media. He explained:

*'I rented a store, but the shops are expensive, so I turned to social media, as there is no rental cost. On social media, I didn't need extra tools*

*like electricity and water storage, as in my house, I store goods and stuff and put up shelves like a shop.’ (ME 1)*

The informal entrepreneurs lacked money, so they often ran their enterprises in public places, such as parks, roads, streets, popular squatter markets and white land. For example, one female entrepreneur discussed how she overcomes cost difficulties in her enterprise by sitting on the sidewalk to display her products. She said:

*‘I have not obtained a license from the government authorities because I have only initially opened the project; in the future, I will register the project. Now, I do not have a place like a shop, and I do not have much money to bring goods. I cannot pay government fees because 100 riyals will benefit me more in taxi fare ... If I sell in the luxury mall, the municipality and the owners of the malls will expel me, as I am an irregular seller. That market is popular, and I do not pay money, as I have a stand on the street.’ (FE 27)*

Overall, these cases support the view that many of the entrepreneurs opted for informal enterprise locations due to difficulties complying with government regulations, though this is far more prominent among the female entrepreneurs. Instead, they operated on social media platforms, in informal shops and on public property.

#### **4.2.2. Social normative opportunities and challenges in enterprise locations**

Saudi social normative opportunities and challenges had some impact on the entrepreneurs’ (28%) selection of informal enterprise locations. The data in the Table 10 indicate that normative experiences drove more female entrepreneurs (74%) than male entrepreneurs (26%) to launch enterprises in the informal economy. The influential normative experiences described by the entrepreneurs are divided as follows: 1) supportive normative opportunities and 2) social normative challenges.

#### 4.2.2.1 Supportive normative opportunities in enterprise locations

The data (21%) show that social norms pushed the fully informal entrepreneurs to take advantage of opportunities to run their enterprises in informal locations; in contrast, social norms encouraged the partially informal entrepreneurs to take advantage of opportunities to manage their enterprises in formal locations. The normative factors referenced include government support, the legacy of enterprise sites, community members' support, and positive beliefs about social media platforms as e-stores. A majority of the female entrepreneurs (79%) indicated that their location selection was influenced by social normative opportunities while a minority of the male entrepreneurs (21%) indicated the same. One male entrepreneur, however, whose family member gave him a site in which to run his enterprise, was certainly influenced. He stated:

*'My father selected the location of the shop, not me ... My father taught me and supported me financially. In the beginning, he rented me a table where I sold mobile phones, and from the profits, I bought new goods until the shop became my shop. I was working without a salary. My father also supported me with my training in mobile maintenance.'* (ME 21)

Societal norms in Saudi Arabia, which prevent women from mixing with men, pushed the female entrepreneurs to select enterprise locations in largely female informal communities, such as women's markets, schools and institutes, and e-stores on social media platforms. These selections resulted in the loss of opportunities to obtain municipal licenses. For example, one female entrepreneur explained that her husband did not want her to mix with men; he only supports her enterprise if it is run in a female community. Consequently, she operated her enterprise informally from her home and advertised her products at schools and institutes and on social media. She stated:

*'I work at home, and I have no shop. I do not have enough capital to rent a shop, so I use social media to market my products. Sometimes I go to female schools and female Quran institutes to sell products, and I*

*get high profits from these customers. I select these places [because] I do not want to deal with men, and my husband does not allow me.’ (FE 8)*

Another female entrepreneur stressed that the government helped her obtain a place in the women’s market:

*‘The municipality saw the women selling without shops, so they helped us by providing the booth. The municipality gave me a booth ... close to my home. The market specialise[s] in selling women’s products, and there are many female clients.’ (FE 33)*

Additionally, some of the male entrepreneurs chose locations purely based on their close proximity to their residences; they did not choose regular locations to obtain municipal licenses. For example, one male entrepreneur stated that his father decided to rebuild their house into shops without title deeds to take advantage of the location’s proximity to his new residence—he did not commit to registering his enterprise and obtaining a municipal license. He commented:

*‘My father [God have mercy] owned the shop. At first, it was a house, and we took a personal electric subscription. Then, my father turned the house into shops for rent. By the way, all the shops in this neighbourhood do not have title deeds. I mean, we have a shop for mobiles and other shops to rent ... Moreover, we are focused on serving the neighbourhood there, as we live in a new neighbourhood, and people have started moving here, and the shop is already close to our house.’ (ME 8)*

Similarly, the female entrepreneurs selected public places and irregular locations near their places of residence, resulting in the loss of opportunities to obtain municipal licenses. For example, one female entrepreneur stressed the importance of proximity to her home as a cost-saving measure. She reported:

*'I work in the park, as my house is close to it. The taxi is cheaper because of the near distance to my home, and sometimes the taxi takes 40 riyals. However, if I select another place, the taxi driver takes in 60 or 70 riyals from the journey. I also do not know where else to sell.'* (FE 23)

The results make clear that normative customs influenced the female entrepreneurs' location decisions far more than they did the male entrepreneurs' location.

#### **4.2.2.2 Social normative challenges in enterprise locations**

The informal entrepreneurs, as reflected in Table 11, also faced social difficulties (7%), such as the social status of informal enterprise sites and unfair distribution of government support across sites. Furthermore, more of the female entrepreneurs (60%) experienced normative pressure from community members due to their informal enterprise locations than the male entrepreneurs (40%). Despite this, one male entrepreneur pointed out that he faced criticism from community members for operating his enterprise on the street, which is considered a lowly act. He stated:

*'Running an enterprise in vegetables and fruit is not a disgraceful act, but a person who asks people [for] money is an ignominy. I believe that it is not an embarrassing enterprise. I see that the foreigner who buys and sells vegetables and fruit wins and possesses the capital. The foreigner is not better than us. Why we are ashamed to sell in the street using a market stand or pick-up car?'* (ME 16)

Similar to the male entrepreneurs, some of the female entrepreneurs have faced opposition from family members to them running their enterprises in informal locations that community members view as poor, degrading or shameful. One female entrepreneur, for example, faced this kind of objection from her family:

*'My family refused at first. They feared the [sidewalk] was unsafe because one day ago a car bumped into me. At first, my brothers objected*

*to opening an enterprise on the street because people criticised them for not helping their sister. My brothers are embarrassed because people say their sister is poor. I told my brothers to give me 100 riyals every day to stop the enterprise; they said no. So, I kept running the enterprise.’ (FE 20)*

Interestingly, one of the male entrepreneurs explained that he faced protest from women in the market when he broke social customs by mixing with women after launching his for-profit enterprise in the women’s market. He said:

*‘Because of customs and traditions, women entrepreneurs refuse to be among them in the walkway. I believe that the idea of not mixing with men is ending. The custom by which women avoid men is implanted from the day we are born ... and I am supposed to accept it.’ (ME 17)*

Moreover, the female entrepreneurs reported that government employees were negligent in their responses to requests for fair support for women. One female participant explained:

*‘I went to the municipality to suggest building a women’s market, and an employee registered our names, but they did nothing for us. They told me, “Okay, okay.” We told him that we want a market like the women in Riyadh. We want a market that does not mix with men and that provides toilets, a prayer area, [a] buffet and covered booths.’ (FE 9)*

The results show that a majority of the female informal entrepreneurs encountered normative challenges in managing their enterprises due to bias in the distribution of government support and the low social status of informal sites. A minority of the male entrepreneurs experienced similar difficulties.

### **4.2.3. Cultural-cognitive criteria for informal enterprise location selection**

Table 9 shows that cultural-cognitive experiences of the fully informal entrepreneurs (32%) significantly influenced their decisions to choose informal enterprise sites. The partially informal entrepreneurs who had municipal licenses opted to use the opportunities available to them and chose legitimate locations. The interviews revealed that opportunities based on attractiveness to potential buyers had a slightly greater impact on the female entrepreneurs' location choices than on those of the male entrepreneurs (see Table 12). The entrepreneurs' cultural-cognitive experiences led them to value attractiveness to potential buyers as a criterion in site selection.

#### **4.2.3.1. Attractiveness to potential buyers**

The results reflect the influence of the fully informal entrepreneurs' cultural-cognitive experiences on their selection of informal locations with copious potential customers, which hindered the issuance of municipal licenses. The partially informal entrepreneurs who owned formal locations took advantage of opportunities to be in locations that attracted potential customers (32%). A comparative analysis Table 12 reveals that most of the female entrepreneurs (55%) were interested in choosing enterprise locations that attracted potential customers while a minority of the male entrepreneurs (45%) were focused on the same criterion. For example, one female entrepreneur who owned an entirely unregistered enterprise noted that she put her kiosk in the park because the location has customers with high buying power. She explained:

*'The park is the only place I can sell my products. If I place the kiosk next to a road, nobody buys, as they prefer groceries and supermarkets. But in the park where people come for a walk, there are no groceries around them except for booths.'* (FE 19)

One male entrepreneur who had a partially unregistered enterprise and used social media opted to open a food truck in districts with fewer competitors but more potential customers. He shared:



*'I decided to open here, as this place serves five neighbourhoods whose population is very, very, very high. In the area as a whole, in general, the competitors are very few ... I opened here, and my goal is five neighbourhoods ... I selected this place precisely because of the high overpopulation.'* (ME 5)

These results indicate that while most of the female informal entrepreneurs focused on selecting locations with an abundance of potential customers, a minority of the male informal entrepreneurs did the same.

#### **4.2.4. Conclusions on informal enterprise location selection**

In summary, the interview data show that government regulations on obtaining municipal licenses through enterprise registration had the significant effect of driving entrepreneurs to the informal sector (40%). A small minority of the informal entrepreneurs (7%) benefited from opportunities in government regulations regarding enterprise locations. However, the vast majority of the entrepreneurs (32%) found it difficult to abide by the required conditions. The female entrepreneurs (70%) were far more affected than the male entrepreneurs (30%) by the opportunities and challenges in government regulations regarding enterprise locations. Furthermore, this analysis reveals that the cultural-cognitive experiences of the entrepreneurs (32%) slightly influenced whether they took advantage of the available location opportunities or lost opportunities to obtain municipal licenses. Attractiveness to potential buyers (32%) was the criterion that most frequently influenced the informal entrepreneurs' location selection. The data show that relative to that of the male entrepreneurs (45%), the female entrepreneurs' (55%) location selection was more influenced by attractiveness to customers. Finally, normative experiences had a fairly small effect on the entrepreneurs' (28%) location selections, though some were driven by normative opportunities (21%) and challenges (7%) to launch their enterprises in certain locations. The analysis results reveal that the male entrepreneurs (26%) were less often affected than the female entrepreneurs (74%) by social opportunities and challenges in the choice of enterprise location.

### 4.3. Informal enterprise sectors

Most of the entrepreneurs who participated in this study worked in the food sector (28%) or the clothing and personal care sector (23%), though one launched an enterprise in the transportation sector (1%, N=1) while another launched one in the energy sector (1%). Significant differences can be seen in the choice of enterprise activity between the male and female entrepreneurs due to the impacts of regulative, normative and cultural-cognitive opportunities and challenges. Most of the female entrepreneurs (95%) provided services in the clothing and personal care sector while just one of the male entrepreneurs (5%) chose to engage in that field. Significantly more of the male entrepreneurs (88%) than the female entrepreneurs (13%) worked in the electronics and communications sector. Additionally, the female entrepreneurs (58%) were slightly more likely than the male entrepreneurs (42%) to launch enterprises in the food sector.

In order to understand the reasons behind these entrepreneurial decisions, the informal entrepreneurs were asked about the regulative, normative and cultural-cognitive opportunities and challenges that drove them to their sector. The interviews revealed that regulative opportunities and challenges had marginal effects on the entrepreneurs' (8%) sector choices (see Table 13). In particular, some of them were influenced by government requirements for telecommunications localisation and food truck activities. However, the entrepreneurs faced difficulties complying with government requirements to start enterprises in certain activities, which drove them to circumvent enterprise-registration systems and avoid to operate in certain sectors. Additionally, social customs and traditions, which dictate norms based on gender, heritage and social prestige, substantially affected the informal entrepreneurs' (61%) sector decisions. As seen in Table 13, cultural-cognitive opportunities and challenges also constituted a factor in the entrepreneurs' (31%) sector decisions, though to a lesser extent. This section is divided into three reasons why the informal entrepreneurs chose specific sectors: 1) regulative experiences; 2) normative experiences; and 3) cultural-cognitive experiences.

Table 13 The effect of institutional experiences on selecting an enterprise sector in the informal economy

Types of institutional experiences affecting informal entrepreneurs in selecting the enterprise sector in the informal economy	Percentage of entrepreneurs
Regulative experiences	8%
Normative experiences	61%
Cultural-cognitive experiences	31%
Total	100%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 14 Gender comparison of the effect of institutional experiences on selecting an enterprise sector in the informal economy

Types of institutional experiences affecting informal entrepreneurs in selecting the enterprise sector in the informal economy	Percentage of male entrepreneurs	Percentage of female entrepreneurs
Regulative experiences	75%	25%
Normative experiences	39%	61%
Cultural-cognitive experiences	48%	52%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 15 The effect of institutional experiences on selecting an enterprise sector in the informal economy (A detailed table showing the sub-reasons affecting entrepreneurs' decisions to select an enterprise sector in the informal economy)

Types of institutional experiences affecting informal entrepreneurs in selecting the enterprise sector in the informal economy	Percentage of entrepreneurs
<b>Regulative experiences</b>	
Opportunity requirements	3%

Difficult requirements	5%
<b>Normative experiences</b>	
Inherited entrepreneurial activities	12%
Community support	26%
Challenges of access to government and private financial support	18%
Lack of community support	5%
<b>Cultural-cognitive experiences</b>	
Response to customers' demand for products and services	31%
Total	100%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 16 Gender comparison of the effect of institutional experiences on selecting an enterprise sector in the informal economy (A detailed table showing the sub-reasons affecting male and female entrepreneurs' decisions to select an enterprise sector in the informal economy)

Types of institutional experiences affecting informal entrepreneurs in selecting the enterprise sector in the informal economy	Percentage of male entrepreneurs	Percentage of female entrepreneurs
<b>Regulative experiences</b>		
Opportunity requirements	100%	0%
Difficult requirements	60%	40%
<b>Normative experiences</b>		
Inherited entrepreneurial activities	67%	33%
Community support	19%	81%
Challenges of access to government and private financial support	56%	44%
Lack of community support	20%	80%
<b>Cultural-cognitive experiences</b>		

Response to customers' demand for products and services	48%	52%
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Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

### 4.3.1. Regulative experiences in enterprise sector selection

The data analysis results show that government requirements affected some of the entrepreneurs' (8%) sector decisions. As reflected in Table 14, more of the male entrepreneurs than the female entrepreneurs reported being influenced in their sector engagement by regulative opportunities or challenges.

#### 4.3.1.1. Opportunity requirements

A small minority of the male entrepreneurs (3%) chose to operate their enterprises in certain sectors as a result of government rules that only permitted Saudi entrepreneurs to join a few sectors that had previously been monopolised by foreign entrepreneurs. One male entrepreneur who owned a partially informal enterprise explained that he ran his enterprise in the telecommunications sector and registered it with the government as a result of the government rule on the localisation of the telecommunications sector, which provided opportunities for Saudi entrepreneurs to enter the market:

*'At present, government facilities and opportunities to support Saudi youth entrepreneurship have enacted the decision to localise the telecommunications sector, and now, owners of mobile stores have become Saudis after it was monopolised by foreigners.'* (ME 21)

The few male entrepreneurs who registered their enterprises with the government and engaged in the informal Saudi economy stressed that government localisation regulations created opportunities only for Saudi male entrepreneurs, not Saudi female entrepreneurs.

#### 4.3.1.2. Challenging requirements

The data also show that complex government regulations (5%, in total) motivated both the male (60%) and the female entrepreneurs (20%) to run informal enterprises and refrain from

registering with government agencies. For example, one male entrepreneur stated that he registered his enterprise in his brother's name because he did not have a bachelor's degree, as is required by the Ministry of Media. He explained:

*'The Ministry of Media requires that to obtain a license, the owner must have a university degree, but I only completed secondary school. Therefore, the license was registered in the name of my brother.'*  
(ME 10)

A female entrepreneur with disabilities shared that the municipal requirement for her shop to have a grill door to let dust enter was unfeasible, as she had difficulty cleaning the dust from her products. Consequently, she changed her enterprise from selling household utensils to selling women's clothing. She explained:

*'I used to sell household utensils, but I changed to selling traditional women's clothes. Household utensils fell from my hands and they broke, as my hands are disabled. As the municipality requested a grid door for the shop, household utensils needed to be cleaned of dust. Therefore, I changed to selling traditional woman clothes, as [they are] comfortable and light to carry, arrange and pack them in plastic bags.'*  
(FE 32)

Overall, this data analysis shows that the male entrepreneurs suffered more from complex government regulations than the female entrepreneurs, who attributed less importance, in terms of their sector selection, to regulative challenges.

#### **4.3.2. Normative experiences in enterprise sector selection**

The results highlight normative experiences in the entrepreneurs' (61%) communities that influenced their decisions to operate in specific sectors of the informal economy. The interviews revealed that more female entrepreneurs than male entrepreneurs were influenced by customs,

values and traditions in their sector selection (see Table 14). The entrepreneurs reported instances of normative factors supporting as well as hindering their work.

#### **4.3.2.1. Inherited entrepreneurial activities**

As shown in the Table 16, some of the entrepreneurs launched their enterprises in certain informal fields because they view operating in these industries as a legacy inherited from their predecessors (12%). The male entrepreneurs (67%) indicated support for their work from community members based on ancestry more often than the female entrepreneurs (33%). For example, one male entrepreneur chose the agriculture sector because his tribe is known for operating agricultural enterprises. He said:

*'I own an enterprise in selling vegetables and fruits ... as the profits of vegetables and fruits are fast and high, and I have a background and knowledge. I mean, the cultivation and sale of vegetables and fruits is heredit[ary]. Our tribe is known for the trading of vegetables and fruits. Therefore, some vegetables and fruits, in my enterprise, come from family farms, such as watermelons, cucumbers and dates.'* (ME 19)

Similarly, female entrepreneurs garnered social acceptance from community members by operating enterprises in industries in which their grandparents worked. For instance, one female entrepreneur chose to make perfume and incense because her ancestors had worked in the sector and she already had the necessary experience. She said:

*'I started the project in incense and perfume because I get to be skilled and creative with a product I love. When I make incense by myself and offer a unique and creative product in the market, I have many customers. I learned through research and reading, but I was also taught from my aunt and mother because the manufacturing of incense was the craft of my grandparents.'* (FE 2)

Overall, the results indicate that the male entrepreneurs chose their sector based on inheritance or family legacy to a greater degree than the female entrepreneurs.

#### **4.3.2.2. Community support**

One normative factor that influenced the sector choice of the female entrepreneurs (81%) more than that of male entrepreneurs (19%) is social acceptance (26%). One male entrepreneur, for example, explained that he opened his enterprise in the telecommunications sector after the stigma of working in this field dissipated:

*'Members of the community have become receptive to the idea that Saudis work in the place of mobile phones instead of foreign owners. Saudi enterprise owners were ashamed to work in that sector before the government supported us in the media.'* (ME 8)

Similarly, one female entrepreneur noted that she found support from women customers when launching a sewing enterprise, as it fit with the preference of women to deal with women:

*'To the contrary, female customers and friends encouraged me to open the sewing enterprise again as my prices are appropriate, and customers prefer to deal with a woman sewing.'* (FE 34)

Another female entrepreneur indicated that she had launched her enterprise in the area of women's interests because she already had knowledge from her role as the one responsible for household tasks and her sons approved. She expressed:

*'I sell female clothing and household utensils because this is the only thing I know for trading. I am a woman who is interested in the home, so I sell household utensils and women's clothing. It is challenging to sell men's products because I do not know their needs and society does not accept women dealing with male customers—it is shameful. It is common to sell food because it is a need of both sexes,*



*but I cannot sell it because my sons would be embarrassed if their mother became a chef. Therefore, my sons told me it is reasonable to sell household utensils and women's clothing.' (FE 37)*

Clearly, the influence of prevailing norms on sector choice was more significant for the female entrepreneurs than for the male entrepreneurs.

#### **4.3.2.3. Challenges of access to government and private financial support**

Several recurring themes emerged in the entrepreneurs' reported normative experiences. The most prominent theme was the lack of access to financial support (18%), though this influenced the sector selection of the male entrepreneurs (56%) more than that of the female entrepreneurs (44%). One male entrepreneur discussed how the complexity of the procedures for obtaining government financial support affected his choice of enterprise activity. He also explained that he chose to open a partially informal enterprise in the food sector due to limited capital:

*'In general, anyone can start a food enterprise, as it is a simple enterprise and it requires low capital, unlike real estate enterprises and car enterprises which need significant capital. I am not specialised entirely in the field of the food sector, nor is it my ambition or goal to open a restaurant or any enterprise in the field of food, as my dream is to own a pharmaceutical company. Nevertheless, I am unable to open a pharmaceutical company as I am a young man, and it is impossible to have two million riyals at my age. If I possess two million in my bank account, I swear to God I will then open a medical company ... Government agencies do not provide consulting support but provide financial support. The problem with the Centennial Fund is that its procedures are very long with difficult terms and policies. For example, the Centennial Fund asks me for financial statements about all purchases and bills from the day I started the enterprise.'* (ME 5)

Low access to financial support affected both male and female entrepreneurs' sector selections; the lack of capital prompted them to use their household tools and equipment to make products. For example, one female entrepreneur revealed that she started her food enterprise in the informal sector because she already had food-preparation equipment at home, reducing costs. This was very important, as she found it difficult to comply with the terms of private institutions that require a guarantor with special conditions. She stated:

*'I opened an enterprise making food because these are my financial possibilities, and this enterprise needs little capital and materials since the oven, gas and refrigerator are in my house ... I went to the Jana Center Foundation and submitted my papers and asked for the guarantor. I chose my husband as a guarantor and [the] Jana Center employee refused him because he is old and his pension is low. Private banks require the borrower to be an employee, I am not.'* (FE 26)

The lack of access to financial support, due to the complicated terms and procedures required to borrow from the government or private agencies, influenced the sector selection of male entrepreneurs more than it did that of female entrepreneurs.

