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ORIGINAL CONTRIBUTION

A Quantitative Study on the Role of Government Incentives in Fostering Entrepreneurship in the Saudi SME Sector

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Abstract— Despite being a major component of the Kingdom's economic diversification strategy under Saudi Arabia's Vision 2030, creative entrepreneurs face recurring challenges such as limited access to small business funding, a lack of skills, and difficulties in administrative procedures. Based on institutional theory and incentive theory, this study analyzes the direct effects of three types of public support measures (direct financial support, tax exemptions, subsidy training) and the moderating effect of perceived bureaucratic burden on entrepreneurial orientation. Survey data were collected using a purposive sampling method and a cross-sectional design from 212 creative small- and medium-sized business managers and founders in Saudi Arabia and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The empirical results show that all three policy instruments have a positive impact on entrepreneurship, with targeted financial grants having the greatest direct impact, followed by tax breaks and subsidized training. In addition, perceived bureaucratic burden has a strong negative moderating effect on all three relationships, reducing the positive effect of grants, tax relief, and training programs. The model has an explanatory power of 66.6% in explaining fostering entrepreneurship. From these findings, it can be concluded that financial and capacity-building enablers are indispensable for the success of creative businesses; however, they can only be effective if institutional access is facilitated and procedures are streamlined. The study offers key insights for policymakers and cultural development institutions seeking to maximize public interventions in emerging creative ecosystems.

Index Terms— Government incentives, Financial grants, Tax breaks, Subsidized training, Entrepreneurial orientation, Bureaucratic burden, Saudi creative sector, Vision 2030

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Introduction

In recent years, the creative economy has come to be recognized as a driver of sustainable economic development, export diversification, and high-paying jobs, beyond simply serving as a medium of cultural conservation (UNCTAD, 2022). In the world, countries have implemented Small and Medium-Sized Enterprise (SME) development in Cultural and Creative Industries (CCIs) in order to develop innovative business models, digital solutions, and creative intellectual property (Abdulrab et al., 2022). In the Kingdom of Saudi Arabia, this shift is integral to Vision 2030, a bold strategy aimed at diversifying the economy, reducing reliance on hydrocarbons, creating a vibrant private sector, fostering innovation, and developing a strong cultural economy (Vision, 2022).

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The creative industries industry, which include the digital content, media, design, performing arts, film, heritage, and fashion segments, have become a focal point for structural investment and institutional support in Saudi Arabia (King Abdulaziz Center for World Culture (Ithra), 2021; Saudi Market Research Consulting, 2025). Entrepreneurial thinking is essential to turn artistic ideas into commercially viable ventures, as these are mostly run by small teams, creative freelancers, and Small and Medium-Sized Enterprises (SMEs) by nature (Alqahtani, 2022; Ferreira et al., 2025). Entrepreneurial Orientation (EO) is therefore a key firm-level orientation that can be expected to be a factor in the survival and competitiveness of a firm in high-uncertainty creative markets (Clark et al., 2025).

Public interest is also uniquely challenging for creative enterprises as compared to conventional industrial or technology ones. It is common knowledge that creative entrepreneurs face severe issues in accessing capital, market demand, commercial networks, and critical gaps in area of IP management, pricing, and business scaling during their initial stages (Alkhulayfi, 2024). Additionally, it is important to consider longstanding institutional norms, such as past preferences for employment in the public sector and changing institutional structures (Alsolamy, 2023). To address these disadvantages, the Saudi government has implemented several public policy measures to reduce entry barriers for the market and de-risk early venture development (Akcigit et al., 2022; Alkhoraif, 2024).

The study focuses on three typical government incentives that are used in entrepreneurship policy, namely, financial grants, tax breaks, and subsidized training (Alkhoraif, 2024). Financial grants aimed at specific projects provide non-dilutive liquidity to cover initial overhead costs, purchase specialized equipment, and fund production development (ithra, 2025). Operating costs and cash flows are minimized, which helps maintain important cash flows, thanks to tax relief mechanisms administered by the Zakat, Tax and Customs Authority (ZATCA) during market fluctuations (MSCS Consulting, 2018). Founders, who are often artistic and do not have business experience, receive essential management, contractual, and commercial skills through subsidized training, which are vital to their success (Fairlie et al., 2015; Kayani & Alzaid, 2025).