#### **4.3.2.4. Lack of community support**

A small minority of the informal entrepreneurs (5%) indicated, as shown in Table 15, that they faced social disapproval for their informal enterprises in certain sectors; this was more prominent among the female entrepreneurs (80%) than among the male entrepreneurs (20%), as seen in Table 16. For example, one male entrepreneur was criticised for launching a food-truck enterprise, as food trucks are often associated with women. Moreover, the enterprise was seen as incompatible with his reputation as a male entrepreneur in real estate and shipbuilding. He stated:

*'My brothers and friends criticised me when I opened the food-truck enterprise, as they saw the food-truck sector as not suitable for my social prestige and believed that this sector was for entrepreneurs who did*

*have not much capital, not me. They saw my decision as a step in reverse, not a step forward, as I have other enterprises in the real estate and shipbuilding sectors.’ (ME 12)*

One female entrepreneur mentioned that her family members challenged her when she launched an enterprise selling fruits and vegetables, as this was normally done by male and low-income entrepreneurs. She said:

*‘When I opened a project selling vegetables and fruits, I found opposition from my brothers and sisters that I traded vegetables and fruits like poor men and foreigners, and I embarrassed them in front of people and put them at a social level inappropriate for them. However, I did not listen to them and ignored their comments.’ (FE 35)*

The results reveal that the social challenges of running enterprises in specific sectors were limited to just a few of the female entrepreneurs and only one of the male entrepreneurs.

#### **4.3.3. Cultural-cognitive experiences in enterprise sector selection**

The study results demonstrate that both the male and female entrepreneurs’ (31%, N=31) cultural-cognitive experiences somewhat influenced their choice of enterprise activity and their decision to register or avoid to register their enterprise with some or all government agencies. The data show that both female entrepreneurs (52%, N=16) and male entrepreneurs (48%, N=15) were influenced by cultural-cognitive opportunities to respond to customer demands for products and services.

##### **4.3.3.1. Customer demands for products and services**

The common theme driving sector choice of both male and female entrepreneurs (31%) was the opportunity to respond to customer demands for products and services to increase sales and profits, though this was slightly more prominent among the female entrepreneurs (52%) than among the male entrepreneurs (48%). Despite that, one male entrepreneur explained that he

decided to sell perfume in the Saudi informal economy based on his feasibility study which found the potential for high profits and high demand:

*'After the feasibility study, I saw that the perfume profits were suitable, and my goal was profits, even if I opened a grocery. And because of my love of perfume, I chose the perfume sector. I am an entrepreneur who is not interested in the sector but is looking for profits. The perfume purchasing power is high in Saudi Arabia as income and salaries are satisfactory, and per capita income is high. Therefore, Gulf consumers like extravagance and buy perfumes, and especially Saudi consumers are seen as a fatty meal for businessmen—unlike foreign consumers in Saudi Arabia who hardly buy [anything] and [are] accurate in exchanges and save money.'* (ME 9)

Similarly, the female entrepreneurs emphasised the influence of high-profit opportunities on their sector choice. For example, one female entrepreneur ran an informal enterprise in both the gifts and party-coordinating sector and the mobile accessories sector, both of which are in high demand. She stated:

*'The project is profitable and in demand as everyone has mobile phones and wants accessories. There is much demand for my services on occasions such as coordinating gifts on Mother's Day, coordinating gifts for weddings or a new baby or coordinating graduation or birthday parties.'* (FE 18)

Notably, both male and female entrepreneurs chose their enterprise activities based on consumer demand and sector profitability, though this was somewhat more prominent among the female entrepreneurs than among the male entrepreneurs.

### **3.3.4. Conclusions on informal enterprise sectors**

In summary, these results suggest that community customs and traditions significantly affected sector selection among the informal entrepreneurs (61%). Inheritance (12%), social acceptance (16%), financial-support access (18%), and community support (5%) were all found to have affected their choice of sector. In general, social norms affected the sector selection of the female entrepreneurs (61%) more than that of the male entrepreneurs (39%). Additionally, the entrepreneurs' cultural-cognitive experiences (31%), namely responding to customer demands for products and services, slightly influenced their choice of sector in the informal economy; this was found to be more prominent among the female entrepreneurs (52%) than among the male entrepreneurs (48%). The results show that government regulations, both opportunities (3%) and challenges (5%), had marginal effects on the sector selection of the informal entrepreneurs (8% in total); this was found to be significantly more prominent among the male entrepreneurs (75%) than among the female entrepreneurs (25%).

### **4.4. Reasons behind unregistered start-ups**

This study aims to understand the hidden reasons behind entrepreneurs' refusal to register—or decision to only partially register—start-up enterprises with the government. Accordingly, interviews were conducted with entrepreneurs who ran fully informal enterprises (73%) and partially informal enterprises (27%). The interviews revealed that 86% of women who ran their own enterprises owned fully informal enterprises rather than partially informal enterprises (14%). In contrast, among the men, 52% ran fully informal enterprises while 48% ran partially registered enterprises. Employment status and experience with entrepreneurship impacted how regulative, normative and cultural-cognitive factors influenced registration decisions. Accordingly, a diverse set of entrepreneurs was interviewed: unemployed and job-seeking entrepreneurs (25%), senior entrepreneurs (29%), private-sector employees (14%), government employees (10%), student entrepreneurs (7%), former private-sector employees (13%) and government pensioners (3%).

Just over one-fifth of entrepreneurs (20.4%) reported that government regulations and the associated high fees affected their decisions to operate partially or fully informal enterprises. Some informal entrepreneurs believed that government agencies provided opportunities

alongside their requirements and had low fees but still did not register their enterprise with all government agencies. The correlation between government regulations on enterprise registration and other government systems not relevant to enterprise registration, such as the Difficulty Finding Employment Programme (HAFIZ) and Social Security and Comprehensive Rehabilitation, was an interesting finding—these other systems led entrepreneurs to refrain from registering their enterprises with government agencies. HAFIZ grants one year of financial support to unemployed Saudis looking for jobs while the social security system provides monthly payments to individuals who are disabled, orphaned, elderly or unsupported. Furthermore, the results indicate that social support, including from family and community customs, was a significant factor in decisions on entering the informal economy among entrepreneurs (30.4%). Some entrepreneurs found opportunities and support from community members while others faced social barriers to launching informal enterprises. Additionally, the entrepreneurs’ cultural perceptions (49.3%), including motives based on opportunities and needs, affected the launch of both fully informal and partially informal enterprises.

This study shows that cultural-cognitive experiences (49.3%) had greater influence than normative (30.4%) or regulative experiences (20.4%) on entrepreneurs’ decisions to run informal enterprises. However, the results also reveal motivational differences between the male entrepreneurs (40%) and the female entrepreneurs (60%). While the female entrepreneurs were significantly influenced by cultural-cognitive (66%) and normative experiences (65%), male entrepreneurs were largely pushed by regulative experiences (61%). This section divides the reasons for launching unregistered enterprises into three categories: 1) regulative experiences; 2) normative experiences; and 3) cultural-cognitive experiences.

Table 17 The effect of institutional experiences on entrepreneurs’ decisions to launch their enterprises in the informal economy

Types of institutional experiences affecting informal entrepreneurs’ decisions to launch their enterprises in the informal economy	Percentage of entrepreneurs
Regulative experiences	17.1%
Normative experiences	31.6%
Cultural-cognitive experiences	51.3%

Total	100%
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Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 18 Gender comparison of the effect of institutional experiences on entrepreneurs' decisions to launch their enterprises in the informal economy

Types of institutional experiences affecting informal entrepreneurs' decisions to launch their enterprises in the informal economy	Percentage of male entrepreneurs	Percentage of female entrepreneurs
Regulative experiences	59%	41%
Normative experiences	35%	65%
Cultural-cognitive experiences	34%	66%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 19 The effect of institutional experiences on entrepreneurs' decisions to launch their enterprises in the informal economy (A detailed table showing the sub-reasons affecting entrepreneurs' decisions to launch their enterprises in the informal economy)

Types of institutional experiences affecting informal entrepreneurs' decisions to launch their enterprises in the informal economy	Percentage of entrepreneurs
<b>Regulative experiences</b>	
Conducive government requirements	5%
Challenges in government requirements and fees	12%
<b>Normative experiences</b>	
Social opportunities of entrepreneurship	21%
Social challenges of entrepreneurship	10%
<b>Cultural-cognitive experiences</b>	
Opportunity motives	
Entrepreneurs' passion for enterprise	8%
Free time	8%
A pilot phase of informal small enterprise performance	5%
Necessity motives	
Ignorance	2%

Unemployment	7%
Need for money	22%
Total	100%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 20 Gender comparison of the effect of institutional experiences on entrepreneurs' decisions to launch their enterprises in the informal economy (A detailed table showing the sub-reasons affecting male and female entrepreneurs' decisions to launch their enterprises in the informal economy)

Types of institutional experiences affecting informal entrepreneurs to launch their enterprises in the informal economy	Percentage of male entrepreneurs	Percentage of female entrepreneurs
<b>Regulative experiences</b>		
Conducive government requirements	57%	43%
Challenges in government requirements and fees	59%	41%
<b>Normative experiences</b>		
Social opportunities of entrepreneurship	40%	60%
Social challenges of entrepreneurship	25%	75%
<b>Cultural-cognitive experiences</b>		
Opportunity motives		
Entrepreneurs' passion for enterprise	52%	48%
Free time	33%	67%
A pilot phase of informal small enterprise performance	21%	79%
Necessity motives		
Ignorance	0%	100%
Unemployment	21%	79%
Need for money	38%	62%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.



Table 21 The effect of institutional cultural-cognitive experiences on entrepreneurs' decisions to launch their enterprises in the informal economy (A table showing the main motives of entrepreneurs to launch their enterprises in the informal economy)

Types of institutional cultural-cognitive on entrepreneurs' decisions to launch their enterprises in the informal economy		Percentage of entrepreneurs
<b>Cultural-cognitive experiences</b>		
Opportunity motives		41%
Necessity motives		59%
Total		100%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 22 Gender comparison of the effect of institutional cultural-cognitive experiences on entrepreneurs' decisions to launch their enterprises in the informal economy (A table showing the main motives of male and female entrepreneurs to launch their enterprise)

Types of institutional cultural-cognitive on entrepreneurs' decisions to launch their enterprises in the informal economy	Percentage of male entrepreneurs	Percentage of female entrepreneurs
<b>Cultural-cognitive experiences</b>		
Opportunity motives	38%	63%
Necessity motives	32%	68%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

#### 4.4.1. Regulative experiences of unregistered start-ups

The results illustrate that 17.1% of the informal entrepreneurs had their enterprise-registration decisions influenced by government regulations, either positively or negatively (see Table 17). Comparing results shows that the male informal entrepreneurs (59%) were more affected by government systems than were the female informal entrepreneurs (41%).

##### 4.4.1.1. Conducive government requirements

Some entrepreneurs (5%) indicated that conducive government requirements, procedures and fees enabled them to partially register their enterprises with some government agencies. The

male entrepreneurs (57%) were slightly more likely than the female entrepreneurs (43%) to take advantage of the facilities in government requirements, procedures and fees to partially register their enterprises with the government. One male entrepreneur who launched a partially informal food-truck enterprise highlighted the accessibility of government requirements and provisions, including a food-safety course and a medical examination; government procedures were facilitated by online services that made the registration process easier. He stated:

*'The municipal conditions are generally straightforward and easy. I took a course called "food safety" for three days. After that, I did a medical check-up to get the health card. Then, I provided the health card with a training certificate to the municipality. The next day, the municipality sent me a website link to determine the route and location of the enterprise [and] if it was possible or not. Then, the municipality sent me a text message [asking for a payment of] 220 riyals. Then, I printed the license online. I did not need to go to the municipality to get the license but could through the government website.'* (ME 5)

Similarly, some of the female entrepreneurs pointed to the ease of government procedures. For example, one female entrepreneur who had a non-renewed enterprise license indicated that the government employees were lenient with her and completed the procedures to register her enterprise despite her lack of registration requirements. She explained:

*'When I went to the municipality for a review, they were lenient with me and overlooked the missing papers.'* (FE 31)

The results illustrate that accessible government requirements and facilitative procedures were reasons why the partially informal entrepreneurs to join the informal sector.

In details, a few of the entrepreneurs pointed that the nominal government fees encouraged some entrepreneurs to partially register their enterprises with the government, but others were not sufficiently encouraged. One male entrepreneur with a partially informal

enterprise stated that the fees for obtaining a municipal license for his food-truck enterprise were largely symbolic:

*'The total for obtaining a health card, 1,000 riyals, consists of a food-safety course, 500 riyals, and a medical examination, 500 riyals. The municipality's annual license is 220 riyals. I consider the government fees to be nominal. It is approximately 1,220 riyals that I [must] pay.'* (ME 12)

In contrast, one female entrepreneur stressed that while mandatory government fees are low, her weak financial position prevented her from paying them—the lack of proper oversight allowed her to get away with it. She explained:

*'I paid 600 riyals as it is compulsory from the government, and I am forced to pay. When I paid 600 riyals, I did not feel it was expensive as this was official from the government. I have not renewed the license as I do not have money now, and no one forces me to renew it.'* (FE 31)

The evidence indicates that conducive government requirements and symbolic fees and the absence of fees motivated the entrepreneurs who partially registered their enterprises with the government agencies. However, they were not sufficiently appealing to those who run fully informal enterprises—government oversight was poor enough that they could easily avoid paying, which is helpful for those at a low income level. Additionally, more male entrepreneurs than female entrepreneurs were influenced by the conducive government requirements and the low government fees.

#### **4.4.1.2. Challenges in government requirements and fees**

The data also show that some of the entrepreneurs (12%) faced challenges in government requirements and fees that prompted them to launch informal enterprises. Strict government requirements and high government fees were seen as posing significant challenges by the male

entrepreneurs (59%), pushing them away from registering their enterprises with government agencies. A minority of the female entrepreneurs (41%) were influenced in the same way. Evidence of inflexible government requirements was provided by the entrepreneurs; in some cases (10%), those who worked in the government sector were required to devote themselves to their jobs and were forbidden from operating their own enterprises. For example, one male entrepreneur working in the military explained that the government prohibited him from engaging in any entrepreneurial activity; he would face punishment if the military discovered that he owned an enterprise. Consequently, he was forced to join the informal economy. He stated:

*'I am a military officer, and the career system asks me to be a full-time government employee. I will be subjected to a military trial if they know I have an enterprise. The terms of the Ministry of Commerce also prohibit [their own] employees from opening enterprises.'* (ME 25)

Similarly, one female entrepreneur could not register her enterprise with the government because, as a full-time employee, she was not allowed to run her own enterprise. She stated:

*'I am a government employee, and I cannot get a license as it is forbidden for a government employee to open an enterprise.'* (FE 36)

The relationship between government requirements for enterprise licenses and the terms of the Ministry of Social Development (Social Security) was a driving factor behind many entrepreneurs' avoidances to register their enterprises with the government. The interview data reveal that the entrepreneurs who received social security payments avoided to obtain enterprise licenses, as they did not want to lose their benefits. For example, one male entrepreneur pointed out that to qualify for obtaining financial support, he could not have a commercial license. He explained:

*'I am registered in the social security system for financial support, so if the social security system knew that I had an enterprise and*

*an enterprise license, it would have cut my social security payment. ' (ME 11)*

Similarly, one female entrepreneur stated that she avoided to register her enterprise because she did not want her social security payment to be cut:

*'I cannot take a commercial license as I have registered for a social security payment. If I had a commercial license, social security would have cut my salary. Why [would] I register my enterprise and cut my social security payment? It is better for me not to register my enterprise to take a profit and also take assistance payments. ' (FE 14)*

Moreover, some of the entrepreneurs avoided to register their enterprises due to government bureaucracy. For example, one male entrepreneur encountered difficulties while registering his enterprise. Despite using e-government services, it took a long time and had many requirements:

*'The procedures were fairly long although I completed the licensing process through the government website (Absher). I filled out the information and attached documents and pictures. Then, the observer came to see the vehicle and the site. Next, I went to the municipality and the traffic to seal paper and install a car plate. After that, I went to the Civil Defence to extinguish the fire and safety tools. Then, I finished this. I returned to the municipality to take the license. ' (ME 15)*

Another female entrepreneur faced a similar situation; lengthy government actions prompted her to avoid registering her enterprise. She stated:

*'Government procedures take a long time and need men to review the transactions, and the papers are many. Also, they ask for high fees and a shop and a shop plate. My son and my husband refuse to open a*

*shop. If there was encouragement from my family that they would go to the Ministry of Commerce and Investment, the municipality, and I have money, I would have registered with them.’ (FE 25)*

These accounts indicate that challenges in government requirements and procedures drove the entrepreneurs away from formal registration.

Moreover, the interview results demonstrate that high government fees for obtaining commercial licenses were important reasons behind the entrepreneurs’ avoidances to register their enterprises with government agencies. Evidence of this disincentive can be clearly seen in the case of a male entrepreneur who owned a fully informal enterprise. He commented:

*‘There are too many government fees. I mean, [if] I pay electricity and license fees, then my income is not enough. My interest and profits and efforts go to waste.’ (ME 1)*

Similarly, one female entrepreneur took a health card but did not complete her registration with other government agencies, as the fees were simply too high. She stated:

*‘The neighbourhood centres (Emkan) asked me to take a health card from the municipality, which has a medical examination at a private hospital for 525 riyals and a food-safety course for 525 riyals. I feel that the total fee of 1,050 riyals is high, so I do not want to pay more money for an enterprise license.’ (FE 7)*

These accounts support the view that while the challenges in government requirements and procedures and high government fees pushed many of the entrepreneurs away from formal registration, these issues had more of an effect on the decisions of male entrepreneurs than female entrepreneurs.

#### 4.4.2. Normative experiences in unregistered start-ups

The results showed that, in addition to their regulative (17.1%) and cultural-cognitive experiences (51.3%), the entrepreneurs' positive and negative normative experiences (31.6%) influenced their registration decisions. These normative experiences influenced the female entrepreneurs (65%) to a greater extent than they did the male entrepreneurs (35%).

##### 4.4.2.1. Social opportunities in entrepreneurship

A minority of the informal entrepreneurs (21%) indicated that some form of positive social support influenced their decisions to continue running their enterprises in the informal sector. The female entrepreneurs (60%) received more community support for their informal enterprises than did the male entrepreneurs (40%). The data analysis shows that much of this positive social support came in the form of verbal and psychological support. For example, one male entrepreneur who worked for the government while running an informal enterprise in the telecommunications sector found psychological encouragement from family and community members—his role as a man enabled him to go outside the home in search of income for his family. He stated:

*'My wife and my family members encourage me psychologically and help me open an enterprise. For example, my wife works with me. Society members encourage me and pray to God for my success, as I am the man and responsible for bringing in money. Leaving the house is self-evident, and selling and purchasing are not shames. I am a man able to go out at any time; there are no restrictions on men leaving the house, as they have the ability to act rightly in case of danger.'* (ME 2)

In contrast, some of the female entrepreneurs found limited community support. For example, one female entrepreneur stressed the importance of carrying out her role in the household and family alongside her entrepreneurial endeavours. Consequently, she received support from family members and acquaintances when she began to run an informal enterprise from her home. She commented:

*'My family, my neighbours and friends support my experience with motivational words. For example, they told me to run an enterprise from my home and at the same time take care of my house and my children. They see me as a successful woman.'* (FE 1)

These two cases support the idea that the male and female entrepreneurs had different levels of social support. Social traditions clearly give men absolute freedom to work outside of the home while women are much more limited.

Some entrepreneurs, however, indicated that community members' beliefs about entrepreneurship had begun to change positively, resulting in more opportunities to open enterprises in the informal economy. One male entrepreneur explained that community members had traditionally preferred government- and private-sector jobs. However, public opinion began to shift once the government expressed support for entrepreneurship. He explained:

*'The preference for the government sector over the private sector was an idea that prevailed in us but has started to fade a little. Now, the most important thing is money, as a person cannot have a house or a family without money ... We live richly and are used to getting government jobs and then getting married, but with Vision 2030, Crown Prince Mohammed bin Salman supported us and opened up our enterprises. He taught us that we do not have to rely on a job and a single income. I mean, even if I had a government job, I would open a project for me, as I have to look for additional income [because] living life is difficult now. Before we got up and got support, the Saudi people just had government jobs or companies. Frankly, we did not know about entrepreneurship; we just knew that you studied and graduated from university and got employed and married.'* (ME 17)

From a feminist perspective, some of the female entrepreneurs pointed to recent changes in social and community beliefs about women's entrepreneurship, especially regarding their



dealings with men in enterprise environments. One female entrepreneur explained that her family and some of Saudi society had accepted the idea of men and women mixing in enterprise environments, as the government now supports women's financial empowerment. She explained:

*'We are an open-minded family, and my family does not oppose me, and they have no problem [with me] mixing with men as [long as] I am respectable, and my Islamic clothing (niqaab and abaya) is covering and modest. My family agrees to operate the enterprise as my mother also owns the enterprise. Men understand and accept the idea that Saudi Arabia has opened and evolved. Now, most female Saudis work in malls and shops. It is correct that in the past, no one accepted the idea of mixing with men, but now, the Saudi people have developed after the new decisions to empower women. And we have [begun to take on] many jobs and drive cars, and we have laws protecting women to deter harassers.'*  
(FE 6)

These cases highlight the importance of social beliefs for entrepreneurs. The male entrepreneurs discussed the changes in how society views entrepreneurial work while the female entrepreneurs emphasised the importance of evolving views on women in enterprise environments.

Others shared that their family and community members supported their entrepreneurial work because they viewed it as a familial inheritance. For example, one male entrepreneur stated that he received great support from his father, who transferred ownership of his enterprise to make him the owner. He explained:

*'My father taught me and supported me financially. In the beginning, he rented me a table where I sold mobile phones, and from the profits, I bought new goods until the shop became my shop. I was working without a salary. My father also supported me with my training in mobile maintenance. Some entrepreneurs employ their cousins to reduce the*

*social pressure when they run their enterprises. However, I have not been socially affected, as our ancestors and relatives were enterprisemen... Therefore, I opened the project as inheritance and to increase my income.'*  
(ME 21)

The same held true for the female entrepreneurs who followed their ancestors in entrepreneurship. Many female entrepreneurs sought to emulate the enterprisewoman Khadija, the wife of the Prophet Muhammad (PBUH), whom they considered to be evidence of Islam's support for women's entrepreneurship. A female interviewee put it this way:

*'My daughters help me and support me with the enterprise. For example, they and I grind henna and distribute oils in cans to support each other. My daughters understand that running a small enterprise is not shameful as Khadija, the wife of the Prophet Muhammad (PBUH), was a merchant. Thus, instead of asking people for money, we take care of ourselves.'* (FE 12)

These cases stress that social support for entrepreneurship as an ancestral legacy led many entrepreneurs to take advantage of opportunities to run fully or partially informal enterprises.

The responses highlighted here demonstrate how social opportunities motivated entrepreneurs to operate enterprises in the informal sector. They also reveal how Saudi society now appears to offer more support to female entrepreneurs than male entrepreneurs in the informal sector. The entrepreneurs encountered several social opportunities in entrepreneurship, including psychological and verbal support, absolute freedom for men, evolving views on women's entrepreneurship and gender mixing in enterprise environments, a shift in how entrepreneurs are perceived, and religious and prophetic support for entrepreneurship.

#### 4.4.2.2. Social challenges in entrepreneurship

However, some of the entrepreneurs (10%) were pushed towards the informal sector by social challenges from community members. Through a comparative analysis, social opportunities were shown to have a greater impact on the entrepreneurs' establishment of informal enterprises than social barriers. Despite this, social barriers certainly played a role. Social customs in Saudi society posed greater obstacles for the female entrepreneurs (75%) than they did for the male entrepreneurs (25%). The interviews revealed many social barriers that directly or indirectly contributed to entries into the informal economy. One challenge was criticism from community members. A male entrepreneur pointed out that one reason he did not formalise his enterprise was the lack of psychological support from his environment. Instead, he faced discouragement and doubts about the success of his enterprise from community members who used to work in the government sector. He stated:

*'My family supported me neither financially nor psychologically. My family members say, "God heal you from your madness." As my father is a retired government employee and does not care about enterprises, and I am the only one among my brothers who runs an enterprise, he says to me, "You will just lose yourself and your money, and it is better and safer for you to work in a government job." I have noticed that in Saudi society, we have 90% of people saying, "You lose", "you lose", and "you lose". Oh, people, we have successful enterprisemen. Why did they not lose? They say, "Enterprisemen run their enterprises successfully, but you will not operate your enterprise profitably!" Do you know me? Ok, do you live with me? You do not know my style and do not know if I run my enterprise or not! Ninety per cent of people frustrate me. Honestly, it is rare that I find someone who tells me I can do it; I will succeed in my enterprise. Now, most of us are civil employees, so they always expect that anyone who opens an enterprise will lose.'* (ME 1)

Similarly, one female entrepreneur did not receive support from her sons due to a previous enterprise failure. As a result, she started an informal enterprise commensurate with her financial situation. She stated:

*'My sons and brothers do not support me when I need money, debt and sponsorship. My sons and brothers do not trust me as I have a failed experiment in my previous enterprise.'* (FE 34)

These cases demonstrate how negative comments about one's entrepreneurial endeavours can prompt them to join the informal economy.

Furthermore, the female entrepreneurs faced severe social restrictions, forcing them to operate in the informal economy. For example, one female entrepreneur reported strong opposition from some family members and acquaintances over the type of her enterprise and fears about women mixing with men. She explained:

*'My brothers refused and severed their relationships with me and said, "Are you poor to go to the market to buy and sell?" I am from the Baha area, and our family [is] conservative. One of my brothers told me, "Choose between me or your enterprise." I told him that I was not doing any wrong or shameful thing. The Prophet Muhammad's wife, Khadija, may Allah be pleased with her, was a merchant ... My sister-in-law told my sister, "If your sister sells in the market, she does not enter my house." I said to my sister, "Your husband did not see me in a dance shop or drink[ing] wine or walk[ing] in the street naked. I am religiously committed and fasted the last ten days, and women in the market are from respectable tribes" ... Some of my relatives insult my reputation. My reputation has reached my village, and people there say, "The man's daughter sells and buys. If her father was alive, he would have killed her with a machine gun" ... My relatives called me so much and asked, "Why do you sell?" They say to me, "It is a shame, and people have started*

*criticising us that the daughter of our kin is poor and mixes with men.* (FE 13)

Clearly, female entrepreneurs suffer from social customs that prevent them from operating freely; they are often limited to the informal sector. These findings demonstrate that social barriers encouraged the establishment of enterprises in the informal sector. The results also indicate that social beliefs were more influential for the female entrepreneurs than for the male entrepreneurs.

#### **4.4.3. Cultural-cognitive experiences of unregistered start-ups**

The entrepreneurs indicated that their cultural-cognitive experiences (51.3%) influenced their involvement in the informal sector more than did their regulative and normative experiences. Additionally, the results show that necessities (59%) largely drove the choice of the informal sector; opportunities (41%) had less of an impact. Compared to the male entrepreneurs (34%), the female entrepreneurs (66%) were more influenced by cultural-cognitive opportunities and necessities.

##### **4.4.3.1. Opportunity motives**

The results indicate that many of the entrepreneurs (41%) joined the informal economy because they sought to take advantage of the opportunities available in their society (see

Table 21). This interviews revealed that this desire had a significantly more influential effect on the female entrepreneurs (63%) than on the male entrepreneurs (38%).

##### **4.4.3.1.1. Opportunity motives: A passion to be entrepreneurs**

This interviews revealed that some entrepreneurs (8%) had a specific desire to become entrepreneurs, so they sought out opportunities to establish unregistered enterprises. As indicated in Table 20, more male entrepreneurs than female entrepreneurs have this specific desire. One male, for example, said that he started a partially informal petrol station because he wanted to be known as an enterpriseman:

*'I aspire to be an enterpriseman, and I do see myself [as] qualified to run an enterprise like other enterprisemen.'* (ME 13)

Similarly, one female entrepreneur explained how, despite her limited financial resources, she believed in her ability to achieve her goal of becoming an entrepreneur. She explained why she initially launched an informal enterprise:

*'I now fund my entrepreneurship hobby after I cover my financial needs for my sons and daughters. Now, my hobby and my ambition are to be an enterprisewoman, and I trust myself, as I succeeded in developing my enterprise from a small kiosk, which was 1.5 metres by 2 metres, to a shop with a length of 6 metres and a width of 4 metres and from a capital of 5,000 riyals to a capital of 50,000 riyals.'* (FE 10)

These cases illustrate why the specific desire to become an entrepreneur pushed the male entrepreneurs—to a slightly greater extent than the female entrepreneurs—to the informal economy.

#### **4.4.3.1.2. Opportunity motives: Free time**

Free time was another opportunity that motivated the entrepreneurs (8%) to launch enterprises in the informal sector. This opportunity was a greater influence for the female entrepreneurs (67%) than it was for the male entrepreneurs (33%). Regardless, one male entrepreneur pointed out that he had time to run informal enterprises because he was retired:

*'I am a retired man, and I have free time, so I have to use my time for enterprises that benefit me.'* (ME 7)

Interestingly, one female entrepreneur revealed that her formal enterprise helped her alleviate some of the negative thoughts she has in her free time. She explained:

*'I opened the enterprise to occupy my free time. My enterprise made me forget my worries and helped me escape my problems. When my daughter divorced, I had a nervous breakdown. I did not sleep at night. People sleep, but I did not sleep—I just cried. The pillow was wet with my tears. The doctor said my eyes were tired and dry because of tears. The doctor advised me to take advantage of my hobby and occupy my free time to avoid thinking of negative things.'* (FE 13)

These cases illustrate how free time can push entrepreneurs into the informal sector, though this was more common among the female entrepreneurs than among the male entrepreneurs.

#### **4.4.3.1.3. Opportunity motives: A pilot phase**

Some entrepreneurs (5%) avoided to register with any government agencies because they considered their enterprises to be too small—the informal economy served as the testing ground for a pilot phase. This was a more prominent influence among female entrepreneurs (79%) than among male entrepreneurs (21%).

One male entrepreneur, however, mentioned that he ran an informal small enterprise but avoided to register it because he wanted to gain experience and assess how successfully he could run an enterprise. He explained:

*'The purpose of opening the project is a proposal from my friend. I want to try running an enterprise. If I succeed, I will continue and grow my enterprise. I am a student, and the goal is to gain experience [as] an enterpriseman.'* (ME 19)

Similarly, the female entrepreneurs did not formalise their enterprises because they sought pilot phases for their small enterprises in the informal economy. For instance, one female entrepreneur commented that she did not register her enterprise with government agencies

because she did not want to bear the burden of license costs for what amounts to only a few products:

*'I have only a few goods, so it is not worth paying money on an enterprise license.'* (FE 37)

These cases demonstrate that some entrepreneurs launch their enterprise informally in order to assess their performance before making the commitment of registration. The data show that this 'pilot phase' consideration was more influential for the female entrepreneurs than for the male entrepreneurs.

#### **4.4.3.2. Necessity motives**

These interviews revealed that, alongside the opportunities (41%) that draw entrepreneurs into the informal sector, there are also challenges and necessities (59%) that push entrepreneurs into the informal sector. This interviews revealed that necessity was a more influential driver among the female entrepreneurs than among the male entrepreneurs (see Table 22).

##### **4.4.3.2.1. Necessity motives: Ignorance**

Ignorance was one obstacle that led the female entrepreneurs (2%) to operate in the informal sector. Interestingly, none of the male entrepreneurs indicated a lack of knowledge about enterprise-registration laws. The influence of ignorance is evident in the case of one female entrepreneur who had not completed primary education. She explained that she did not register her enterprise with the government because she did not know about government procedures and there was no one to help her register her enterprise. She stated:

*'I have not registered with any government agency. Who registers me with government agencies? I do not know how to register, and no one registers me. I am a weak woman.'* (FE 22. Om Ali)



This case shows how a lack of knowledge about enterprise registration constituted a challenge for some of the female entrepreneurs; they operate in the informal sector because they are unaware of how to get out of it.

#### **4.4.3.2.2. Necessity motives: Unemployment**

Unemployment was another challenge mentioned by the entrepreneurs (7%) that led them to the informal sector. As illustrated in Table 20, more of the female entrepreneurs than the male entrepreneurs sought out opportunities to set up informal enterprises while unemployed. One male entrepreneur noted that his low standard of living during joblessness was one factor that pushed him to establish an unregistered enterprise. He stated:

*'I opened the project [because] during a period of austerity, living is difficult. I am not an employee, so I must rely on an enterprise instead of waiting for a job.'* (ME 4)

One female entrepreneur with a bachelor's degree also stressed that unemployment encouraged her to establish an informal enterprise:

*'I operate the enterprise because of unemployment. I am a college graduate and have applied for many jobs, but I have not received any answers.'* (FE 5)

The data shows that the entrepreneurs, especially the female entrepreneurs, were pushed towards the informal sector by unemployment.

#### **4.4.3.2.3. Necessity motives: Need for money**

The need for money was another important reason that the entrepreneurs (22%) launched informal enterprises. This factor was more influential among the female entrepreneurs (62%) than among the male entrepreneurs (38%). Regardless, one unemployed male entrepreneur explained that he set up his informal enterprise to earn a basic income:

*'The goal of the enterprise is to be an enterpriseman and get a profit that is considered as a basic income for me.'* (ME 9)

Similarly, the female entrepreneurs stressed that they considered the profits from their enterprises to be their main sources of income source—they had few or completely lacked other financial resources. For example, one female entrepreneur explained that she opened a small informal enterprise because the financial aid she received from the government failed to cover her family's needs:

*'Our financial conditions are harsh even though I receive a social security payment, as I am disabled. My father is an old man, and he has no social security payment and no pension, as he was a farmer ... My brother is sick, and his Pakistani wife divorced him and left three children, with two of them disabled. My mother died, and I raise my nephews. Our financial situation is severely weak ... I do not have [the] money [required by the] government agencies to renew the license. If I have a large enterprise and a lot of profits, I will pay the fees.'* (FE 32)

Some of the entrepreneurs launched enterprises in the informal sector to increase their income. For example, one male entrepreneur who worked in the military explained that he sought to increase his income by running an informal enterprise:

*'This enterprise aims to increase my income, as I am originally a government employee. I originally got married and built my house from the profits of this enterprise ... I opened the enterprise [because] I wanted to repay a personal loan that I took from the bank. The government salary is not enough.'* (ME 2)

Similarly, some of the female entrepreneurs run informal enterprises to supplement the basic income they receive from their husbands. For example, one female entrepreneur stated:

*'I run an enterprise [because] I want to have another income. My husband takes financial responsibility for me, but I want to have my own income. I want to feel the value of the money that I earn after I am tired.'*  
(FE 6)

These cases illustrate a clear relationship between seeking a basic or supplemental income and informal-sector enterprises. As already stated, this factor was more influential among the female entrepreneurs than among the male entrepreneurs.

#### **4.4.4. Conclusions on unregistered start-ups**

This study reported that the entrepreneurs' cultural-cognitive experiences (51.3%) significantly influenced their decisions to operate informal enterprises. The interview data indicate that necessities (59%) motivated the entrepreneurs to join the informal economy more than opportunities (41%). The entrepreneurs described several opportunity motives, including a passion to become an entrepreneur (8%), free time (7%), and a pilot phase. As these cases very clearly demonstrate, opportunities influenced more of the female entrepreneurs (63%) than the male entrepreneurs (38%). Necessities, which influenced (59%) of the participating entrepreneurs, also influenced more female entrepreneurs (68%) than male entrepreneurs (32%). The interviews revealed several necessity motives, including ignorance (2%), unemployment (7%), and the need for money (22%).

This research shows that, after cultural-cognitive experiences, the entrepreneurs' normative experiences (31.6%) constituted the second-strongest reason behind their operation in the informal economy. The entrepreneurs described various normative opportunities (e.g., Islamic and Saudi customs, traditions, and taboos; 21%) that influenced their choice of informal operation. Once again, the results show that the female entrepreneurs (60%) were more influenced by social support than were the male entrepreneurs (40%). Some of the entrepreneurs encountered social barriers (10%) that influenced their lack of formal registration. The study found that these barriers influenced the female entrepreneurs (75%) more than they did the male entrepreneurs (25%).

The data indicate that the entrepreneurs' regulative experiences had the least impact on their refusal to formalise their enterprises. These regulative experiences included several factors: flexible government requirements and low government fees (5%), rigorous government requirements and burdensome government fees (12%). Regulative experiences had significantly more influence for the male entrepreneurs (59%) than for the female entrepreneurs (41%).

#### **4.5. Penalties for not registering with government agencies**

To fully understand the reasons behind the choice of the informal economy, the informal entrepreneurs were asked about the impacts of government sanctions on their decisions to launch fully and partially informal enterprises. The data clearly show that weak deterrent penalties affected the commitment of the fully informal entrepreneurs to avoid government regulations while some deterrent penalties affected the partially informal entrepreneurs' commitment to follow some government regulations. The results show that the power of regulatory penalties depended on the extent of enforcement, in which the social standards of government inspectors may have played a vital role. At the same time, the findings also show that the entrepreneurs realised the opportunities from relationships with government inspectors, the absence of government inspectors in certain areas, and the strength of resistance to government regulations. When enforcing regulations, some inspectors may have tolerated informal entrepreneurs whose nationality, gender and age, according to social norms, require respect.

More specifically, the opportunities offered by regulatory penalties (71%) drove the informal entrepreneurs to avoid to register their enterprises with all or some government agencies while government inspectors' social standards slightly influenced the entrepreneurs' commitment to registering or not registering their enterprises (29%). In contrast, the entrepreneurs' cultural-cognitive experiences did not push the informal entrepreneurs to avoid to register their enterprises with all or some government agencies. As illustrated in Table 24, a majority of the female entrepreneurs (59%) were drawn into the informal economy by the ineffectiveness of government sanctions, which in contrast with a minority of the male entrepreneurs (41%). Entrepreneurs did not report cultural cognitive experiences related to government sanctions in their business operations. Therefore, this section was divided into

institutional experiences related to government sanctions that affected entrepreneurs: 1) regulative experiences and 2) normative experiences.

Table 23 The effect of institutional experiences related to government sanctions on entrepreneurs' decisions to engage in the informal economy

Types of institutional experiences related to government sanctions leading informal entrepreneurs to engage in the informal economy	Percentage of respondents
Regulative experiences: Inefficient of regulative sanctions	71%
Normative experiences: Social support for entrepreneurs from government inspectors	29%
Total	100%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

Table 24 Gender comparison of the effect of institutional experiences related to government sanctions on entrepreneurs' decisions to engage in the informal economy

Types of institutional experiences related to government sanctions leading informal entrepreneurs to engage in the informal economy	Percentage of male entrepreneurs	Percentage of female entrepreneurs
Regulative experiences: Inefficient of regulative sanctions	41%	59%
Normative experiences: Social support for entrepreneurs from government inspectors	43%	57%

Source: Own calculation based on interviewees' responses in fieldwork (2019). In-depth interview with informal Saudi male and female entrepreneurs.

#### 4.5.1. Inefficient of regulative sanctions

The interviews revealed that lax regulatory sanctions influenced the informal entrepreneurs' (71%) decisions to avoid to register their enterprises. As some regulations imposed severe penalties on violations, the partially informal entrepreneurs committed to abiding by some government regulations. However, leniency in the enforcement of these penalties also served to encourage the entrepreneurs to feel secure not registering their enterprises with all or

some government agencies. Interestingly, lax regulatory policies were more influential for the female entrepreneurs than for the male entrepreneurs, as illustrated in Table 24. The results indicate that the absence of government inspectors and relationships with government inspectors aided the entrepreneurs to engage the informal sector. One male entrepreneur indicated that government inspectors were strict with some government requirements and imposed deterrent fines, such as one for 20,000 riyals for employing a foreigner. Other requirements, however, such as employee registration in the social insurance system, were often ignored. He stated:

*'When the inspector comes and makes sure that I am a Saudi, the inspector does not ask about fingerprints or identity and tolerates me. The inspector does not ask whether the employees are registered with social insurance or not as the inspector focuses [on making sure] that no foreign employee is working with me due to the Saudi-sation of the mobile shop system. However, if the inspector sees a violation of the foreign employment rate, the inspector gives me a high fine of 20,000 riyals. The Ministry of Labor and Social Development requires that the employees in the store be 70% Saudi and 30% foreign.'* (ME 8)

One female entrepreneur stressed that government inspectors were far more lenient than they once were in terms of sanction implementation. She explained:

*'Currently, the inspectors say there is an order to remove the market, and the municipality inspectors have not carried out an inspection for a year ... Municipal employees issued a removal order, as they considered the shop to be an infringement. After I reviewed and complained to the mayor, they allowed me to open the shop and all the shops in the women's market ... A long time ago, they were tough with us, and when we put up booths, they destroyed them with tractor trucks.'* (FE 13)

The results also show that a lack of government inspectors encouraged the entrepreneurs to avoid to register their enterprises with the government. For example, one female entrepreneur who did not register her enterprise with the government stated that, despite promoting her home enterprise on social media, she had seen no inspectors:

*'The inspectors in social media are not present, nor I have contacted or seen them.'* (FE 6)

Another female entrepreneur justified the non-renewal of her license by saying that government inspectors did not visit her enterprise after she resisted their accusations of regulatory violations. She explained:

*'The municipal inspectors did not check for the renewal of the license. Initially, the municipality employees passed through here, and they saw us sitting on the street, and they said to us, "Pay 600 riyals. That is a symbolic amount [for us] to give [you] a stand", so I paid it. The municipality initially prevented us from turning the stands into shops, but we ignored the instructions. We resisted the municipal inspectors as I built the shop, and I put the door in my shop. It is difficult to leave goods on an outdoor exhibition stand and go home.'* (FE 30)

The data clearly demonstrate that the female entrepreneurs took advantage of the absence of inspectors to a far greater degree than did the male entrepreneurs.

Moreover, two of the male entrepreneurs took advantage of opportunities to have relationships with government inspectors. None of the female entrepreneurs reported having such a relationship to avoid penalties. One male entrepreneur mentioned that since his friend worked as a municipal inspector, he was able to avoid penalties:

*'My friend is an employee of the municipality, so when an inspection warrant comes, he informs me on the mobile phone to close the games enterprise.'* (ME 25)

These cases show that inspector leniency in sanction implementation encouraged the refusal of entrepreneurs to register their enterprises with all or some government agencies. The data show that this leniency drove more female entrepreneurs than male entrepreneurs towards the informal sector. The female entrepreneurs were more likely than the male entrepreneurs to take advantage of the absence of government inspectors. The evidence indicates that only the male entrepreneurs were able to do away with the fear of penalty for their informal enterprises through social relationships with government inspectors.

#### **4.5.2. Impact of social norms on the implementation of government sanctions**

A less frequently mentioned topic among the informal entrepreneurs was inspector tolerance based on social norms (29%), which was slightly more prominent among female entrepreneurs (57%) than male entrepreneurs (43%). Some of the entrepreneurs found that inspectors were lenient on them due to their nationality, gender or financial status. For instance, one male entrepreneur recalled that government inspectors did not strictly impose penalties on him for violating regulations because he was a Saudi entrepreneur with an enterprise in a low-income area:

*'The inspectors are lenient with me [because] I am a Saudi, and they know that all the shops in this slum neighbourhood are without licenses ... without title deeds or contracts. Inspectors could be hard-liners if I had a shop in huge malls or an upscale neighbourhood.'* (ME 19)

One female entrepreneur noted that government inspectors avoided to punish her on account of the social norm to respect the elderly. She stated:

*'Some of the inspectors are ashamed of expelling us, as we are old women, and they treat us like their mothers.'* (FE 24)



The data illustrates that inspector leniency based on social norms incentivised the refusal to register. The results also indicate that this more prominent among the female entrepreneurs than among than the male informal entrepreneurs.

#### **4.5.3. Conclusions on penalties for not registering with government agencies**

The data show that the informal entrepreneurs (71%)—more of the female entrepreneurs (59%) than the male entrepreneurs (41%)—were driven by weak regulation enforcement to launch informal enterprises. Moreover, the results highlight that social considerations (29%) played a small role in the leniency of government inspectors on informal entrepreneurs, though this benefited the female entrepreneurs (57%) more than it did the male entrepreneurs (43%). The results indicate that the entrepreneurs did not find the cultural-cognitive opportunities and challenges to avoid to register their enterprises with all or some government agencies.

#### **4.6. Conclusions**

The results indicate that regulative experiences considerably affected entrepreneurs' engagement in the informal sector. Entrepreneurs found localisation regulations, which required the hiring of Saudi citizens at high minimum rates, difficult to abide by. Additionally, they faced challenges in registering their employees in the social insurance system. The challenge of paying Saudi workers was most prominent among the female entrepreneurs while the difficulties with registering employees in the social insurance system were most prominent among the male entrepreneurs. In response to these difficulties, entrepreneurs opted to avoid to register with Saudi government agencies and instead operate in the informal sector. This study found that normative experiences significantly influenced the entrepreneurs' non-compliance with employment regulations—though it was more influential for the male entrepreneurs than for the female entrepreneurs. The social difficulties that came with employing Saudis, including occupational prestige and inappropriate work environments, pushed more male entrepreneurs than female entrepreneurs towards the informal economy. In contrast, social support played a vital role in pushing both male and female entrepreneurs to informally employ their family members, friends, housekeepers and illegal foreign workers.

Furthermore, this study found that regulative experiences had an enormous influence on the informal entrepreneurs' enterprise location choices. The results also indicate that some informal entrepreneurs encountered difficulties securing a regular place, leading them to disregard municipal licenses and avoid registration. However, some partially informal entrepreneurs took advantage of opportunities to choose their location. Surprisingly, this study found that regulative experiences influenced the female entrepreneurs more strongly than it did the male entrepreneurs.

This study also found that normative experiences significantly drove entrepreneurs towards the informal economy. Normative opportunities and challenges, including entrepreneurial heritage and access to financial support, had a greater impact on the male entrepreneurs than it did on the female entrepreneurs. In contrast, normative opportunities and challenges revolving around community support influenced the female entrepreneurs more than it did the male entrepreneurs.