Although there is an economic justification for easing the constraints of the venture—it is expected to boost entrepreneurial activity (Lerner, 2020)- the effectiveness of such instruments in emerging creative markets is not known. Policy-practice mismatches are common in support programs: policies may be written into statute, but are not used because they are not known by those who can implement them, eligibility requirements are not clearly specified, or they are cumbersome to administer (Matviienko, 2023; Onileowo, 2024). More seriously, the benefits of public support can be far more restricted by the level of administrative burden created by the bureaucracy, such as procedural delays, extensive paperwork, and regulatory uncertainty, on lean start-up teams (Kang et al., 2025).

Thus, there is a clear empirical gap: Although the institutional framework in the Kingdom of Saudi Arabia has been greatly strengthened to support the creative economy, quantitative evidence on which types of incentives are more effective at promoting entrepreneurial behaviors in the context of business remains limited, and empirical testing of the moderating effect of bureaucratic friction on policy effects has also not been conducted to any significant degree (Abdulrab et al., 2022; Alqahtani, 2022). To address these problems, this study has three objectives:

1. To examine the direct effects of three pre-specified government incentive programs—targeted financial grants, fiscal tax relief, and subsidized training—on fostering entrepreneurial orientation among creative SMEs in Saudi Arabia.

2. To examine whether the relationship between these government incentives and entrepreneurial orientation is significantly moderated (weakened) by perceived bureaucratic burden.

3. To conclude, evidence-informed and actionable policy guidance for those interested in improving the design of incentives for Saudi Vision 2030 policymakers, funding organizations, and ecosystem builders.

The remainder of this study is organized as follows: Section 2 provides an overview of the Saudi creative sector and its entrepreneurial dynamics. Section 3 presents the theoretical framework, conceptual definitions, and hypotheses development. Section 4 outlines the quantitative research methodology, including the sampling procedure, construct operationalization, and data analysis approach. Section 5 presents the empirical results of the measurement and structural models estimated via PLS-SEection 6 discusses the empirical findings, theoretical contributions, and evidence-supported policy implications. Section 7 concludes the study, and Section 8 outlines the limitations and avenues for future research.

Saudi creative sector and entrepreneurial dynamics

The cultural and creative industries are a growing sector of the Saudi Arabian economy, as the national mapping studies estimate the value of the sector to be around $15 billion per year (King Abdulaziz Center for World Culture (Ithra), 2021). The sector has shown an estimated annual growth rate of 13% from 2017 to 2019, with the expansion of domestic consumption and cultural reforms, as well as the many creative hubs being established in the region during the last three years (Saudi Market Research Consulting, 2025). Specialized bodies like the Small and Medium Enterprises General Authority (Monsha'at) and specialized commissions under the Ministry of Culture, such as Film, Fashion, Architecture, and Design, have been activated to provide infrastructure, funding, and developmental platforms (Kayani & Alzaid, 2025).

But national diagnostic reports show that there are structural differences between the institutional enablers and the results of creative markets (ithra, 2025; King Abdulaziz Center for World Culture (Ithra), 2021). Policy guidance and investment pledges are substantial, yet firm-level commercialization and scale-up, as well as long-term market viability, are lagging (ithra, 2025). The disconnect underscores the need to explore the effectiveness of policy mechanisms in accessing micro- and small-scale creative firms and their ability to inspire proactiveness and risk-taking among firms and their business practices (Alqahtani, 2022; Ferreira et al., 2025).