Furthermore, the interviews from this study revealed that cultural-cognitive experiences, whether driven by opportunity or necessity, significantly encouraged the entrepreneurs to avoid to register their enterprises. The opportunity motives involving free time and an enterprise pilot phase pushed the female entrepreneurs towards the informal sector slightly more than it did the male entrepreneurs. Conversely, the male entrepreneurs were more driven by the opportunity motive of entrepreneurial passion. The results make clear that necessity motives involving ignorance, unemployment and a need for money were significantly more impactful on the female entrepreneurs than on the male entrepreneurs.

Finally, regulative experiences were important drivers of the refusal of informal entrepreneurs to register their enterprises and the associated lack of fear of government penalties. Weak sanctions implementation by government inspectors caused the entrepreneurs to be less committed to abiding by some or all government regulations—this effect was stronger for the female entrepreneurs than it was for the male entrepreneurs. While a majority of the female entrepreneurs took advantage of the absence of government inspectors to operate their informal enterprises, only the male entrepreneurs benefited from social relationships with government

inspectors, enabling them to operate without fear of a penalty for refusing to register their enterprises.

## Chapter 5: Discussion

The informal economy is an economic phenomenon given considerable attention by researchers due to its negative and positive effects on the world. Because of the paucity of studies on the informal economy in the Saudi context, this study aimed to explore the impact of institutions on men and women entrepreneurs running informal enterprises in the city of Jeddah. The findings presented in the previous chapter highlighted specific themes that addressed the research questions. The questions focused on the impact of institutions in terms of regulative, normative and cultural-cognitive experiences and on the decision of men and women entrepreneurs to avoid registering their enterprises with some or all of the local and national government agencies. The first question in this study sought to explore the government regulations and rules that have prompted men and women entrepreneurs to launch their informal enterprises. The second question explored the customs and traditional norms in Saudi communities that have influenced men and women entrepreneurs to engage in the informal sector. The third question sought to explore how the cultural-cognitive experiences of men and women entrepreneurs have influenced their decisions to operate informal enterprises. This chapter aims to illustrate and discuss the institutional environment and the decisions of entrepreneurs to engage in the informal economy and to show how this work addresses research gaps and paves the way for future work. The chapter concludes by presenting the implications and acknowledging the limitations of this study.

Regulative experiences include rules and regulations for registering an enterprise with government agencies that play a substantially fundamental role in hindering women entrepreneurs more than men entrepreneurs. The regulations of the Ministry of Labour and Social Development, which required the Saudi-sation of jobs for Saudi citizens with a minimum salary of 3,000 riyals and the feminisation of some jobs for Saudi women employees by providing a suitable work environment, posed a challenge to entrepreneurs in adhering to these regulations that led to their refusal to register their enterprises with the agency. Also, obtaining a work permit by adhering to the requirements of providing social insurance for the employee was one regulative challenge that led entrepreneurs to avoid registering their employees with the General Organisation for Social Insurance because they found paying social insurance for the employee was expensive. This led the entrepreneurs to engage in the informal economy and

employ informal, or illegal, workers. Further, municipal requirements for certain enterprise sites meant partially informal entrepreneurs were required to obtain a municipal licence. This requirement also led entrepreneurs to avoid registering their enterprises with the municipality to avoid paying high enterprise site costs. Moreover, some deterrent penalties related to violating enterprise registration regulations with government agencies were weak, and therefore entrepreneurs avoided registering their enterprises with all government agencies. On the contrary, some government agencies enacted penalties that were more strictly deterrent, which led some entrepreneurs to adhere to some regulations, making them partially informal entrepreneurs. Further, although some participants realised the opportunity of not having government sanctions imposed on them, a few entrepreneurs exploited the opportunity to have a social relationship network with some government inspectors who turned a blind eye to their punishment. This contributed considerably to the existence of informal enterprises run by women entrepreneurs, even more than men entrepreneurs, in Jeddah. Clearly, government corruption among the inspectors and weak and absent sanctions have played an important role in the emergence of informal enterprises among Saudi entrepreneurs in Jeddah. In addition, this study revealed new insights into how Scott's regulative pillar contributed to the interpretation of the existence of the informal economy in the city of Jeddah. Future studies on the current topic in Saudi Arabia are therefore recommended.

Normative experiences had the least influence on entrepreneurs in engaging in the informal economy. Surprisingly, customs, traditions and social norms pushed men entrepreneurs to launch their informal enterprises more than women entrepreneurs. Informal entrepreneurs face difficulty in adhering to the regulations of the Ministry of Labour and Social Development that requires employers to hire Saudi citizens because Saudi job seekers and society members despise some careers and see work in certain workplaces as an insulting act. As a result, informal entrepreneurs hire illegal workers to circumvent these normative challenges. In contrast, entrepreneurs found normative support through community members (e.g. family members, friends or illegal workers) who were willing to work for little salary or no pay. The results also showed that entrepreneurs chose to launch their informal enterprises because these activities are a legacy of their predecessors, and they were given support and social acceptance in their operation. On the other hand, entrepreneurs faced other normative challenges, including the lack

of financial support from some governmental and private entities and the lack of social support of some sectors, which pushed them to launch their enterprises in certain sectors of the informal economy.

This study found that entrepreneurs engage in the informal Saudi economy in the city of Jeddah due to cultural-cognitive experiences. In detail, this study indicates that the cultural-cognitive experiences of women entrepreneurs shaped their decisions in launching their informal enterprises more than the same did for men entrepreneurs. This study argues that not only necessity but also opportunity affected entrepreneurs' decisions for launching their enterprise in the informal economy. Interestingly, this study found that a majority of the participants established informal enterprises for necessity motives because they suffer from unemployment, ignorance of establishing a formal enterprise and a shortage of money. Other entrepreneurs launched their informal enterprise for the opportunity to become entrepreneurs, exploit fixable time and experiment with running an enterprise.

### **5.1. The institutional environment**

The first question this study sought to explore was how institutions lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city. Because each environment is characterised by unique combinations of regulations, customs, traditions and intellectual backgrounds, this study aimed to highlight the institutional environment for Saudi entrepreneurs in the city of Jeddah who avoided registering their enterprises with all or some government agencies. As a result of using inductive analysis in the interviews conducted with entrepreneurs to understand this issue, many encodings appeared. Similar and identical codes were collated into one theme, and each main theme includes several sub-themes/topics. Therefore, this study contributed to the inductive creation of sub-themes and included them in main topics that addressed issues related to informal employment, informal enterprise location selection, informal enterprise sectors, reasons behind unregistered start-ups and penalties for not registering with government agencies. Accordingly, the data aided in developing theory indicating institutions in the Saudi environment affect the decisions of female entrepreneurs more often than male entrepreneurs to avoid registering their enterprise with some or all government agencies. In particular, this thesis provides a deep

exploration of how government regulations and social norms influence Saudi entrepreneurs' decisions to hire workers informally. This thesis has also provided a deeper insight into the regulations and requirements related to the location of the enterprise that have led entrepreneurs to avoid obtaining a municipal licence. Moreover, customs and traditions play an important role in choosing informal enterprise sectors, as the Saudi culture contributed to the shaping of entrepreneurs' cognition, which prompted them to establish their informal enterprises. The absence of sanction regimes and the laxity in their implementation have led entrepreneurs to avoid their obligation to register their enterprise with some or all government agencies.

In answer to the first research question, the data indicated male entrepreneurs face difficulty employing Saudi workers formally more often than female entrepreneurs because of their high set wages as determined by the Ministry of Labour and Social Development and the General Organisation for Social Insurance. This finding broadly supports the work of other studies in this area linking the high salaries of Saudis with the presence of low-waged foreign workers with the Saudi-sation system of jobs (Saudi Hollandi Capital 2012; Evidence for Policy Design (EPD) 2015). This result is consistent with the results of the previous study, which showed that the Saudi-sation system did not provide a solution to the unemployment problem; instead, employers are employing ghost workers (Koyame-Marsh 2016). Another study indicated that the Saudi-sation system did not attain the intended results in the employment of Saudis, but rather that it led to the employment of foreign workers in the private sector (Ramady 2010). Also, the Peck (2017) study indicated that the Saudi-sation programme impacts negatively on the owners of enterprises due to the high cost of adherence to the conditions of the Saudi-sation of jobs. However, previous studies used data from government sources about three years after the implementation of the Saudi-sation system, so it was necessary to conduct studies that clarify the effects of the Saudi-sation system on the Saudi economy after applying this system to enterprises after a longer period of time. This outcome is contrary to that of Alfarran et al. (2018) who found that the Saudi-sation system provided employment opportunities for Saudi women job seekers. In Alfarran et al. (2018) study, there is a potential for bias from participants who worked with government agencies and may defend the viability of the Saudi-sation system, and the limited number of unemployed Saudi women did not describe the impact of the Saudi-sation system in depth. However, the findings in this study make an important contribution to understanding the

effects of the Saudi-sation system on the prevalence of unemployment and the existence of informal practices in the Saudi economy by gathering data from a great number of informal men and women entrepreneurs.

On the contrary, men entrepreneurs resort to avoiding registering workers in the social insurance system more than women entrepreneurs because they considered paying the insurance and end-of-service benefits for their workers costly. Because entrepreneurs employ illegal foreign workers, they avoided registering those workers with the General Organisation for Social Insurance. Other entrepreneurs registered Saudi individuals as workers with them at the General Organisation for Social Insurance in a fictitious manner for a low or no-fee so that they could employ illegal foreign workers. Comparison of the findings with those of other studies confirms that informal women workers suffer from the absence of their rights to obtain health insurance and work in an appropriate environment, avoiding the risk of physical and moral injury (Jhabvala & Tate 1996; International Labour Organization 2002). Through an inductive analysis of interview data about informal employment, sub-topics related to regulative difficulties emerged, including the Saudisation of jobs, determination of a minimum salary for Saudis and registration of employees in the insurance system. Generally, the inductive approach offers both conceptual and theoretical benefits to explore that Saudi male entrepreneurs employ informal workers more often than women entrepreneurs as a result of the difficulties in complying with the requirements and conditions of the government agencies.

Another reason that pushed men entrepreneurs more than women entrepreneurs to not adhere to the regulations and requirements of government agencies related to employing Saudis was the rejection of Saudis job seekers to work in certain jobs (such as a station worker, an electrician, a shepherd) because they consider those jobs as degrading, and members of society despise those who work in these areas. Comparing this result with previous studies confirms that the social position of professions plays an important role in the decisions of job seekers who believe in social beliefs such as contempt and ridicule for working in specific occupations and jobs (Ramady 2010; Koyame-Marsh 2016; Peck 2017). This study has enhanced our understanding not only of the relationship between the occupational prestige of some professions and its impact on the decisions of Saudi job seekers but also its greater impact on male



entrepreneurs in their non-compliance with the Saudi employment system, which led to the existence of the phenomenon of informal employment.

Although the Saudi government enacted decisions that support employing women to work and preserving their rights by obliging entrepreneurs to provide a suitable work environment for them, the lack of social acceptance of the idea of women mixing with men in the work environment and the difficulty of providing a work environment that protects them was still an obstacle for men entrepreneurs more than women entrepreneurs in employing women; therefore, entrepreneurs resort to employing men workers or illegal foreign women workers in informal ways. This finding was also reported by Peck (2017), who found that because of social restrictions that include gender segregation, employers prefer to employ foreign men workers rather than women to avoid the costs of separation. Others emphasised the importance of social beliefs as women employees prefer working with government agencies because they provide separate workplaces from men (Ramady 2010; Alfarran et al. 2018). This finding also found that men entrepreneurs did not prefer employing women to avoid mixing them with men in the work environment, which seems to be consistent with the idea of the previous study that showed women in Saudi Arabia are at risk of sexual harassment and physical abuse in the workplace (Ashry 2002). Although Ashry's study was conducted 18 years ago, it confirmed the effect of the risk of mixing in hospitals. Ashry failed to explore whether entrepreneurs and job seekers have this concern about gender mixing in their enterprises' workplace, especially after the Saudi government has enacted recently laws protecting against harassment. Despite the difficulty in implementing the regulations and requirements of government agencies related to labour and the employment dilemmas facing entrepreneurs, men and women entrepreneurs equally have found social support from family members, friends, domestic workers and illegal foreign workers to work with them informally for symbolic wages.

Due to the social restrictions imposed on women that see women as housewives, men entrepreneurs employed women family members to work from home informally. Similar to this finding, the International Labour Organisation described home-based workers as those who are self-employed and working as assistants for their families in producing products (International Labour Organization 1996). Comparison of the findings with Edwards and Field-Hendrey's

study (2002) confirms that women home-based workers faced the social restrictions that limited their mobility to work from home in order to care for the families' members. Thus, these women home-based workers did not get their rights to obtain fair wages (Rowe et al. 1992). Similarly, women work at home informally for a lower wage than men (Mitra 2005). Although previous studies agree with the finding of this thesis, those studies used quantitative analysis on data from a sample that has been in the United States for more than 28 years. Because these previous studies also failed to recognise the importance of explaining the reasons for the presence of women home-based workers in the informal economy, this study offers important insights by highlighting the reasons for women who accept working from home informally for low wages from the point of view of informal Saudi entrepreneurs. This study attributes the reason for employers choosing informal employment to the presence of illegal foreign workers arriving on the Hajj and Umrah visas. This finding seems to be consistent with the Williams (2017) study, which attributes the existence of informal employment to weak government intervention and government corruption. In general, in this study, recurring themes emerged from the inductive analysis of the interview data that incorporated occupational prestige, inappropriate work environments and social support for informal employment. Consequently, these topics contributed to the theoretical development that indicates social standards and beliefs related to employment affect Saudi entrepreneurs in their avoidance of registering their enterprise with some or all government agencies. This study also provided important insights through a gender comparison under the Saudi context, not only by exploring the reasons why male and female entrepreneurs avoid registration of their employees with all or some government agencies but also by explaining why male and female employees accept informal work.

Obtaining a municipal license for the enterprise's location is one of the essential requirements for establishing an enterprise in the Kingdom of Saudi Arabia. Interestingly, a minority of entrepreneurs find that the municipal procedures and requirements for an enterprise's location are accessible, and the municipal license fees are symbolic. On the contrary, women entrepreneurs tend more than men entrepreneurs to avoid registering the enterprise's locations with the Jeddah municipality because of the difficult municipal requirements. In other words, the reasons why entrepreneurs avoided obtaining the municipal license were attributed to the municipal requirements that require specific safety specifications for an enterprise's location,

proof of ownership of the location and high registration fees. As a result of the difficulty in adhering to these requirements and the high costs of official sites, women entrepreneurs more than men entrepreneurs tended to launch their enterprise in informal locations such as public places, parks or sidewalks.

Moreover, a number of entrepreneurs rented informal places which were originally public land and invaders seized them, while other entrepreneurs seized public lands to build stores for their enterprises. These findings are in line with the study of Welsh et al. (2014), which was conducted on Saudi women entrepreneurs and which indicated the access barrier for the enterprise land was due to the high cost of leasing the enterprise location. What Welsh and her colleagues fail to do is to draw a distinction between men entrepreneurs and women entrepreneurs in exploring the unique difficulties they face in locating the enterprise. These results corroborate the findings of a great deal of the previous work in showing that the high cost of the location was one of the challenges facing men and women entrepreneurs (Wendt 1972; Figueiredo et al. 2002; Wagner & Sternberg 2002; Knox et al. 2019; Baruah & Bezbaruah 2020; Choongo et al. 2020). Similar to the current result, entrepreneurs found other ways to reduce the enterprise cost of rent and land by selecting their homes and public places as enterprise sites (Tipple 2005; Mason et al. 2011; Singh et al. 2012; Vorley & Rodgers 2014).

Notably, several entrepreneurs rented informal places that were originally on public land, which were later seized by invaders. On the other hand, some entrepreneurs reported they seized public lands to build stores for their enterprises. This study confirms that each of the Saudi men and women entrepreneurs avoided paying the site's cost by seizing or renting government lands and made these lands enterprise locations, which is associated with the study of Soto (1989) that attributed the conquest of the invaders on government lands (e.g. schools or neighbourhoods to establish the informal markets) to government corruption. On the contrary, Choongo et al. (2020) shows that unregistered entrepreneurs in Zambia avoided paying taxes by choosing places for their enterprise out of sight of government authorities. This discrepancy can be attributed to a difference between Saudi government procedures and Zambia's decision-making policies that affects entrepreneurs' decisions in selecting informal enterprise sites.

In addition, although government agencies provide e-government to facilitate government procedures and transactions, most of the men and women entrepreneurs suffered from complex procedures and requirements, which caused them to avoid registering their projects with the municipality to obtain a location license. According to the current results, the previous study confirmed that the government rules and regulations in Saudi Arabia are unclear, and the bureaucracy, in registering enterprises with government agencies, plays an important role in entrepreneurship (Sadi & Al-Ghazali 2012). In particular, a study conducted in Iran showed that women entrepreneurs also face regulatory, legal and bureaucratic obstacles that prevent them from obtaining permits (Modarresi et al. 2017). However, the results of the current study did not support previous research that indicates that e-government helps to get rid of bureaucracy and corruption by making it easier for individuals to pay fees and communicate with government employees transparently and rapidly (AL-Shehry et al. 2006; Koh et al. 2008; Prybutok et al. 2008; Kim et al. 2009; Krishnan et al. 2013). This discrepancy in the results may be due to the different characteristics of the participants who use the electronic services, and it is also possible that informal entrepreneurs tend to avoid registering enterprises with government agencies for a number of reasons combined. However, what previous studies fail to do is to draw a distinction between informal Saudi men entrepreneurs and women entrepreneurs in exploring the difficulties they face in locating the enterprise. Therefore, this research sought to cover the gender gap in the Saudi context by understanding the differences between men and women entrepreneurs in their decisions to choose the locations of informal enterprise. Specific safety specifications for the enterprise's site, proof of site ownership and high registration fees were recurring topics extracted from the inductive analysis of the data of Saudi entrepreneurs who avoid obtaining a municipal licence for their enterprise sites. According to these various and recurring topics, this thesis provided a deep exploration indicating that the difficulty of regulations and requirements related to the enterprise location is one of the Saudi institutions that lead female entrepreneurs more often than male entrepreneurs to avoid registering their enterprise with government agencies.

Concerning the main research question (how institutions lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city), the data indicated that entrepreneurs operated their enterprises in certain sectors of the informal economy, such as the clothing and personal care sector, the food industry

and the telecommunications sector, not only as a result of the support provided by members of society but also the social challenges that influenced their decisions in choosing these sectors. In detail, the social acceptance of certain sectors is one of the more important causes of women entrepreneurs (rather than men entrepreneurs) in launching their enterprises in those informal sectors. There are similarities between the attitudes expressed in this study by women entrepreneurs that they found social support when launching their enterprises in sectors belonging to the role of women, and previous studies indicated that women were subject to the patriarchy system and stereotypes that viewed the role of women as a mother and a wife, and those women were responsible for taking care of the obligations of their families while men were expected to be the breadwinner for the family (Jamali 2009; Breen 2010; Tlaiss 2013; Tlaiss 2014; Nieva 2015). Previous research tends to focus on women entrepreneurship rather than how the social roles of gender and stereotypes influence the decisions of men and women entrepreneurs in selecting their enterprise sectors.

On the contrary, inherited entrepreneurial activities are an important motivating factor for men entrepreneurs more than women entrepreneurs in operating these sectors in the informal economy. Similarly, men and women entrepreneurs practice their activities in the informal economy because they follow their grandparents' style of work and consider their enterprises as a legacy (Williams & Gurtoo 2012). Comparison of the findings with Dzisi (2008) confirms that fabrics, sewing, hairdressing and jewellery are inherited traditional sectors practised by Ghanaian women as a result of the increasing demand for women's products or services. The study would have been more relevant if the researcher made a comparison between men and women entrepreneurs to discover gender differences in Ghana's entrepreneurship.

The lack of financial support from government and private agencies affects the decisions of men entrepreneurs more than women entrepreneurs because it drives them to run their enterprises in certain sectors. This finding is contrary to previous studies which have suggested that women entrepreneurs more than men entrepreneurs suffer from difficulty accessing financial support because of the uncertainty in accepting their request from financial agencies, the high risk of lending to them, the lack of personal wealth and the lack of experience of women (Kwong et al. 2012; Ilhaamie et al. 2014; Mijid 2015; Modarresi et al. 2017). Although Bahramitash and

Esfahani's (2014) study, which indicates that women entrepreneurs have the ability to access financial credit, supports the results of the current study, Bahramitash and Esfahani's study focused only on the women owners that have large enterprises.

Also, due to the gender discrimination of some sectors and social beliefs that disdain and reject specific industries, women entrepreneurs suffered more than men entrepreneurs from social barriers that restricted them in launching their enterprises in limited activities. It is noted in this study that women entrepreneurs prefer to practice activities in sectors considered to be of a woman's sphere, such as the food industry and the selling of clothing, furniture and household items, because those sectors are associated with their social roles as a woman who performs housework. These results further support the idea of gender beliefs and roles and their impact on the business sectors in which entrepreneurs operate their enterprises, as women entrepreneurs tend to practice their enterprises in the services sectors (e.g. educational, cultural and recreational services), while men entrepreneurs establish their enterprises in the construction sector, for example (Hanson 2003; Watson & Newby 2005; Ardelean & Pribac 2015). Likewise, Maden (2015) showed that Turkish women entrepreneurs found it difficult to deal with stakeholders in sectors dominated by men, and therefore, those women could not enter the construction and technology sectors. Also, others attributed the dominance of a specific gender to certain sectors to the culture of gender segregation; thus, women entrepreneurs tend to launch their businesses in a sector like retail (Dechant & Lamky 2005; Ahmad 2011). It is important to bear in mind that previously published studies do not take into account men entrepreneurs, and these studies have only been carried out on a small number of women entrepreneurs. This work contributes to existing knowledge of the informal economy by generating topics related to Saudi social beliefs, including inherited entrepreneurial activities, community support, challenges of access to government and private financial supports, and lack of community support. Moreover, it explored how these topics impact the preferences of male and female entrepreneurs in running their enterprises in certain sectors of the informal Saudi economy. The inductive analysis conducted here has expanded our knowledge that female entrepreneurs were more influenced by social norms and beliefs than male entrepreneurs in their decisions to launch their enterprise in certain sectors of the Saudi informal economy.

Concerning the main research question (how institutions lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city), this thesis found that Saudi entrepreneurs launch their enterprises in the informal economy for a multitude of reasons. Moreover, the entrepreneurs launched their enterprises to both seize opportunities and address challenges. The ambition to become entrepreneurs and the passion for entrepreneurship motivates men entrepreneurs more than women entrepreneurs to create their informal enterprises. It is encouraging to compare this result with that found by Snyder (2004), who found that the desire for self-realisation through a business identity motivated entrepreneurs to run their informal enterprises. Women entrepreneurs also launched their enterprise and avoided registering their enterprise with government agencies because their goals were to exploit their hobby in entrepreneurship (Fonchingong 2005; Mehtap et al. 2019). This study supports the ideas of Fonchingong (2005); Llanes & Barbour (2007), who suggested that entrepreneurs launched their informal enterprises initially to pursue their hobby passion for entrepreneurship. Research on the subject has been mostly restricted to limited comparisons of gender while this study contributes to research on the gender difference in the informal sector by demonstrating men entrepreneurs being pushed by opportunity-driven motives to fulfil their passion for operating their own enterprise more often than women entrepreneurs are.

Because the characteristics of unregistered enterprises are flexible, more women entrepreneurs exploited their free time to create informal enterprises than men entrepreneurs. These results further support the idea that entrepreneurs aimed to launch their enterprises in the informal sector because it is characterised by flexibility in determining working times and independence (Gërkhani 2004). Also, self-employed entrepreneurs who own small enterprises prefer to engage in the informal economy because of its flexibility (Perry et al. 2007). Researchers have not analysed how the importance of flexibility in working impacts men and women entrepreneurs in running unregistered enterprises in much detail. Therefore, this study used the interviews to explore how Saudi women (more than men) entrepreneurs took advantage of their free time and flexibility in operating their enterprises unregistered with government agencies.

Moreover, women entrepreneurs were more likely than men entrepreneurs to launch their enterprises in the informal economy as an experimental phase. Comparison of the findings with those of other studies confirms less experienced entrepreneurs tended to start up their enterprises in the informal sector (Williams & Gurtoo 2012). Also, a study focusing on women entrepreneurs only found that a lack of entrepreneurial and investment skills influenced the woman entrepreneur to establish enterprises that were not registered with government agencies (Williams & Gurtoo 2011a). Williams and Gurtoo's study would have been more useful if they had focused on men and women entrepreneurs.

One interesting finding is that only female entrepreneurs suffered from ignorance of creating enterprises and registering them with government agencies; therefore, they operated their enterprises in the informal economy. These results support previous research into the informal sector, which links the skills and education of entrepreneurs and motivation for getting involved in the informal sector (Gërkhani & Van de Werfhorst 2013; Williams et al. 2016b; Mehtap et al. 2019). Although comparison of the findings with those of other studies confirms that women suffered from ignorance of business information and lack of awareness of government support (Sharma & Varma 2008; Ahmad 2011; Drine & Grach 2012), no attempt was made to quantify the association between the reason of engaging the informal sector and the ignorance of entrepreneurs. This current work generates fresh insight into Saudi women entrepreneurs who suffer from ignorance of knowledge about entrepreneurship in the formal economy.

The most interesting finding was that because of the suffering from unemployment in Saudi Arabia, women entrepreneurs tended more than men entrepreneurs to run their enterprises in the informal economy. These results are in agreement with previous studies which showed entrepreneurs engaged in the informal economy as a result of job shortages (Raijman 2001; Ilyas et al. 2020). Similarly, in Cameroon, the absence of government regulation to address the problem of unemployment has made women street vendors launch their food enterprises in the informal economy (Fonchingong 2005). Fonchingong's study failed in that it focused on the category of women street vendors and did not take into account the categories of different



entrepreneurs who suffer from the lack of job opportunities and who then establish their unregistered enterprises.

The need for money has driven women more than men entrepreneurs to run their enterprises in the informal economy. Because of the need for money to provide for family needs and survival, entrepreneurs operate informal enterprises (Williams & Round 2009; Honyenuga 2019; Ilyas et al. 2020). Because of the difficult financial conditions and family needs, women entrepreneurs were unable to register their enterprises with government agencies; therefore, they launched their informal enterprises (Thapa Karki et al. 2020). Overall, through the inductive analysis of the entrepreneurs' data, many interesting sub-topics/sub-themes (incorporating entrepreneurs' passion for business, free time, the pilot phase of informal small enterprise performance, ignorance, unemployment and need for money) were generated related to the institutions that push entrepreneurs to launch their informal enterprise in the Saudi environment. Based on the emerging sub-topics/sub-themes, this thesis provided deeper insight into the multiplicity of motivations in the Saudi institutional environment that push female entrepreneurs more often than males to launch their informal enterprise and avoid registering their enterprise with government agencies. The importance and originality of this thesis are that it goes beyond identifying gender differences in the motivations that lead entrepreneurs to run their enterprise in the informal Saudi economy to providing critical insights into the multiplicity of motivations that drive Saudi entrepreneurs to avoid registering their enterprises with government agencies.

The leniency in applying penalties to entrepreneurs who avoided committing to the regulations and conditions of government agencies and the corruption of government inspectors affected the decisions of entrepreneurs to launch their enterprises in the informal economy. It is interesting that women entrepreneurs exploited an opportunity to run their informal enterprises due to the laxity of some government agencies in applying sanctions against them more than men entrepreneurs. Clearly, although some government agencies were strict in implementing penalties for entrepreneurs when they violate the Saudi recruitment system, for example, some inspectors were not present in monitoring enterprises that run their enterprises by social media or other places. Also, some government inspectors are complicit with entrepreneurs in turning a blind eye to their breaches of the regulations. These results seem to be consistent with other

research, which found that enterprises depend on their association with the tribe and the affiliation to the region to succeed (Ahmad 2012). In other words, the family leader is responsible for providing intercession and favouritism (Hutchings & Weir 2006). However, the findings of the current study do not support the previous research that indicates that individuals provide bribes to government employees in Turkey in order to facilitate procedures and complete transactions quickly (Hooker 2009), though another study in Saudi Arabia indicated that entrepreneurial activities used bribery in their dealings (Ahmad 2012). The discrepancy between the current study and the Hooker and Ahmad studies is due to the difference between the type of entrepreneurs, as the unregistered Saudi entrepreneurs did not offer bribes to government inspectors and did not comply with the regulations; instead, government inspectors provided them with intercessory services and favouritism.

On the part of studies in the informal economy, we find that the current study is in line with the previous study, which attributes the avoidance of entrepreneurs to the registration of their enterprises with government agencies to government corrupt interference (Gray 2001; Williams & Gurtoo 2012; Honyenuga 2019; Sharma & Biswas 2020). Williams and his colleagues (2016a) showed that the participants engage in the informal economy because they have low tax ethics, so raising the penalties and risks of disclosure does not prevent them from participating in the informal economy. This work has provided an important opportunity through the emerging themes related to the weakness and absence of sanctions and the corruption of government inspectors to explore that both Saudi male and female entrepreneurs are not deterred by government sanctions for violating the regulations and requirements associated with registering and operating their enterprises. As a result of the emerging themes from the inductive analysis, this study presents a theoretical development that indicates that the absence of penalties and laxity in the application of sanctions in the Saudi institutional environment lead female entrepreneurs more often than their male counterparts to avoid registering their enterprise with government agencies.

## **5.2. Regulative experiences**

Concerning the research question that refers to how regulative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or

national government agencies in Jeddah city, the data suggested male and female entrepreneurs faced numerous regulative challenges and opportunities that hindered them from complying with registration regulations. These issues included employment regulations and labour laws, enterprise site requirements, the government's penal laws and the enforcement of these rules by inspectors. In other words, this study confirms that regulations and penalties related to employment and enterprise location greatly affected Saudi entrepreneurs in avoiding registration with Saudi government agencies. From the perspective of Scott's institutional theory, this also confirms that the regulations and laws in the regulative pillar affect the behaviour of the individual. The findings extrapolated from interviews with informal Saudi entrepreneurs shed new light on relevant patterns in employment regulations, enterprise site regulations and sanctions that confirm the association with Scott's regulative pillar.

### **5.2.1. Informal employment**

The second question in this research was how regulative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city. This study found that the Ministry of Labour and Social Development has enacted laws and regulations related to the employment of Saudi citizens as a result of widespread unemployment. Further, the Ministry of Labour and Social Development and the General Organisation for Social Insurance have imposed regulations to preserve the rights of Saudi employees by setting a minimum wage and requiring the provision of insurance and an appropriate work environment. Although the Ministry of Labour and Social Development imposes strict laws on the rate of employment of foreign workers, and the General Organisation for Social Insurance requires enterprises to provide insurance for employees, illegal foreign workers are widespread due to their illegal entry into Saudi Arabia through Umrah and Hajj visas and due to the advantages of hiring illegal foreign labour, such as low wages and no insurance. These regulative difficulties have had a greater impact on male entrepreneurs, which has led them to recruit informal workers at higher rates than female entrepreneurs. However, this study provides a deeper understanding that regulative experiences lead to the existence of informal employment in the Saudi economy, as the interviews revealed various patterns related to Saudis' wage regulations and workers' registration systems in social insurance that influenced entrepreneurs from complying with workers' regulations.

Concerning workers' rights and employment regulations, the literature from several countries has highlighted how a group of women employees described the extent to which enterprise owners exploit their need to work from home by taking away their rights by offering low-wage salaries and refusing health insurance in the context of a difficult work environment (Rowe et al. 1992; Hassan 2014). Furthermore, entrepreneurs have revealed that the Saudi employment regulations (the Saudi-sation system) that require the employment of Saudis impede their efforts to run their enterprises because Saudis prefer to work in the government sector because of its job security or in firms that provide them with high wages and an attractive work environment, whereas the cost of wages for foreign workers is considered low despite the high cost of visa fees and renewals (Ahmad 2012; Alshanbri et al. 2015; Koyame-Marsh 2016; Alfarran et al. 2018). Consistent with the literature, this research found that because of the strict and costly employment regulations of the agencies and the preference of some Saudi job seekers to work in an appropriate environment with minimum wages and insurance, Saudi entrepreneurs are forced to hire illegal foreign workers who will accept working in an informal setting that provides low wages with the absence of both insurance and an appropriate work environment.

The acceptance of illegal foreign workers to work with Saudi entrepreneurs in an inappropriate environment with low wages and the absence of insurance follows the work of other studies that attribute the presence of these informal workers to the absence of regulations that preserve their rights or a reaction from them to improve their conditions (Whitson 2006; Mojsoska & Williams 2018). Others assert that foreign workers from Asian and Arab countries prefer to work in Saudi Arabia because of shared history, Islamic faith, and language despite restricted residency regulations, constricted working conditions and unfair work rights (Atiyyah 1996; Fernandes & Awamleh 2006; Elamin & Alomaim 2011). Furthermore, previous work indicates that foreign individuals choose to emigrate to Saudi Arabia not only for religious reasons related to performing the Hajj pilgrimage, but also to find work there (Silvey 2005). Silvey also finds that foreign workers come from low-income countries to high-income countries like Saudi Arabia in order to obtain jobs that are considered high-income (Silvey 2006). The result of the present research is consistent with Silvey's study, although there are notable differences in the samples; this study interviewed Saudi entrepreneurs (from a country with a high income) who spend fewer wages on foreign workers (from countries with lower incomes),

while Silvey's study was conducted on Indonesian workers (from a relatively low-income country) who moved to work in a relatively high-income country like Saudi Arabia to take advantage of the opportunity to earn higher incomes. However, this work not only explored the impact of the cost of wages on the decisions of Saudi entrepreneurs in employing informal foreign workers but also revealed the differences between the wages of citizens and the wages of foreign workers that constitute a challenge for entrepreneurs to commit to employing high-wage Saudis and at the same time represents an opportunity for entrepreneurs to employ low-wage foreign workers in informal ways.

The most interesting finding was that entrepreneurs avoid registering their labourers with some or all government agencies because compliance with the regulations and requirements is both expensive and challenging. Comparison of these findings with those of another study confirms a contrast between the beliefs of entrepreneurs and regulations results in the spread of informal employment (Williams & Bezeredi 2019). This outcome is supported by Perry et al.'s (2007) study, which insists individuals work in the informal sector despite low wages and no social security to avoid paying income tax imposed by the state on employees in the formal sector. An unambiguous relationship exists between the job localisation system and ghost employees, which refers to employing foreign workers by circumventing the regulations (Ramady 2010; Al Riyami et al. 2015; Alsharbri et al. 2015; Koyame-Marsh 2016).

Although many studies have explained the reasons for the existence of informal employment in different countries, what distinguishes the current study is that it provided an important opportunity to enhance our understanding, in the Saudi context, of the reasons that led to the employment of foreign informal workers and the existence of unemployment of Saudi citizens in the country that is considered among the top exporting countries for oil. Also, the importance and originality of this study are that it explored the impact of the presence of foreign workers who exploited the Hajj and Umrah visa by accepting work in Saudi Arabia in informal ways and with low wages and no rights; therefore, entrepreneurs employ them because of the difficulty of their commitment to the Saudi regulations that protect the Saudis. Scott's (2014) institutional theory also points out that the regulations and laws included in the regulative pillar are institutional elements that constitute the behaviour of individuals. According to this theory,

we can infer that one of the issues that emerged from these results is that men entrepreneurs faced greater regulative challenges than women entrepreneurs in adhering to regulations stipulating the employment of Saudis with specific salaries, insurance and work environment. As a result, entrepreneurs' (and especially men entrepreneurs') only options were to employ informal workers through the use of illegal foreign labour or to employ workers without registering them with government agencies.

### **5.2.2. Penalties for not registering with government agencies**

Concerning the research question that aimed to discover the regulatory experiences that enhance the informal economy in Saudi Arabia, the topics of leniency in the application of the sanctions regime and the relationship with government inspectors were extrapolated from the interviews. In particular, these issues contributed to the regulative opportunities and challenges affecting the decisions of Saudi entrepreneurs to avoid registering their enterprise with some or all government agencies. In detail, women entrepreneurs consider the regulations related to sanctions to be less efficient, and therefore they avoid registering their enterprise with government agencies more often than men entrepreneurs. The regulative experiences of women entrepreneurs made these women unafraid of government sanctions more than men entrepreneurs; therefore, they avoid registering their enterprises with all or some government agencies.

Entrepreneurs see that the government's regime of sanctions was not strict, and some men entrepreneurs even exploited the relationship with inspectors. Interestingly, women entrepreneurs found government monitors lax in applying penalties to them, which led them to avoid registering their enterprises more often than men entrepreneurs. Also, the lack or limited presence of government inspectors recording sanctions made it easier for entrepreneurs to operate their enterprises in the informal economy. These findings are consistent with those of Shahid and his colleagues (2020) who have demonstrated that individuals voluntarily participate in the informal economy as resistance against corruption and their exploitation by others. Shahid et al.'s study supports, to some extent, the results of this study that government corruption plays a role in the involvement of entrepreneurs in the informal economy, but Shahid et al.'s study was conducted on a variety of entrepreneurs who run formal and informal enterprises while this study

was distinguished because it focused on fully and partially informal entrepreneurs to understand the deep reasons that led them to avoid registering their enterprises with all or some government agencies. Informal entrepreneurs are seen as being rational in making their decisions; consequently, they tend to evade paying taxes because the benefits in violating government regulations are higher than the cost of sanctions (Allingham & Sandmo 1972). In response, several scholars have suggested enacting severe penalties (sticks approach) to eliminate the informal sector (Hasseldine & Li 1999; Richardson & Sawyer 2001; Williams 2015).

However, some studies have contradicted the idea of a passive reinforcement (sticks) approach on the pretext that entrepreneurs feel a lack of justice, and this is what leads to the emergence of informal enterprises (Murphy 2005; Bergman & Nevarez 2006). The existence of enterprises is imperative because informal micro-enterprises are fertile ground for establishing a culture of entrepreneurship; accordingly, the policymakers do nothing instead of imposing strict penalties that eliminate entrepreneurship (Williams 2006). Alternatively, the carrots approach refers to taking preventive measures for new participants and remedial measures for existing participants, as well as encouraging loyalty to tax morality (Andreoni et al. 1998; Wenzel 2002; Torgler 2003). As a result of the lack of or limited preventive measures to eliminate informal entrepreneurship in Saudi Arabia, informal entrepreneurs in this study resisted sanction regulations and avoided registering their enterprise with government agencies.

Also, the relationship of men entrepreneurs with government inspectors contributed to the difficulty of fighting corruption and applying sanctions against entrepreneurs who avoid the registration regulations. This result further supports the idea that corrupt governmental interference contributes to the refusal of entrepreneurs to register with government agencies (Maloney 2004; Knox et al. 2019). Interestingly, this study made a significant contribution to research related to informal entrepreneurship in countries with limited freedom of opinion by showing the view of unregistered Saudi entrepreneurs (who consider the subject sensitive) about government sanctions and the performance of government inspectors. The regulative pillar of Scott's (2014) theory argues that the sanctions, which are supported by coercive force, affect individuals' behaviours, and individuals comply with the government because they feel fear, confusion and guilt or desire to feel comfort, honesty and defence. Accordingly, entrepreneurs

realised a regulative opportunity with a lower risk of detection, somewhat unimplemented penalties and a lack of coercive sanctions existed, and this encouraged them to avoid registering their enterprises with government agencies.

### **5.2.3. Informal enterprise location selection**

With respect to the second research question, this study found that informal entrepreneurs faced regulative challenges associated with locating the formal site of their enterprises, which prevented them from obtaining municipal licences. In contrast, partially informal entrepreneurs, who had municipal permits but no other government licences, could take advantage of regulative opportunities to choose the site for their enterprise. Notably, the regulative experiences considerably affected the decisions of women entrepreneurs to launch their enterprises in specific locations in the informal economy. This result illustrates the regulative pillar of Scott's theory by examining the relationship of enterprise site regulations and requirements of the informal economy in Saudi Arabia. Through inductive analysis of interviews, patterns of regulative challenges emerged including high cost, proof of ownership, and the existence of free alternative sites.

The decision to select the location in the informal economy arose out of the impact of the regulative experiences of entrepreneurs embodied in the site cost criterion. To clarify, more women entrepreneurs than men entrepreneurs faced difficulties in obtaining a municipal licence because of their poor financial ability to launch their enterprises in a formal location and strict municipal regulations and requirements for operating enterprises in the formal location. As a result, entrepreneurs decided to join the informal economy by running their enterprises in informal location; they did not obtain a municipal license or proof of ownership of the property, such as on social media platforms, in public locations or on white land and property without title deeds or leases. For clarity, the term 'white lands' refers to government land seized by entrepreneurs, or the entrepreneurs rent a property/land that has been seized by the owner, so they cannot obtain a municipal license related to the enterprise location. This finding is also reported by Soto (1989) who found that individuals tend to seize government lands, such as schools and gardens, easily and own them in unofficial ways because governments tolerate the invaders. It is notable that Soto's result is based on data from more than 30 years. For this reason,



this study contributed to the development of the current research and strengthened our understanding that the government is still suffering from weak regulations related to the seizure of government lands, which led to the exploitation of this gap by entrepreneurs selecting these government lands as informal enterprise locations. On the other hand, the findings revealed that some entrepreneurs exploited the opportunity of the cost of a formal location and obtained a municipal permit even though they had not registered their enterprises with other government agencies.

This finding that the cost of a formal location is the main regulative challenge faced by entrepreneurs supports the work of other studies that have linked cost with enterprise location (Figueiredo et al. 2002; Wagner & Sternberg 2002). Similarly, Schmenner (1994) indicates that the cost of land and property was one factor affecting the site selection for service enterprises in five U.S. states. Markedly, women entrepreneurs face a challenge in the high cost of renting commercial property (Welsh et al. 2014). Although those previous works studied the impact of the site's cost through a quantitative view, this study sought to provide new insights by discovering the impact of the site's cost on entrepreneurs' decisions to choose the informal enterprise site from a deeper qualitative viewpoint.

It is interesting to note that, in some cases, this study found that entrepreneurs have run their enterprises from home and have used social media as an e-store to avoid the burden of the cost of the formal location, which means they have not had to obtain a municipal licence. This finding is in line with other research that found entrepreneurs launched their enterprises in public places or their homes due to the high cost of formal locations (Singh et al. 2012; Vorley & Rodgers 2014). Other studies also find that entrepreneurs used social media because of its low cost (Cesaroni & Consoli 2015; Genç & Öksüz 2015; Latiff & Safiee 2015; Alkhowaiter 2016).

In the light of informal economy studies, the researchers found that entrepreneurs chose to run their enterprises from informal locations, such as their homes and the street, to reduce the costs of the sites, which eventually led them to join the informal economy (Tipple 2005; Mason et al. 2011; Knox et al. 2019; Choongo et al. 2020). Consequently, to avoid paying taxes, entrepreneurs choose to locate their informal enterprises in the markets and streets where

inspectors and government supervisors typically do not go (Dube 2014; Choongo et al. 2020). It is interesting that between this study and previous studies, this study not only focused on informal enterprises located in homes, stores or public places but also highlighted how some unregistered entrepreneurs have taken advantage of social media platforms to create e-stores to advertise their informal enterprises to reduce cost location. According to the regulative pillar, public agencies enact laws, regulations, fees and taxes and grant licences to actors seeking legitimacy and acceptance to practice their activities (Scott 2014). This accords with the current findings, which showed that informal entrepreneurs (especially women) avoided complying with government regulations through launching their enterprises in public parks or streets and creating informal markets or taking over government land. Under these circumstances, informal entrepreneurs are not able to obtain a municipal permit because one must show proof of ownership of the land and pay the cost for formal sites.

### **5.3. Normative experiences**

The third question in this research was how normative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city. This study found that social norms and beliefs had little impact on Saudi informal entrepreneurs in Jeddah. However, the customs and traditions of Saudi society affect male entrepreneurs to a greater degree than female entrepreneurs concerning their refusal to register with government agencies. The inductive analysis undertaken here has extended our knowledge of major patterns that include informal employment and informal enterprise sectors, from which many patterns branched. Based on the normative aspect of Scott's institutional theory, these main and branched patterns fall under the normative experiences that influence entrepreneurs' decisions to avoid registering their enterprise with government agencies. Certainly, entrepreneurs expressed difficulty complying with the employment regulations that require the hiring of Saudis but who originally avoid working in the informal sector due to the social restrictions of the job. The entrepreneurs stated they joined specific sectors of the informal economy for reasons related to either acceptance and social support or social rejection of those sectors.