Frictions in the market are different for creative entrepreneurs. However, as opposed to traditional technology companies, which are able to

attract venture capital investments based on well-defined software scalability, creative businesses are subject to 'creative consumer valuations', lengthy creative development periods, and significant hurdles in terms of intellectual property protection (Alkhulayfi, 2024). Moreover, there is also a lack of uniformity in public support, despite many founders reporting that compliance requirements are more geared towards large, established corporations than towards creative start-ups, and that business development training is generic, not tailored to creative contracting, digital rights monetization, and cultural export strategies (Alsolamy, 2023; Kayani & Alzaid, 2025). It is therefore critical to break policy interventions down into their specific components (grants, fiscal support, and capacity development) to clearly identify their individual contributions and to understand how administrative hurdles affect the policy's intended benefits.

Theoretical Framework and Hypotheses Development

Theoretical foundations

This study draws on both Institutional Theory (North et al., 1990; Scott, 1995) and Incentive Theory (Laffont & Martimort, 2002; Lerner, 2020) to explain the theoretical mechanisms that link public policy instruments with intra-firm entrepreneurial activities.

The institutional approach North et al. (1990) considers the economic environment to be defined by formal rules and institutional frameworks, and the rules of the game for enterprises are laid down by legislative frameworks and government policies. Formal institutional enablers, such as programs to build the capabilities of enterprises, regulatory reliefs and capabilities, and the allocation of capital, serve as a stabilizing effect to reduce market hazards and incentivize enterprises to adopt proactive and forward-looking strategic positions in emerging transition markets (Ferreira et al., 2025). Institutions can also cause friction, though. Transaction costs due to procedural delays, complicated administrative procedures, and regulatory requirements disproportionately affect small businesses (Kang et al., 2025). Therefore, Institutional Theory offers a two-part view: public policy incentives serve as institutional enablers, and perceived bureaucratic burden acts as friction that hinders the effectiveness of public policy.

The Principal-Agent Theory (Laffont & Martimort, 2002; Lerner, 2020), which is complementary to the institutional approach, explains the principal-agent relationship between the state and the entrepreneur. The government (principal) encourages macroeconomic diversification, job creation, and innovation by incentivizing the founder (agent) to pursue commercially risky opportunities. Private financial institutions tend to have a low willingness to finance small and young firms due to their intangible assets, high uncertainty, and risky nature (Akcigit et al., 2022; Alkhulayfi, 2024). The purpose of the government incentives is to act as strategic compensation mechanisms, which aim to overcome these market failures:

- Targeted Financial Grants – non-dilutive liquidity that takes out high upfront costs of experimentation and asset acquisition, directly reducing the cost of failure, and encouraging innovation and risk-taking.
- Tax Breaks provide a liquidity cushion to the firm, as it enables them to maintain their internal working capital and optimize cash flow during unpredictable sales cycles, allowing the firm to make proactive moves in the market.
- Subsidized Training addresses the problems of information and human capital gaps by imparting key commercial, IP, and managerial expertise that increases entrepreneurs' confidence and strategic competence.

When the perceived bureaucratic burden is high, however, the prescribed incentive mechanisms may be undermined. Too high compliance requirements take managerial resources away from product innovation and succeed only in delivering a product that is compliant with regulatory requirements, while processing delays delay liquidity until a window of opportunity opens quickly in the market. Too high compliance requirements divert managerial focus from product innovation to administrative compliance; at the same time, processing delays delay liquidity until a window of opportunity opens quickly in the market. The theories can be integrated to serve as the analytical basis for the direct and moderating relationships hypothesized below.

Conceptualizing fostering entrepreneurship via entrepreneurial orientation

In this study, the structural relationships between three independent variables, the targeted financial grants, tax breaks, and subsidized training, one institutional moderating variable, perceived bureaucratic burden, and one endogenous dependent variable, Fostering Entrepreneurship, are investigated.

In order to minimize conceptual confusion, this study uses the term "Fostering Entrepreneurship" to refer to the strategic evolution of the firm's venture behaviors, as brought about by interventions of public policy. In empirical entrepreneurship education studies, how entrepreneurship is fostered can only be measured in abstract terms and is operationalized into the multi-dimensional framework of Entrepreneurial Orientation (EO) as proposed by Covin and Slevin (1989) and Clark et al. (2025). Specifically, entrepreneurship is captured reflectively with 9 indicators (FEO1-FEO9) that refer to the enterprise's actual innovativeness, proactive opportunity seeking, and calculated risk-taking. The only constant dependent construct throughout this study is Fostering Entrepreneurship, with all theoretical mechanisms, hypothesized paths (H1 – H6), and structural model evaluations being centered on this construct.