### **5.3.1. Informal employment**

On the question of how normative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city, this study found that members of the Saudi community despise certain occupations, such as working as a porter, electrician or shepherd, because Saudi members consider these careers to be professions with a low occupational level. Therefore, Saudi job seekers avoid working with entrepreneurs in these jobs, and entrepreneurs are unable to meet the requirement of government agencies to employ Saudis. Although this study showed that normative experiences in employing workers influence entrepreneurs in Jeddah, male entrepreneurs more often than female entrepreneurs did not adhere to government employment regulations for employing Saudis and providing an appropriate working environment. Although entrepreneurs have faced difficulties in finding workers and adhering to employment regulations, they have taken advantage of the opportunity to employ their family, friends and illegal visa workers in informal ways for free or for little money. This result, in general, is in line with a previous study that emphasised the inconsistency between social norms, and the regulations and laws of formal institutions have resulted in the informal employment process (Williams & Bezeredi 2019). The results of Williams and Bezeredi may be somewhat limited by using the quantitative method; therefore, we interpreted this result in qualitative method to explore in more depth how the contradiction between social beliefs among Saudi work seekers and government regulations affected entrepreneurs in their involvement with the informal economy. The inductive approach proves useful in broadening our understanding by emerging the patterns of occupational prestige, inappropriate work environments and social support by community members that fall under the normative experiences of informal employment in the Saudi context. As noted, this study contributes to the theoretical development of the normative aspect of the Scott pillar by indicating social norms influence the decisions of Saudi entrepreneurs concerning informal employment.

Concerning how institutions impact men and women entrepreneurs' operations of their informal enterprises in Jeddah, the results of this study showed that normative experiences were significant pillars influencing men entrepreneurs more than women entrepreneurs. In particular, men were less likely to adhere to government employment regulations and more likely to avoid

registering their employees with the Ministry of Labour and Social Development and the General Organisation for Social Insurance. Notably, entrepreneurs in this study found challenges in employing Saudis because potential Saudi workers avoid working in some professions that members of society scorn; therefore, men entrepreneurs do not comply with the Saudi-sation regulations to get a permit to employ workers more than women entrepreneurs. However, entrepreneurs have engaged in the informal sector by employing informal workers. These results corroborate the findings of previous literature: Saudi work seekers have not accepted work in socially unacceptable occupations (Koyame-Marsh 2016; Peck 2017). Not only do the customs in Saudi society encourage men to work more than women, but also the Saudi heritage considers working in the private sector and some other professions as insulting acts (Burton 2016). These results should be interpreted with caution as these previous studies focus on occupations in formal enterprises. However, this study contributed to this growing field of research by exploring the views of unregistered entrepreneurs on the impact of community beliefs and customs on some professions in small and medium enterprises. On the contrary, the newer generation of Saudis recently broke this barrier by working in some occupations that had been rejected by their parents and grandparents (Ramady 2010). This discrepancy could be attributed to the fact that the current study focused on conducting interviews with unregistered entrepreneurs and self-employment in small and medium enterprises in the informal sector while Ramady's study interpreted the results by using government data sources that concentrated on private-sector employees.

Regarding the inappropriate work environment, this normative challenge has affected the men entrepreneurs more than the women entrepreneurs by causing them to employ informal men workers and violating the regulation of the feminisation of careers in some activities. Indeed, because some community members do not accept a mixed-gender work environment that does not provide protection and facilities for women, men entrepreneurs have found it challenging to formally employ women workers. This has led them to employ informal men or home-based women workers instead. Comparing the findings with those of other studies confirms that social restrictions restrict the mixing of genders at work, so employers prefer to hire men workers rather than incur additional costs to provide job sites for women workers who may take maternity leave (Evidence for Policy Design (EPD) 2015; Peck 2017). This result is also in

accord with other studies that indicate government agencies support social beliefs related to gender segregation by providing separate workplaces for men and women employees; thus, women prefer to work with government agencies, whereas private employers hire foreign men to avoid addressing a mixed-work environment (Ramady 2010; Alfarran et al. 2018). Although these previous studies support the current result about a social belief concerning the mixing of the sexes at work, this study conducted interviews after recent cultural changes and government decisions that support openness in Saudi society. Therefore, this study offers a significant contribution to the research that is concerned with the impact of social beliefs and values on entrepreneurship by showing that the power of inheritance and social traditions is still affecting the decisions of entrepreneurs in the process of employing and merging between sexes in the working environment despite the social developments and changes supported by the Saudi government.

On the other hand, hiring family members and friends informally is one of the normative aspects that led entrepreneurs to run their enterprises in the informal economy. In other words, due to the challenge of adhering to government regulations related to employment, entrepreneurs have found the supportive opportunity to informally employ family members and friends with symbolic, low or unpaid wages. This result is in line with the International Labour Organization (1996) recommendations that self-employed entrepreneurs and waged workers from home find help from members of their family in producing goods or services. Koto (2017) also found that entrepreneurs in 13 sub-Saharan Africa states that social capital, which includes a network of social relationships, is an important factor in employing job seekers to work informally. Koto, who used quantitative analysis of secondary data, achieved results which support the result of this study. However, the work presented here helps explain, through analysis of the interviews, how the social support provided by people close to Saudi entrepreneurs helps them employ those people as informal workers for modest or unpaid wages. Moreover, this study found that illegal immigrants who come with the Hajj and Umrah visas support entrepreneurs in joining the informal economy by accepting work with them in exchange for low wages. For example, an entrepreneur exploited her legal domestic worker, who accepted work outside the scope of her work visa, in her enterprise informally. This finding is contrary to previous studies which have suggested that migrant and vulnerable workers are exploited by entrepreneurs to work with them

informally due to cultural and social barriers and the absence of social protection (Jhabvala & Tate 1996; International Labour Office 2002; Fonchingong 2005). This discrepancy could be attributed to the difference in context in which the studies were conducted. Interestingly, this research provides new insights exploring the exploitation of arrivals to Saudi Arabia, who came by the Hajj and Umrah visas, in working with entrepreneurs informally.

Another interesting finding is that men entrepreneurs employ women from their family to achieve a balance between work tasks and family responsibilities that arise from the prevailing social beliefs that the role of women is to conduct housework and care for family members. This finding broadly supports the work of other studies in this area linking the informal labour of women from home to social traditions that require women to perform family and household responsibilities and limit their mobility, causing them to suffer from lower wages and the absence of their labour rights (Tipple 2005; Raveendran et al. 2013; International Labour Organization (ILO) 2017). Also, this result is consistent with Hassan's (2014) study, which confirmed that social beliefs about the role of women and their limited mobility have led them to take advantage of the opportunity to work from home, even for low wages. Although women working from home earn lower wages compared with men due to the limited number of hours women work, Edwards & Field-Hendrey (2002) suggest that women consider home-based work as an opportunity to perform both their job tasks and family responsibilities. To the paucity of published studies that have not dealt with Saudi women working in informal household enterprises in much detail, this thesis offers new insights through studying the impact of social restrictions on entrepreneurs' decisions to employ women home-based workers in their enterprises in informal ways. It is a widely held view that social norms that include common beliefs and social values are one of the institutional elements that play an important role in shaping individual behaviour (Scott 2014). This study revealed that social norms were an essential factor in entrepreneurs' refusal to comply with employment regulations, which eventually led them to engage in the informal economy.

### **5.3.2. Informal enterprise sectors**

The third question of this research was to explore how normative experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all

government agencies. This study found, through the analysis of interview data, the emergence of various patterns related to project activity and social norms. These patterns were divided into opportunities that enhance the informal enterprise (e.g. inherited entrepreneurial activities and community support) and challenges for enterprise registration (e.g. lack of government and private financial supports and lack of community support). These patterns contributed to the discovery of the relationship between social norms and the type of informal enterprise activity. In particular, social norms are contributing factors that either provided opportunities or created challenges that affected female entrepreneurs to a greater degree in their choice of specific sectors in the informal economy.

More specifically, entrepreneurs took advantage of the opportunity to launch their enterprises in informal sectors because some of these activities and occupations are socially acceptable or inherited from their grandparents. Similarly, Williams and Gurtoo (2012) confirmed that entrepreneurs launch their enterprises in the informal economy because these enterprises are family activities inherited from their predecessors. Markedly, family members provide support to women who produce craft and traditional products (Gray 2001). This study adds to the growing body of literature in that it discovered research concepts in the Saudi context that reinforce the relationship between the impact of social norms and the presence of informal enterprise in certain sectors.

The social norms and traditions also support some sectors; therefore, entrepreneurs saw this support as an opportunity for operating their informal enterprises. For example, the telecommunications sector is one sector in which members of Saudi society were considered inferior. However, the norms of community members towards this sector have now changed positively, which encouraged entrepreneurs to engage in this sector. Specifically, women entrepreneurs have found social support to run their enterprises in certain sectors, such as preparing food and selling women's clothing and household utensils, because members of society see this type of sector as specific to women and appropriate with the customs and traditions of their society. These results reflect those of Alturki and Braswell (2010) who also found that Saudi women entrepreneurs run their enterprises in the informal economy in vast areas that belong to women, such as art and design, professional services and homemade food businesses.

Women tend to engage in activities separate from men, such as retail, as a result of a culture of gender segregation in some Muslim societies (Dechant & Lamky 2005; Ahmad 2011). Furthermore, because of traditional gender lines, women tend to engage the informal sector more than men by practising activities in fields that are appropriate for the role of women as caregivers, such as sewing services, hairdressing, personal home services, selling clothing and food preparation (Raijman 2001; Fonchingong 2005; Ubogu et al. 2011) while men operate a business in sectors of the informal economy that conform to the norms of society, such as agriculture and repair and construction services, because these are an extension of the man's role and their family responsibility (Gray 2001; Raijman 2001).

On the other hand, entrepreneurs faced social challenges that pushed them to run their enterprises in certain sectors of the informal economy, including both a lack of financial support from government and private agencies and social barriers. In other words, government and private agencies did not provide them with adequate financial support because the requirements of these supporters are difficult to implement; therefore, they run informal enterprises in specific sectors, depending on the money and tools available to them. For example, a woman entrepreneur has difficulty finding a guarantor that supports her in applying for a loan from a government-supported agency; consequently, she decides to run her enterprise in the food preparation sector because tools such as cooking appliances and production tools are available to produce the home-cooked meals. Interestingly, government and private agencies provide less financial support to men entrepreneurs than women entrepreneurs, which contributes to entrepreneurs launching their enterprises in certain sectors of the informal economy commensurate with their humble capital. The availability of capital and physical business resources and tools are vital factors in running enterprises in certain sectors (Sharma & Varma 2008; Pablo-Martí et al. 2011; Dubé et al. 2016). Accordingly, many entrepreneurs launch their enterprises in the informal food sector because they lack these sources (Gray 2001; Fonchingong 2005; Tipple 2005; Aga et al. 2019; Knox et al. 2019). Notably, entrepreneurs suffer from a lack of financial support from governments or private entities to start up their small enterprises (Still & Walker 2006; Ahmad 2011). This work contributes to the current knowledge of the phenomenon of the informal economy in Saudi Arabia by discovering the relationship between



the weak financial support provided by government and private agencies and the decisions of entrepreneurs to launch their informal enterprises in certain sectors.

Equally important, women entrepreneurs suffer from social restrictions that prohibit women from operating their enterprises in certain fields, such as the agricultural sector, because it is considered behaviour that violates the customs and traditions of their society. This result agrees with Maden's (2015) findings that show that women entrepreneurs face discriminatory challenges from stakeholders when trying to operate their projects in male-dominated sectors, such as technology and construction. Recently, women have entered the male-dominated agricultural sector despite facing sexism and male-bias when dealing with stakeholders and despite the absence of models for women running these types of enterprises (Haimid et al. 2016). Notably, little is known about the reasons leading unregistered Saudi entrepreneurs to run their enterprises in specific sectors of the informal economy. However, understanding the relationship between the choice of entrepreneurs for specific sectors of the informal economy and social values, expectations and beliefs provided an important opportunity to advance exploring the reasons why Saudi entrepreneurs engage in the informal economy.

When viewing these findings from the perspective of Scott's (2014) theory, they confirm that social values, expectations and beliefs contained within the normative pillar affect the behaviour of individuals because they feel respected and honoured when they meet logical appropriateness and sense dishonour, disgrace or disrespect when they violate social norms. All things considered, this thesis discovered that entrepreneurs were influenced by social norms and customs and traditions of Saudi society that were either supportive of them in operating their enterprises in certain sectors of the informal economy or unsupportive in operating enterprises in specific sectors of the formal economy.

#### **5.4. Cultural-cognitive experiences**

The fourth question in this study sought to explore how cultural-cognitive experiences lead male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city. The findings indicate the cultural-cognitive aspect of Scott's (2014) institutional theory is a secondary factor affecting entrepreneurs'

decisions to participate in the informal sector. More specifically, through the use of inductive analysis of interviews, many diverse and recurring patterns belonging to cultural experiences emerged that motivated entrepreneurs to launch their informal enterprise. The patterns and concepts that were derived from the inductive analysis of this study showed that entrepreneurs launch their enterprises in the informal economy based on motivations related to the need for money, their passion for business and the availability of flexible/free time. Furthermore, spreading unemployment, considering the enterprise as a pilot phase of informal small enterprise performance and ignorance have also driven entrepreneurs to engage the informal economy, albeit to a lesser degree. According to the cultural-cognitive aspect of Scott's (2014) institutional theory, the behaviour and actions of the individual are the results of their awareness of external stimuli. However, this thesis has provided a deeper insight into the cultural-cognitive aspect of Scott's institutional theory by highlighting external institutions create motivations of opportunity and necessity that individuals realise and exploit when creating informal enterprises in the Saudi context.

#### **5.4.1. The multiple motivations of informal entrepreneurs**

Concerning the fourth research question, this study attributed the existence of informal enterprises in the city of Jeddah to the motives of entrepreneurs. The results indicate that respondents driven by necessity engaged in the informal economy more than those driven by opportunity. Respondents realised their need for money was one of the most important necessities that pushed them to establish their enterprises in the informal sector. Also, the challenges in finding jobs, widespread unemployment and the ignorance of the entrepreneurs pushed them to start informal enterprises. On the other hand, the desire to run an enterprise and the availability of flexible/free time were critical opportunity motives that led entrepreneurs to run informal enterprises. Interestingly, women entrepreneurs run their informal enterprises for necessity and opportunity motives more than men entrepreneurs. Other scholars (Lozano 1989; Cross 2000; Snyder 2004; Aidis et al. 2007; Benz 2009) have also indicated that the emergence of the informal economy was a result of the presence of informal necessity- and opportunity-driven entrepreneurs, and it is conceivable that the proliferation and emergence of informal entrepreneurs will continue in Saudi Arabia, as it is fertile ground that includes both necessity- and opportunity-driven motives for entrepreneurs. Although previous studies indicated

opportunity and necessity motives lead to the existence of informal enterprises in various countries, this study identified new patterns and concepts in the Saudi context and included them among the opportunity and necessity motives that encourage male and female entrepreneurs to launch their informal enterprise.

#### **5.4.2. Insights into the multiple motivations of informal entrepreneurs and their relationship to the cultural-cognitive pillar of Scott's institutional theory**

Notably, this study discovered that a multitude of motives have led to the emergence of the informal economy in Jeddah. The new insight provided by this study posits the existence of informal enterprises is attributed to the fact that cultural-cognitive experiences of Saudi entrepreneurs have led them to establish their enterprises in the informal economy. This thesis contributed to discovering the hidden reasons that led male and female Saudi entrepreneurs to avoid registering their enterprises with some or all local government agencies in the Saudi economy through the use of inductive analysis. Several recurring patterns and concepts emerged from the data, including a passion for entrepreneurship, the flexibility of time, the possibilities of an experimental stage, ignorance of regulations, unemployment and difficult financial situations.

This study found that an entrepreneur's passion for entrepreneurship drove entrepreneurs to launch their enterprise in the informal economy. In other words, because of the passion and aspiration of entrepreneurs to become businessmen/women, they took advantage of the opportunity to create enterprises by engaging in the informal economy. This finding broadly supports the work of other studies that linked the existence of informal enterprises with opportunity-driven motives that included business identity (Snyder 2004; Whitson 2006; Williams 2006; Biles 2009). Although these published studies agree with this study, it is important to bear in mind these results were based upon data from over 10 years ago, so this current work generates fresh insight into exploring how the desire and passion of entrepreneurs to become such lead them to take advantage of opportunities to launch their enterprises while avoiding registering them with all or some government agencies.

Moreover, unregistered entrepreneurs tended to exploit their flexibility in time to launch their informal enterprises. In accordance with the present results, previous studies have

demonstrated that informal entrepreneurs avoid registering their enterprises with government agencies because they desire flexibility to manage their informal enterprises (Gërkhani 2004; Maloney 2004; Aidis et al. 2007; Williams & Gurtoo 2012). For example, entrepreneurs who were retired or housewives engaged in the informal economy due to the flexibility it provided them to run their informal enterprises. It was evident that the flexibility of time was one of the opportunity motives that prompted entrepreneurs to run their informal enterprises. The results also indicated that entrepreneurs exploited the opportunity to avoid registering their small enterprises with government agencies because entrepreneurs considered operating a small informal enterprise as an experiment to measure their enterprise performance.

This result further supports that entrepreneurs avoid registering their enterprise with government agencies because they lack investment expertise; therefore, they considered running their enterprises in the informal sector as a pilot opportunity for entrepreneurship training (Maloney 2004; Williams & Gurtoo 2011a). Maloney's and William and Gurtoo's analyses rely on quantitative data which limits the extent of study on the idea of exploring the motivations that push entrepreneurs to create the informal enterprise. Therefore, this study focuses on interpreting the results by qualitative research to increase our understanding of the reasons that drove Saudi entrepreneurs to create their enterprises in the informal sector.

This thesis also found that entrepreneurs participate in the informal economy for necessity-driven motives, including ignorance, unemployment and the need for money. In this study, it is interesting that the ignorance of government regulations for business registration led women entrepreneurs to engage in the informal economy, whereas this effect was not found for informal men entrepreneurs. A possible explanation for this might be that women entrepreneurs suffered from a lack of information concerning government business regulations due to their poor level of education. This result corroborates the findings of a plethora of work indicating individuals with lower education were more involved in the informal economy than individuals with higher education (Gërkhani & Van de Werfhorst 2013; Williams et al. 2016b). Another possible explanation for pushing entrepreneurs to launch their informal enterprise is that entrepreneurs faced difficulty in finding a job. This finding supports the work of other studies in this area linking the existence of unemployment with the need of entrepreneurs to run enterprises

in the informal economy (Unni & Rani 2003; Doane et al. 2004; Perry et al. 2007; Bhowmik 2013). The importance of the study lies in the fact that it highlights significant gender differences in the Saudi context in terms of access to information related to business registration and how it affects the decisions of female entrepreneurs to avoid registering their enterprise with the Saudi government authorities. This occurs despite the recent Saudi government's orientation in providing services for both sexes.

Another reason why entrepreneurs avoid registering their enterprises with government agencies is that the enterprise's profits are needed to sustain the family's survival, and the extra fees incurred would negatively affect their ability to earn enough income to survive. This result is in line with previous studies that emphasised that entrepreneurs who faced financial difficulties in providing the necessary needs for their family launched enterprises in the informal economy to earn extra income (Williams & Gurtoo 2012; Honyenuga 2019; Knox et al. 2019). However, despite extensive research on the informal economy in several countries, much uncertainty remains about the motivations that led Saudi entrepreneurs to engage in the informal Saudi economy. Therefore, the importance and originality of this study lie in its exploration of the presence of unemployment and the need for money as reasons pushing Saudi entrepreneurs to avoid registering their enterprises with all or some government agencies. This is especially the case in a country like Saudi Arabia, which has one of the highest rates of oil production and exports.

This thesis contributes to scientific insight that the institutional theory of Scott (2014) can explain the motives of entrepreneurs in participating in the informal economy in the city of Jeddah. In particular, the cultural-cognitive pillar describes the institutional experiences that influenced the decision of entrepreneurs to run their informal enterprises. Every society has a distinct context and culture that affect entrepreneurs differently; thus, this study was distinguished from previous studies by exploring how Saudi culture shaped the decisions of entrepreneurs in launching their informal enterprises in a desire to achieve their objective to become entrepreneurs. The results highlight external stimuli and entrepreneurs' responses that include a passion for entrepreneurship, the flexibility of time, an experimental stage, ignorance,

unemployment and the need for money when considering their motives for establishing their informal enterprises.

### **5.5. Opportunities and challenges driving engagement in the Saudi informal economy: looking back and looking to the future**

This section summarises the discussion above and provides a comprehensive understanding of the opportunities and challenges that drive entrepreneurs to run their enterprises in the informal sector and avoid registering their enterprises with all or some government agencies. By focusing on informal Saudi entrepreneurs in Jeddah, this study moved beyond general analyses of the existence of entrepreneurs who avoid registering their enterprises with government agencies. In detail, this study contributed to providing rich scientific insights about the phenomenon of informal enterprises in the Saudi context, which was not sufficiently studied in the previous limited studies. This study aimed to discover the opportunities and challenges that pushed Saudi men and women entrepreneurs to engage in the informal sector and to provide theoretical discussions that highlighted issues related to the informal economy and gender differences in entrepreneurship.

The relationship between institutions and informal entrepreneurship has been revised in previous chapters through a review of the regulative, normative and cultural-cognitive pillars of Scott's (2014) institutional theory. This thesis also showed that there are multiple motivations that push entrepreneurs to engage in the informal economy. The review indicated the risks of disclosure and government sanctions in the informal economy as well as other barriers to the existence of informal enterprises. The emergence of informal employment resulting from the influence of complex government regulations and social norms had a strong impact. Also, government regulations related to the enterprise site, including costs and strict government procedures, were a contributing factor to the existence of informal enterprises. Social norms and gender cultural beliefs also influenced entrepreneurs' decisions to enter specific sectors of the informal economy.

## 5.6. Research implications

This thesis contends that institutions play an important role in influencing Saudi entrepreneurs to avoid registering their enterprises with all or some government agencies. Governmental rules and regulations related to employment, enterprise location and penalties are a contributing factor in entrepreneurs' engaging in the informal economy. Social beliefs and traditions are considered supportive opportunities or challenges that affect the decisions of entrepreneurs in employing informal workers and selecting informal enterprise sectors. Also, entrepreneurs recognise opportunity and necessity motivations; thus, they launch their enterprises in the informal economy.

Moreover, the current study's results are consistent with Scott's (2014) institutional theory. This study contributed additional empirical evidence that indicates government regulations and rules are the most important factors affecting entrepreneurs' decisions to avoid registering their enterprises with some or all government agencies, while social norms had the least influence on entrepreneurs' engagement in the informal sector. Scott (2014) indicated that institutions are divided into three pillars that include the regulative, normative and cultural-cognitive pillars. These pillars are not equal in effect, and each pillar may have more or less of an effect depending on the situation under review (Scott 2014). The results of this study provide some support for applying Scott's theory to informal economy research to help us understand the regulative, the normative and the cultural-cognitive aspects affecting the emergence of informal enterprises and entrepreneurial decisions. These findings raise intriguing questions regarding the nature of institutions and exploring the most important of the three pillars that affect entrepreneurs' decisions to avoid registering their enterprises with all or some government agencies in the context of other countries.

The second implication is that that these findings may represent for future studies a scientific reference on which to base future research, helping them to understand Saudi institutions and discovering opportunities and challenges that motivate the men and women entrepreneurs to enter the informal economy within the Saudi context. Although these results reveal that both necessity-driven motives (ignorance, unemployment and the need for money) and opportunity-driven motives (the passion for entrepreneurship, flexible time and pilot

projects) play a role in entrepreneurs launching their enterprises in the informal economy, necessity motives appear to be the most influential. One of the issues that emerges from these findings is the impact of social norms, customs and traditions in the Saudi context on the decisions of entrepreneurs in entering the informal economy and the extent of the impact of government financial support on informal entrepreneurs. The importance of this study is that it explored the effect of social norms on Saudi job seekers. For example, many Saudis avoid working with entrepreneurs in certain occupations (e.g. an electrician, a shepherd, a gas station worker), which led the entrepreneurs to employ illegal foreign labour or family members and friends in informal ways. Although several publications have explored the issue of unemployment and nationalisation of jobs for Saudis (Ramady 2010; Ahmad 2012; Alshanbri et al. 2015; Koyame-Marsh 2016; Alfarran et al. 2018), this study has the distinction of helping fellow scholars understand deeply the impact of social norms, customs and traditions from the point of view of informal entrepreneurs that have led them to avoid government employment regulations. One of the issues that emerged from these results is that the customs and traditions of the society that define the roles of both men and women are reflected in the choice of entrepreneurs for business sectors in the informal economy. Also, the lack of governmental and private-entity support drives entrepreneurs to choose specific sectors of the informal economy that are commensurate with their capital. Consequently, this qualitative study and its exploratory results provide opportunities for fellow scholars to expand the study of the phenomenon of the Saudi informal economy through the use of a quantitative approach in applying research to a large sample number (Saudi informal entrepreneurs and non-Saudi informal entrepreneurs) and generalising the results in the Saudi context.

These findings have important implications for policymakers in understanding the regulations and penalties that discourage entrepreneurs from registering their enterprises with some or all government agencies. Policymakers in the Ministry of Labour and Social Development as well as the General Authority for Social Insurance, who are responsible for labour regulations for Saudi citizens, can use this study to address the obstructive impact of informal employment on efforts to reduce unemployment among Saudis. These results indicate that the enactment of these Saudi labour regulations is useful in helping to recruit Saudis, but these regulations are difficult to implement in light of the increase in illegal foreign workers who



accept work for low wages and without insurance. There are also labour regulations that allow employers to hire foreign labourers with no or unjust labour rights. Therefore, the Ministry of Labour and Social Development and the General Authority for Social Insurance may change their policies regarding equality in regulations and rights between Saudi employees and foreign employees. Also, policymakers should work to enact strict regulations for arriving visitors, who often come to Saudi Arabia to perform the Hajj and Umrah, to prevent them from staying and working in Saudi Arabia; policymakers may also impose strict penalties on entrepreneurs employing illegal foreign workers.

Moreover, the present study raises the possibility that the existence of informal enterprises in Saudi Arabia is due to the weakness of the penal systems, the absence of oversight and the leniency of inspectors in implementing penalties for informal entrepreneurs. Although the state is working to combat corruption, there is a gap in addressing the problem of ghost workers. Therefore, policymakers in Saudi Arabia should enact penalties not only on entrepreneurs but also on Saudis who agree to work as ghost workers and on illegal foreign workers, who pose a risk to the Saudi-sation program and weaken opportunities for Saudis to find employment that guarantees workers' rights (since informal employment usually requires workers to accept the lowest possible wages). Saudi Arabia is considered a developing country that lacks vital industries which, if established, would contribute to filling the job creation gap, and formal entrepreneurs are hindered by informal ones from running and expanding their enterprises in formal industrial sectors that require employing a large number of workers. Therefore, this study suggests to Saudi policymakers that establishing government factories that can employ many workers, as well as encouraging home-based workers and self-employed entrepreneurs to formalize their enterprises through the collection of their products and services, will help support and expand the country's economy. Solving the problem of unemployment and developing the Saudi economy is not only the responsibility of small- and medium-sized enterprise entrepreneurs, who own modest capital, but also of policymakers, who must work to curb widespread unemployment by supporting and developing informal enterprises so that they can become successful formal businesses that contribute to employing Saudis, and by establishing government factories that obtain products and services from home-based workers and self-employed entrepreneurs.

Informal entrepreneurs also avoid registering their enterprises with government agencies due to the number of requirements they must meet and procedures they must go through, despite the availability of government websites that offer business registration services. To address this, policymakers must consolidate efforts to encourage business registration by using a unified government platform that allows entrepreneurs to easily register their enterprises and obtain a unified-accepted licence, both to avoid licence duplication and to streamline the registration process. Furthermore, informal entrepreneurs feel that both government and private agencies offer only weak financial support to entrepreneurs, who receive a Social Security salary, due to the complexity of their situations, as well as little assistance for the unemployed. They thus tend to launch their informal enterprises in sectors in which it is easy to operate with modest capital. Therefore, policymakers must provide financial and consulting services not only to entrepreneurs who wish to expand their enterprises, but also to entrepreneurs who receive a Social Security salary to help them become productive individuals and formal entrepreneurs.

In addition, this study found that municipal requirements for enterprise locations were costly, which led informal entrepreneurs to illegally use or rent government land as the site of their enterprises. Another use of this study, then, is to help decisionmakers take preventive measures to combat new informal entrepreneurs and punish existing informal entrepreneurs who launch enterprises in illegal locations without obtaining a municipal licence. The study also highlights the need for decisionmakers to enact penalties for occupiers of government land who rent their shops to informal entrepreneurs. Finally, to address the problem of the prohibitively high cost of renting legal shops and kiosks for entrepreneurs with modest capital, decisionmakers must provide them with shops and kiosks at nominal prices in to support their formal business.

Because entrepreneurs are frequently ignorant of how to register and operate their businesses and of the regulations governing those operations, they often launch their businesses without licensure and join sectors of the informal economy. Even though universities offer majors in business administration as well as entrepreneurship courses, and many volunteers publish information on entrepreneurship, the university specialization only provides for a limited number of students, and the information published by volunteers is often inaccurate. As a result,

decisionmakers must work to educate informal entrepreneurs of proper business regulations and procedures, both in the media and in their places of work, and to provide school students with courses about entrepreneurship as a way of educating students whose status does not allow them to complete their university degree or major in business administration.

### **5.7. Acknowledging the limitations**

The findings of this study must be considered in light of some limitations. This study was subjected to a selection bias during the data collection stage. The limited number of studies in Saudi Arabia that focus on the phenomenon of informal enterprises and statistical data meant it was difficult to determine the size of the informal economy issue in the Saudi context. Therefore, the results of the study may have been affected by focusing on samples with specific characteristics. Also, the lack of information in the Saudi context did not allow for extensive comparisons with the literature.

This study faced limitations in collecting data for entrepreneurs who use social media only to advertise their informal enterprise. Before starting data collection, interview questions related to the use of social media as a marketing tool were derived from previous studies. When entering the research field to collect data from entrepreneurs who use social media, several ignored my invitations to meet with them. Although I informed potential entrepreneurs who use social media only about safe interviewing procedures, such as meeting in a public place and showing them the information sheet, participant consent form and Sheffield University approval letter, they refused because they feared I was an unsafe/fraudulent person using an account on the social media platform to obtain information from them. Since the only channel for communicating with informal entrepreneurs who use social media is social media platforms, it was not possible to contact them any other way, which meant I was unable to schedule the interviews. Other entrepreneurs did not meet the inclusion criteria for this study because they are not Saudis or they only use social media as a secondary tool. Given that entrepreneurs use many tools in addition to or instead of social media, it was not a major focus of all research aspects for this study. Due to the limited access to the sample of entrepreneurs using social media only, the study aim was modified from a comparison between male and female entrepreneurs using social media only and those not using social media to a gender comparison of informal entrepreneurs

who use or do not use social media as a secondary means for marketing their enterprises. Due to the importance of social media as a secondary marketing tool for some entrepreneurs, this study included this topic in the interview guide. Despite this limitation, the study adds to our understanding of the impact of social media as a secondary tool on informal entrepreneurs' projects.

Concerning the limited number of previous studies on informal enterprises and statistical data that could help determine the size of the informal economy problem in the Saudi context, this study addressed this by referring to data from several countries with a similar culture and to Saudi publications that help us understand the Saudi context. However, to understand this phenomenon in depth, future studies of the informal economy in Saudi Arabia are still needed. Additional research would also allow for generalising the results to obtain a fuller picture and address the problem of selection bias due to the sensitivity of this topic. A further study with a greater focus on quantitative research that considers age, social class, business sectors and cultural beliefs and ideas is also suggested.

## **5.8. Conclusion**

This chapter discussed the decisions of Saudi men and women entrepreneurs in running their informal enterprises according to the institutional theory of Scott (2014) that covers regulative, normative and cultural-cognitive aspects and their comparison with theories in the informal economy and previous studies. In this chapter, the regulative experiences were the most influential in leading entrepreneurs to launch their enterprises in the informal sector, which includes regulations related to employment, enterprise location, sanctions and penalties. This chapter also discussed the motivations of entrepreneurs to run their enterprises in the informal economy as a result of the impact of their cultural-cognitive experiences. The social normative aspect related to employment and the sector affected entrepreneurs the least when refusing to register their enterprises with some of the government agencies.

Comprehensively, this study discovered the Saudi institutional environment that affects men and women entrepreneurs in joining the informal economy. This study provides scientific insights by adding empirical qualitative research to the paucity of previous Saudi studies in the field of the informal economy. The importance and originality of this study are that it explores

the Saudi institutional environment between informal men and women entrepreneurs. Also, this study provides future research implications to advance the understanding of the Saudi informal economy and suggest practicing implications for helping decision-makers in Saudi Arabia discover why informal enterprises exist. Given the limitations of selection bias and the limitations of studies on the informal economy in Saudi Arabia, more studies to deepen our understanding of the informal economy issue and generalise the results more broadly are needed.

## **Chapter 6: Conclusion**

### **6.1. Recapitulation of purpose and findings**

The research, as mentioned in the previous chapters, provides a comprehensive picture of the institutional environment for informal entrepreneurship in the Saudi context. This thesis aimed to explore the effect of the Saudi institutional environment on the decisions of male and female entrepreneurs to avoid registering their enterprises with some or all government agencies in city of Jeddah. Based on Scott's institutional theory, this study set out to explore the effect of regulative, normative and cultural cognitive opportunity and challenges on Saudi male and female entrepreneurs to run fully- and partially-informal enterprises as well as this research was designed to discover which of the regulative experiences, normative experiences, and cultural cognitive experiences was the most affected on Saudi entrepreneurs to engage in the informal economy.

This study is distinguished from previous studies in that it explored in-depth the reasons for the entry of Saudi male and female entrepreneurs into the informal economy. Previous studies that related to the Saudi context focused on evaluating the Saudi-sation program which resulted in informal employment. Another study also indicated the characteristics of informal enterprises. As a result, this study covers the issue of the Saudi informal economy in-depth in several aspects. In detail, this study sought to explore the opportunities, challenges, and barriers that drive entrepreneurs to employ informal employment. Also, this study explored the characteristics of informal enterprise locations and sectors and the reasons that avoid them from formalizing their enterprises. This is in addition to exploring the motivations that push Saudi entrepreneurs to launch their enterprises in the informal economy. This study revealed the strength of government sanctions and the effect of government corruption in that entrepreneurs were not afraid to announce their informal enterprises.

The study was undertaken to answer four broad research questions: this thesis sought to answer the following questions: How do institutions affect Saudi male and female entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city? How do regulative experiences affect Saudi male and female entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah

city? How do normative experiences affect Saudi male and female entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city? How do cultural-cognitive experiences affect Saudi male and female entrepreneurs to avoid registering their enterprises with some or all local or national government agencies in Jeddah city? These questions were used to draw research conclusions.

To answer the research question, what I found is that regulative experiences play an important role in affecting entrepreneurs to involve in the informal economy. In detail, entrepreneurs face difficulty in complying with the condition of employing Saudis, paying a minimum salary, and provided to workers the insurance and end-of-service benefits. In addition, entrepreneurs selected to locate their enterprises in informal places due to the difficulty of obtaining a municipal license, which includes costly and complex requirements. Another topic that emerged from my analysis of the phenomenon of the informal economy in Saudi Arabia was to corruption and the leniency of government inspectors in applying penalties to informal entrepreneurs, which prompted the entrepreneurs to avoid registering their enterprises with some or all government agencies.

The results of this study reported that the normative experiences had little effect on entrepreneurs in avoiding registering their enterprises with some or all of the government agencies. Due to the occupational prestige, socially unsuitable workplaces, support for working with entrepreneurs in informal ways by family members, friends, housekeepers and illegal foreign workers, entrepreneurs found it difficult to adhere to the application of the Saudi-sation program that requires employing Saudis. Therefore, entrepreneurs employed informal workers. In light of the enterprise sectors of the informal economy, the majority of informal entrepreneurs informed that their choice of specific activities in the informal economy was based on the social opportunities that support those types of activities and consider those sectors as heritable activities. Also, entrepreneurs attributed their choice of those informal sectors to social disgraced beliefs toward those sectors and difficulty obtaining financial support from government and private agencies.

This study also discovered that the cultural cognitive experiences of entrepreneurs somewhat affected their decisions to join the informal economy. In other words, the results indicated that the necessity motivations that include ignorance, unemployment, need for money pushed entrepreneurs to run their enterprises in the informal sector. Also, entrepreneurs exploited the opportunity motivations that involve a passion for entrepreneurship, flexibility, and an experimental phase, to launch their informal enterprises.

In light of the Saudi institutional environment, this study explored gender differences between male entrepreneurs and female entrepreneurs in the opportunities and challenges that affected their decisions to run their informal enterprises. In the first place, male entrepreneurs more than female entrepreneurs avoided registering their employees with the Ministry of Labor and Social Development and the General Institution for Social Security because of the cost in complying with the condition of employing regular employment. In contrast, female entrepreneurs more than male entrepreneurs have found difficulties in adhering to the employment program for Saudi workers due to social belief barriers that did not accept working in certain jobs or mixed-gender places as well as entrepreneurs have taken advantage of supportive opportunities to employ informally family members, friends, housekeepers and illegal foreign workers. Female entrepreneurs more than male entrepreneurs also found it difficult to pay the cost of enterprise locations and adhere to implementing the requirements and specifications of the enterprise locations required by the municipality, thus those entrepreneurs tend to operate their enterprise in unlicensed locations such as home and public places. Social beliefs and norms formed opportunities and challenges for more female entrepreneurs than male in choosing to operate their enterprises in certain sectors of the informal economy. The necessity and opportunity motivations play an important role in pushing female entrepreneurs more than male entrepreneurs to run their informal enterprises. Weak enforcement of penalties and government oversight by inspectors and the presence of corruption lead female entrepreneurs to not be afraid of disclosing their informal enterprises more than male entrepreneurs.

## **6.2. Research contributions**

This study aimed to provide new insights to explore the opportunities and challenges in the Saudi institutional environment that affect male and female entrepreneurs in launching



projects in the informal economy. The origin and significance of this study are that it to make scientific contributions in the field of the informal economics literature.

### **6.2.1. Theoretical contribution**

Previous studies have used the theories of informal economy and institutional theory to explain the reasons for the existence of the phenomenon of the informal economy. However, this study provides new insights into understanding the issue of the informal economy through Scott's institutional theory to achieve an in-depth understanding of the issue of informal Saudi enterprises in Jeddah under the regulative, normative and cultural-cognitive pillars. Importantly, this study contributes to discovering how the different aspects under these pillars affect Saudi male and female entrepreneurs' decisions to run informal enterprises in Jeddah. What distinguishes this study is that it used the inductive approach, which produced several new topics and themes related to the Saudi informal economy. It also contributed to theoretical development by inducting, according to recurring and diverse themes, the reasons that lead Saudi entrepreneurs to avoid registering their enterprise with government agencies.

### **6.2.2. Knowledge contribution**

Since previous studies that study the informal economy in the Saudi context are limited, this thesis made scientific and knowledge contributions through the use of the inductive approach. Several diverse and recurring themes and concepts were generated that explore the reasons why male and female entrepreneurs avoid registering their enterprise with government agencies. The findings reported here shed new light on the motivations that drive entrepreneurs to operate their enterprises in the informal economy as well as the reasons that prompted entrepreneurs to choose informal enterprises sites and sectors. Moreover, the findings describe the characteristics of informal enterprises related to sites and sectors. This work generates fresh insight into identifying the reasons that drive entrepreneurs to employ informal workers and how government sanctions and corruption lead entrepreneurs to avoid registering their enterprises with some or all of the government agencies.

### **6.3. Research limitations and ethical challenges**

During conducting this study, I encountered some limitations and ethical challenges. The main limitation of this study is that the research sample has been subjected to selection bias, meaning that the interviews conducted for participants who have specific characteristics because statistics data and previous studies are limited and not available; therefore, it is difficult to measure the phenomenon and characteristics of the informal economy. The other main weakness of this study was the paucity of publications explaining the issue of the informal Saudi economy, therefore, the arguments that support study findings based on a comparison between previous studies from different countries and limited studies related to the Saudi context. This study also faced the obstacle of reaching informal entrepreneurs who use social media only for reasons related to insecurity.

For the ethical challenges and limitations, the topic and the interview questions considered sensitive because they relate to their opinions about government agencies, government corruption, social beliefs, and general personal information. Therefore, informal entrepreneurs did not prefer to participating in this study because they believe that I belong to government agencies. To increase confidence in me and obtain honest and rich responses, I built a relationship with the participants and conducted informal interviews before conducting the research interview. Furthermore, the participants were informed that their data would be safe and used for research purposes only as well as they can withdraw from the interview until the date of 3-19-2019. Participants were assured that they can file a complaint if they feel the consent form has been violated in any way. Most entrepreneurs refused to participate in the research project because they considered audio recording an unsafe tool; consequently, I informed that participants could choose to document their responses by taking notes only. On the contrary, few of the participants agreed to an audio recording of the interview. Interestingly, even if those few participants allowed me to record their voice, they shared to me sensitive information by taking notes only after the interview was completed and voice recording was stopped.

Because the participants feel safe when conducting interviews in public places, the interviews were interrupted by the entrepreneurs' customers or background noise, such as car horns, so I made sure that the sound quality and that the questions were answered adequately.

Also, entrepreneurs were advised that they can refrain from answering the question that is bothering them or they can withdraw from the interview. However, some entrepreneurs did not want to conduct long interviews, thus interviews of not less than 30 minutes were conducted with a large number of entrepreneurs (62 participants). Due to the difficulty of accessing informal entrepreneurs who use social media only, this sample was abandoned. However, given the importance of social media as a secondary tool for some informal entrepreneurs who have fixed locations, questions related to social media were asked to explore its impact on their informal enterprise.

#### **6.4. Areas for future research**

This study provided a comprehensive and detailed description of the phenomenon of the informal economy in Saudi Arabia. In detail, this thesis offers for future studies deep information about the reasons that lead Saudi male and female entrepreneurs launch their informal enterprises in Jeddah. What need now is a quantitative research that demonstrates the phenomenon of informal enterprises not only in Jeddah but also includes all regions of Saudi Arabia, whether Saudi or non-Saudi entrepreneurs, to generalise these results. Moreover, the study should be repeated using Scott's institutional theory to explore which of the three pillars most influences entrepreneurs run their enterprises in the informal economies of several countries and compare these findings in order to unify efforts in understanding and resolving the issue of the informal economy.

#### **6.5. Recommendations**

This study provides important information to policymakers about the impact of regulations and penalties on entrepreneurs in avoiding registering their enterprises with some or all government agencies. Policymakers can review this study to discover the reasons that limit their efforts in solving the problem of the informal economy. Therefore, the study suggests enacting business regulations that are appropriate for the Saudi society, setting strict decisions and penalties for running informal enterprises, and working to combat corruption among government employees. Also, enact supporting decisions to develop informal enterprise into formal ones.

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## Appendices

### Appendix A: Information Sheet

December, 19, 2018

Dear participant,

You are invited to take part in a research study called ‘Entrepreneurship in the Informal Saudi Economy: Opportunities and Challenges of Male- and Female-Run Enterprises According to Their Use of Social Media’. My name is Hind Aljohani, and I am conducting this study as part of my doctoral research on entrepreneurship at the University of Sheffield. This study is funded by the Royal Embassy of Saudi Arabia Cultural Bureau in London. This document will help you understand why this research is being conducted and what it might mean for you. Please take the time to carefully read the following information and discuss it with others if you wish before deciding whether to take part. If any aspect is unclear or if you would like more information, please do not hesitate to reach out to me.

The aim of this research is to explore how institutions impact Saudi male and female entrepreneurs who use or do not use social media in Jeddah’s informal sector. A business in the informal sector is defined as an unregistered enterprise that does not meet the criteria for being issued a trade license or a business permit under national legislation, such as social security laws (International Labour Organization (ILO), 2012), or that does not match the national criterion for the number of employees in small businesses (i.e., under five employees) (Husmanns, 2005, International Labour Organization (ILO), 2012). Additional objectives are as follows. This research will explore how government rules, laws and sanctions impact the decision of these entrepreneurs to not register their businesses that use or do not use social media in Jeddah’s informal sector. Furthermore, this study attempts to explore how cultural traditions and norms impact entrepreneurs in the operations of their businesses that use or do not use social media in Jeddah’s informal sector. The final research objective is to explore how a cultural situation impacts the interpretation of entrepreneurs in running their businesses that use or do not use social media in Jeddah’s informal sector.

You have been invited to take part in this study because you are a Saudi entrepreneur who has run a micro venture or small- or medium-sized enterprise in Jeddah City for 42 months or less and who has not registered your enterprise with some or all local or national government agencies. It does not matter if you use social media, as I am interested in reasons for not using social media as well as for using it. Also, your contribution will help the Saudi government to address the informal economy phenomenon and contribute to other research on the informal sector and social media use in other countries. It is your decision whether or not to take part in this study. If you choose to participate, you can withdraw from this study without any adverse consequences or giving any reason before 31 June 2019 after which time data will have been analysed so a particular person’s response cannot be attached to their name. If you choose to participate, you will be asked to sign a consent form. You will then be invited to take part in one in-depth interview about your business.

Interviews will last approximately one hour. To keep your workplace anonymous, the interview will be held in a public place, such as a park or a quiet coffee shop, between 10 a.m. and 6 p.m. from Sundays through Thursdays. You will NOT be required to share your real name during the interview. Before conducting the interview, I will ask permission to record the interview, using a voice recorder. If you do not want to be recorded during the interview, I will take notes instead provided that is acceptable to you.

At the start of the interview, I will ask you questions about the nature of your informal business. I will inquire about any experiences you have had in terms of the procedures and conditions for registering an organisation with official government agencies, as well as any sanctions you may have received as a result. The interview will continue with questions that cover cultural traditions and norms that support or challenge you when running your business. In the next part of the interview, you will be asked questions about how your cultural situation shapes your thinking when running your unregistered business. The final part of the interview will collect your demographic information, such as your gender.

With respect to the risks or concerns you may have about participating in the interview, it is possible that you will find some questions to be uncomfortable or sensitive because you will be asked to share your opinion on government regulations with respect to unregistered businesses. You will also be asked about community and family support for running your business. Because you might also have concerns that I am affiliated to a government agency that regulates business, I would like to confirm that my work is independent of agencies of the government regulation of business. Therefore, if you are uncomfortable with any questions asked during the interview, inform me. I will ask you to rate your comfort level using a scale of 1–10, where a rating of 1 indicates that you are highly uncomfortable, 5 indicates comfortable, and 10 indicates highly comfortable. If you feel uncomfortable with a specific question—you have indicated a comfort level of 1—you may either withdraw from the interview or continue with the interview but decline to answer that question. If your comfort level with a specific question falls around 5, the interview will continue, and I will not ask you for more details about that question. I will ask you for detailed information when you tell me you are very comfortable—comfort level 10—with a question.

All information collected from you during the course of this fieldwork (taking place from 19 December 2018 to 31 June 2019) will be kept strictly confidential. Only the research team members (supervisors, Dr. Abbi Kedir and Dr. Robert Wapshott, and the researcher, Hind Aljohani), who have signed the ethical agreement for this study, will be allowed access to the original recordings. Although the study supervisors (Dr. Abbi Kedir and Dr. Robert Wapshott) do not speak Arabic, they will check the flow of the interviews and give me advice on the analysis of the data. Also, I will be responsible for the processes of transcription and translation. Your anonymised data and your words may be used for analysis and illustration purposes, which may include a quote in conference presentations, lectures, reports, or publications. All data storage devices (including compact discs, flash memory, and voice recorders) will be stored securely in locked cabinets. Computer passwords will be protected and changed every month. All university computers and laptops are protected from theft or unauthorised use by antivirus software and data encryption. Furthermore, once the interview-transcribing process has been completed on 31 June 2019, the audio recordings will be deleted. A shredder will be used to destroy all hard copies of notes and electronic files on the researcher's drives will be permanently deleted after the project has been completed and the paper has been published around March 30, 2025. When the study is complete, I intend to publish my PhD thesis in the University of Sheffield Library and the Saudi Digital Library.

According to data protection legislation, we are required to inform you that the legal basis we are applying in order to process your personal data is that of 'processing is necessary for the performance of a task carried out in the public interest' (Article 6(1)(e)). Further information can be found in the University's Privacy Notice <https://www.sheffield.ac.uk/govern/data-protection/privacy/general>. As we will be collecting some data that is defined in the legislation as more sensitive (information about informal activities), we also need to let you know that we are applying the following condition in law: that the use of your data is

'necessary for archiving purposes in the public interest, scientific research purposes or statistical purposes' (9(2)(j)). The University of Sheffield will act as the Data Controller for this study. This means that the University of Sheffield is responsible for looking after your information and using it properly.

Please note that this project has received ethical approval via the University of Sheffield's Ethics Review Procedure. If you have any questions, complaints or concerns, please do not hesitate to contact me or the researcher supervisors. In addition, if you feel your complaint has not been addressed to your satisfaction, you can contact Dr. Malcolm Patterson. Further, if your complaint relates to a participant's personal data, more information can be found in the University's Privacy Notice: <https://www.sheffield.ac.uk/govern/data-protection/privacy/general>.

Contact information:

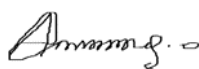
<i>PhD researcher</i>	
Miss. Hind Aljohani Address: Management School, University of Sheffield, Conduit Road, S10 1FL Sheffield, UK E-mail: <a href="mailto:hsaljohani1@sheffield.ac.uk">hsaljohani1@sheffield.ac.uk</a>	
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Dr. Abbi Kedir Senior Lecturer/Associate Professor in International Business Address: Management School, University of Sheffield, Conduit Road, S10 1FL Sheffield, UK E-mail: <a href="mailto:a.m.kedir@sheffield.ac.uk">a.m.kedir@sheffield.ac.uk</a>	Dr. Robert Wapshott Senior Lecturer in Entrepreneurship Address: Management School, University of Sheffield, Conduit Road, S10 1FL Sheffield, UK E-mail: <a href="mailto:r.wapshott@sheffield.ac.uk">r.wapshott@sheffield.ac.uk</a>
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Dr. Malcolm Patterson Address: Management School, The University of Sheffield, Conduit Road, Sheffield, S10 1F Phone: +44 (0)114 222 3244 E-mail: <a href="mailto:m.patterson@sheffield.ac.uk">m.patterson@sheffield.ac.uk</a>	

Thank you for your support by participating in my research.


Miss. Hind Aljohani



Dr. Abbi Kedir



Dr. Robert Wapshott





## Appendix B: Participant Consent Form

### Entrepreneurship in the Informal Saudi Economy: Opportunities and Challenges of Male- and Female-Run Enterprises According to Their Use of Social Media

Please tick the appropriate boxes	Yes	No
<b>Taking part in the project</b>		
I have read and understood the project information sheet, dated .... /.... /....., or the project has been fully explained to me. (If you answer No to this question, please do not proceed with this consent form until you are fully aware of what your participation in the project will mean.)	<input type="checkbox"/>	<input type="checkbox"/>
I have been given the opportunity to ask questions about the project.		
I agree to take part in the project. I understand that taking part in the project will include being interviewed.	<input type="checkbox"/>	<input type="checkbox"/>
I agree to take part in the project. I understand that taking part in the project will include being recorded (audio).	<input type="checkbox"/>	<input type="checkbox"/>
I agree to take part in the project. I understand that taking part in the project will include having notes taken.	<input type="checkbox"/>	<input type="checkbox"/>
I understand that my taking part is voluntary, and that I can withdraw from the study before June 31, 2019. I do not have to give any reasons for why I no longer want to take part, and there will be no adverse consequences if I choose to withdraw.	<input type="checkbox"/>	<input type="checkbox"/>
<b>How my information will be used during and after the project</b>		
I understand my personal details, such as name, phone number, address, and email address, will be anonymous.	<input type="checkbox"/>	<input type="checkbox"/>
I understand and agree that my words may be quoted in publications, reports, web pages, and other research outputs. I understand that I will not be named in these outputs.	<input type="checkbox"/>	<input type="checkbox"/>
I understand and agree that no one else will have access to original data, except the research team (the PhD researcher's supervisors, Dr. Robert Wapshott and Dr. Abbi Kedir, and the researcher, Hind Aljohani), who agree to preserve the confidentiality of the information.	<input type="checkbox"/>	<input type="checkbox"/>
I understand and agree that other authorised researchers may use my anonymous data in publications, reports, web pages, and other research outputs only if they agree to preserve the confidentiality of the information.	<input type="checkbox"/>	<input type="checkbox"/>
I give permission for the audio recording to be kept in compact discs, flash-memory devices, voice recorders and locked cabinets. I understand that the audio recording will be permanently deleted once the interview transcribing has been completed on 31 June 2019		
I give permission for the prepared transcripts to be kept in compact discs, flash memory devices and locked cabinets. I understand that they will be permanently deleted after the project has been completed and the paper has been published around March 30, 2025.	<input type="checkbox"/>	<input type="checkbox"/>
<b>So that the information you provide can be used legally by the researchers:</b>		
I agree to assign the copyright I hold in any materials generated as part of this project to the University of Sheffield.	<input type="checkbox"/>	<input type="checkbox"/>

Name of participant [nickname] (*Do not write your real name for security purposes*):

\_\_\_\_\_

Signature

\_\_\_\_\_

Date

\_\_\_\_\_

Name of researcher [printed]:

\_\_\_\_\_

Signature

\_\_\_\_\_

Date

\_\_\_\_\_

**Project contact details for further information:**

If you have any questions or concerns, please do not hesitate to contact me Hind ([hsaljohani1@sheffield.ac.uk](mailto:hsaljohani1@sheffield.ac.uk)) or the researcher supervisors: Dr. Abbi Kedir ([a.m.kedir@sheffield.ac.uk](mailto:a.m.kedir@sheffield.ac.uk)) and, Dr. Robert Wapshott ([r.wapshott@sheffield.ac.uk](mailto:r.wapshott@sheffield.ac.uk)). In addition, if you would like to report a complaint about this project, please contact the ethics lead Dr. Malcolm Patterson ([m.patterson@sheffield.ac.uk](mailto:m.patterson@sheffield.ac.uk)) at Sheffield University Management School.

**Copies:**

Once this has been signed by all parties the participant should receive a copy of the signed and dated participant consent form, the letter/pre-written script/information sheet and any other written information provided to the participants. A copy of the signed and dated consent form should be placed in the project's main record (e.g. a site file), which must be kept in a secure location.

## **Appendix C: In-depth Interview Guide and Interview Questions**

### **In-depth Interview Guide**

Welcome, and thank you for joining this in-depth interview. You will be asked to discuss some issues about your business because your opinions play an important role in developing our country and growing the Saudi economy.

#### **Introduction**

This research aims to explore how institutions impact Saudi male and female entrepreneurs in Jeddah's informal sector who use or do not use social media. The in-depth interviews will contain open-ended questions covering the following five aspects: First, I will ask questions about the nature of your informal business. Second, I will ask about government rules, monitoring and sanctions. I mean, I will inquire about your experiences that have made you decide not to register your business with local or national government agencies. I also will also ask about the risk of detection and sanction by inspectors from government agencies. Third, I will inquire about the social norms, values and expectations, such as customs, traditions and taboos, in your community that helped you decide to establish an unregistered business. Then, I will ask about how your environmental and cultural situation shapes your thinking, which has made you establish an unregistered business. Finally, I will collect your demographic information.

The in-depth interview will last for approximately one hour (60 minutes) of your time, and your participation is completely voluntary. You are not obligated to answer the questions posed during the interview. If you are uncomfortable with any question asked, inform me. I will ask you to rate your comfort level using a scale of 1–10, where a rating of 1 indicates that you are highly uncomfortable, 5 indicates comfortable, and 10 indicates highly comfortable. If you feel uncomfortable with a specific question—you have indicated a comfort level of 1—you may either withdraw from the interview or continue with the interview but decline to answer that question. If your comfort level with a specific question falls around 5 on the scale, the interview will continue, and I will not ask you for more details about that question. I will ask you for detailed information when you tell me you are very comfortable—comfort level 10—with a question.

Because you may have concerns that I belong to a government agency, I would like to confirm that my work is independent of the government. Please note that you are not required to use your real name during the discussion, and your responses will be kept confidential and anonymous. No one, except the researcher and the research team, will have access to the audio recordings or notes taken during the discussion. Further, the audio recordings and transcribed notes will be kept safe in a locked facility. After this research is complete, the recordings and transcribed notes will be destroyed and deleted.

If you have any questions, let me know. I hope you'll enjoy participating in this study. If you do not have any questions, let us begin the interview by confirming that you have read the information sheet and signed a consent form.

## Interview Questions

### Part 1: Nature of the informal business

- Can you tell me about your business?
- Is your business a company, a partnership or a sole proprietorship?
- If not, what type of ownership does your business have?
- What is the size of your business?
- How long you have been running your unregistered business?
- How many employees does your business have?
- Do you employ Saudi employees?
- If you do not, why?
- Do you keep formal accounting records, such as a bookkeeping system (e.g. sales daybook and purchases daybook) and financial statements (e.g. balance sheets and income statement)?
- If you do not, why?
- If you use informal individual records, why do you use them instead of formal accounts records?
- Have you opened a bank account for your business?
- If not, why?
- In what types of locations (e.g. shop, bazaar stall, street and Internet by using social media) do you run your business? (DO NOT tell your workplace address.)
- Why did you decide to run your business in these places?
- How would you describe your satisfaction with running your business in these places?
- What type of industry is your organisation a part of?
- What is the main product or service of your business?
- Why do you run an unregistered business in this industry?
- Did you have a previous business before you started to run an unregistered business?
- If so, can you give more details about your previous business?
- Why are you running an unregistered business?
- Are you running your business to meet certain needs? If so, what are these needs?
- If you are not running your business to meet certain needs, are you operating your business to receive some opportunities? If so, what are these opportunities?
- If not, do you have any other reasons for running your business? If yes, what are they?
- Do you use social media in your business?
- If you do, which types of social media does your business use?
- Why do you use social media in your business?
- Have you registered your business with all local or national government agencies?
- If not, what local or national government agencies are you NOT registered with?

## **Part 2: Problems in registering your business with government agencies**

- Why you have not registered your business with all local or national government agencies?
  - Have you tried using the government's online application to register your business?
  - Why have you not used the online application system to register your business?
  - What experiences with local or national government agencies have made you decide to not register your business?
  - How would you describe government agencies' conditions (e.g. the rules and regulations of such agencies) for registering your business?
  - How would you describe government agencies' procedures for registering your business?
  - How would you describe government agencies' fees for registering your business?
  - Why have you chosen to hide your business from the General Authority of Zakat and Tax?
- What are your experiences with inspectors/employees from government agencies?
  - Can you describe the discrimination done by government employees on people with different races, genders, etc.?
  - Can you describe the effect of this discrimination on your ability to engage in your informal business?
  - Are you concerned with the risk of being found out and punished by government inspectors? Why or why not?

## **Part 3: Impact of community customs, traditions and taboos on your business**

- How would you describe the support given by government entities to small businesses?
  - How would you describe your experiences with using government entities for financial support or obtaining small business loans?
  - How would you describe your experiences with using government entities for consulting services?
- How would you describe the support given by private entities (e.g. Alahli Bank or Bab Rizq Jameel Microfinance) to small businesses?
  - How would you describe your experiences with using private entities (e.g. Alahli Bank or Bab Rizq Jameel Microfinance) for financial support or obtaining small business loans?
  - How would you describe your experiences with using private entities for consulting services?
- How did your family support you when you were starting your business?
  - How did your family financially support you when you were starting your business?
  - Do you think your family does not want you to start a private business, which has affected your decision to not register your business with any government agency? Why do you say so?
  - If NOT, why do you think your family is proud of your business?

- Do you face discrimination from your family when your business is compared with the business of other family members of the opposite gender?
- Can you describe your experience with being compared with other entrepreneurs in your family of the opposite gender?
- Do you have limited opportunities to leave your home, so you engage in the informal sector? If yes, can you describe these limitations and the reasons for these limitations?
- What does your family think of women being allowed to drive a car, specifically for going to their workplaces or to registry agencies?
- Describe your family's view of using social media in your business. Do they expect you to achieve anything in your business? Do they accept your use of social media?
  - What does your business community (customers, suppliers, stakeholders, etc.) expect you to achieve in your business?
- How would you compare your relationships with people associated with your business, such as customers, suppliers and stakeholders, with your relationships with entrepreneurs of the opposite gender?
  - Do your customers accept or reject your use of social media to run your business?
  - What customs, traditions or taboos by your neighbours and friends made you create an unregistered business?
- How does using social media in your business help you overcome your customs, traditions or taboos?

**Part 4: Impact of your cultural situation on your entrepreneurial interpretation of starting an unregistered business**

- How did you access the tools and resources you needed to start a business?
- Did you face any challenges or difficulties when you attempted to access the tools and resources you needed to start your business? What are these challenges or difficulties? What are their sources?
- How has using (or not using) social media tools affected your decision to run an unregistered business?
- Tell me how you used business opportunities to start your business.
  - Tell me about your business networks.
- What are the benefits of having business relationships when starting your business?
  - Can you describe your experiences with business competitors? How do you deal with them?
- Can you describe the obstacles that you faced with formal competitors when you tried to run your business legally?
  - What encourages you to run an unregistered business?
  - What were the business opportunities that led you to create your business?
- Tell me how you used business opportunities to start your business.

**Part 5: Demographic information**

- What is your gender?
- Male \_\_\_\_\_
- Female \_\_\_\_\_

Thank you very much for your participation.

## Appendix D: Sources for information on the Saudi context

Table 25 Sources for information on the Saudi context

Topic	Name of institution	Link
Women's rights	Unified National Platform GOV.SA	<ul style="list-style-type: none"> <li>• <a href="https://www.my.gov.sa/wps/portal/snp/careaboutyou/womenempowering#header2_7">https://www.my.gov.sa/wps/portal/snp/careaboutyou/womenempowering#header2_7</a></li> </ul>
	The Embassy of the Kingdom of Saudi Arabia	<ul style="list-style-type: none"> <li>• <a href="https://www.saudiembassy.net/sites/default/files/Factsheet%20on%20Progress%20for%20Women%20in%20Saudi%20Arabia.pdf">https://www.saudiembassy.net/sites/default/files/Factsheet%20on%20Progress%20for%20Women%20in%20Saudi%20Arabia.pdf</a></li> </ul>
Working women's rights	Ministry of Human Resources and Social Development	<ul style="list-style-type: none"> <li>• <a href="https://hrsd.gov.sa/sites/default/files/5012021.pdf">https://hrsd.gov.sa/sites/default/files/5012021.pdf</a></li> <li>• <a href="https://hrsd.gov.sa/sites/default/files/215738_1.pdf">https://hrsd.gov.sa/sites/default/files/215738_1.pdf</a></li> </ul>
Labour regulations	Ministry of Labor and Social Development	<ul style="list-style-type: none"> <li>• <a href="https://hrsd.gov.sa/sites/default/files/The%20Implementing%20Regulations%20of%20Labor%20Law%20and%20its%20Annexes.pdf">https://hrsd.gov.sa/sites/default/files/The%20Implementing%20Regulations%20of%20Labor%20Law%20and%20its%20Annexes.pdf</a></li> <li>• <a href="https://www.jetro.go.jp/ext_images/jfile/country/sa/invest_05/pdfs/sa10C010_nitaqat_program.pdf">https://www.jetro.go.jp/ext_images/jfile/country/sa/invest_05/pdfs/sa10C010_nitaqat_program.pdf</a></li> <li>• <a href="https://hrsd.gov.sa/sites/default/files/134721.pdf">https://hrsd.gov.sa/sites/default/files/134721.pdf</a></li> </ul>
	General Organization for Social Insurance	<ul style="list-style-type: none"> <li>• <a href="https://www.gosi.gov.sa/GOSIOnline/Coverages?locale=en_US">https://www.gosi.gov.sa/GOSIOnline/Coverages?locale=en_US</a></li> <li>• <a href="https://www.gosi.gov.sa/GOSIOnline/Unemployment_Insurance_(SANED)?locale=en_US">https://www.gosi.gov.sa/GOSIOnline/Unemployment_Insurance_(SANED)?locale=en_US</a></li> </ul>
Violations and penalties for non-compliance with labour regulations	Ministry of Human Resources and Social Development	<ul style="list-style-type: none"> <li>• <a href="https://hrsd.gov.sa/sites/default/files/Violations%20and%20Penalties%20Table.pdf">https://hrsd.gov.sa/sites/default/files/Violations%20and%20Penalties%20Table.pdf</a></li> </ul>
Government financial institutions	The General Authority for Small and Medium Enterprises “Monshaat”	<ul style="list-style-type: none"> <li>• <a href="https://www.monshaat.gov.sa/en/about">https://www.monshaat.gov.sa/en/about</a></li> </ul>
	The Social Development Bank	<ul style="list-style-type: none"> <li>• <a href="https://www.sdb.gov.sa/en-us/our-products/projects/productive-loans-(2)/sub-pages/application-rules">https://www.sdb.gov.sa/en-us/our-products/projects/productive-loans-(2)/sub-pages/application-rules</a></li> <li>• <a href="https://www.sdb.gov.sa/en-us/our-products/projects/productive-loans">https://www.sdb.gov.sa/en-us/our-products/projects/productive-loans</a></li> </ul>



Private financial institution	Bab Rizq Jameel Microfinance	<ul style="list-style-type: none"> <li>• <a href="https://brjmf.com/en">https://brjmf.com/en</a></li> </ul>
Municipal site licence	Unified National Platform GOV.SA	<ul style="list-style-type: none"> <li>• <a href="https://www.my.gov.sa/wps/portal/snp/servicesDirectory/se rvicedetails/s9014">https://www.my.gov.sa/wps/portal/snp/servicesDirectory/se rvicedetails/s9014</a></li> <li>• <a href="https://www.my.gov.sa/wps/portal/snp/servicesDirectory/se rvicedetails/s9083">https://www.my.gov.sa/wps/portal/snp/servicesDirectory/se rvicedetails/s9083</a></li> <li>• <a href="https://www.my.gov.sa/wps/portal/snp/servicesDirectory/se rvicedetails/s9071">https://www.my.gov.sa/wps/portal/snp/servicesDirectory/se rvicedetails/s9071</a></li> <li>• <a href="https://www.my.gov.sa/wps/portal/snp/servicesDirectory/se rvicedetails/s9079">https://www.my.gov.sa/wps/portal/snp/servicesDirectory/se rvicedetails/s9079</a></li> </ul>
	Meras (government programme under of Saudi Business Center)	<ul style="list-style-type: none"> <li>• <a href="https://meras.gov.sa/en/licenses/ministry-of-municipalities-and-rural-affairs/%D8%A7%D9%84%D9%85%D9%82%D8%A7%D9%87%D9%8A-%D8%A7%D9%84%D8%B4%D8%B9%D8%A8%D9%8A%D8%A9-1/">https://meras.gov.sa/en/licenses/ministry-of-municipalities-and-rural-affairs/%D8%A7%D9%84%D9%85%D9%82%D8%A7%D9%87%D9%8A-%D8%A7%D9%84%D8%B4%D8%B9%D8%A8%D9%8A%D8%A9-1/</a></li> </ul>
Licences related to specific sectors	Meras (government programme under of Saudi Business Center)	<ul style="list-style-type: none"> <li>• <a href="https://meras.gov.sa/en/licenses/">https://meras.gov.sa/en/licenses/</a></li> </ul>
Regulations and requirements for business registration	Ministry of Commerce	<ul style="list-style-type: none"> <li>• <a href="https://mc.gov.sa/en/Regulations/Pages/details.aspx?lawId=9996dd8d-514e-4fbd-bdbf-a81e00af234d">https://mc.gov.sa/en/Regulations/Pages/details.aspx?lawId=9996dd8d-514e-4fbd-bdbf-a81e00af234d</a></li> <li>• <a href="https://mc.gov.sa/en/eservices/Pages/ServiceDetails.aspx?SID=59">https://mc.gov.sa/en/eservices/Pages/ServiceDetails.aspx?SID=59</a></li> <li>• <a href="https://mc.gov.sa/en/Regulations/Pages/details.aspx?lawId=cc6ffaaa-8c3a-42b8-92e7-a81e00a57498">https://mc.gov.sa/en/Regulations/Pages/details.aspx?lawId=cc6ffaaa-8c3a-42b8-92e7-a81e00a57498</a></li> </ul>