For entrepreneurship and policy research, a conceptual separation is needed between the policy goal (macro-level) of fostering entrepreneurship and the firm capacity (micro-level) of Entrepreneurial Orientation (EO). Entrepreneurship is the target of public policy efforts designed to spark dynamic and viable venture creation in new industries and sectors. The policy outcome must be measured empirically in a study, which is

done in this study at the level of the firm through the use of a validated multidimensional construct of Entrepreneurial Orientation (EO) proposed by Covin and Slevin (1989) and validated in recent scholarly work by Clark et al. (2025).

EO is concerned with the strategic orientation of an enterprise in three interrelated aspects:

1. Innovativeness: the readiness of an organization to undertake new, creative initiatives, to experiment and to create new products or services.

2. Proactiveness: an attitude of the market towards the future, anticipation of the customer's development process, proactively providing solutions.

3. Risk taking: willingness to invest organizational resources in business opportunities that offer less than certain commercial outcomes.

In the cultural and creative sector, where the tastes change quickly, values are subjective, and intellectual property rights are tenuous, the government's policy on incentives helps to strengthen the three strategic dimensions of entrepreneurship: (1) Entrepreneurial mindset; (2) Entrepreneurial attitudes; and (3) Entrepreneurial skill. The dependent construct in this study is the promotion of firm-level entrepreneurship, operationalized as this three-dimensional framework for the concept of EO.

Direct effects of government incentives

Policy evaluation in the cultural and creative industries needs to take into account the distinctive structural features of the creative firms as compared to traditional technology or manufacturing firms. First, creative businesses have project-based income streams with long development cycles and cash-flow gaps between projects, as opposed to subscription or transactional streams. Second, they are mostly based on intangible assets and creative Intellectual Property (IP), which are more difficult for traditional commercial banks to secure against and which continue to leave a gap in the debt financing market. Third, creative products have subjectively and extremely unpredictable market demand, as their acceptance is based not only on their functionality, but also on the prevalent tendency of a society to change its tastes and preferences quickly. Thirdly, creative companies rely on individual artistic abilities, in which the architecture and origin of the company are frequently made up by individuals with strong technical-creative abilities, but without commercial training. Therefore, policy tools cannot only be used to accelerate growth, but also serve as structural de-risking mechanisms needed to navigate the initial survival stage, and support strategic experimentation.

Targeted financial grants and fostering entrepreneurship

The development timelines are often long before a creative venture gets to the point of commercialization (such as pre-production on a film, prototyping digital media, or testing design concepts), and the ventures cannot use physical machinery as collateral on which to borrow. Direct financial grants are essential for providing non-dilutive liquidity. This first-round grant capital enables creative entrepreneurs to cover initial sunk costs of creative exploration and prototype creation of original work, thus positively affecting the innovativeness and risk appetite in the firm, directly, without any immediate pressure of insolvency.

Targeted financial grants are non-repayable allocations of public finance for specific purposes to help cover initial start-up costs, specialized equipment purchases, prototyping, and initial production (Akcigit et al., 2022). For creative entrepreneurs, the early stages of business development involve significant investment of resources up front, making it not possible to test the market with. Liquidity constraints prevent some experimentation and market entry, and this is what direct grants do in incentive theory (Lerner, 2020). For the founders, the availability of non-dilutive capital helps them bear the costs of their new, creative projects and boosts both firm-level innovativeness and risk appetite (Alqahtani, 2022; ithra, 2025). The previous empirical studies have validated the positive effect of public financing instruments on the entry and survival of SMEs, as well as on their strategic proactiveness in emerging ecosystems (Abdulrab et al., 2022; Alkhoraif, 2024). For that reason, it is hypothesized that:

H1: Targeted financial grants have a significant positive effect on fostering entrepreneurship.

Tax breaks and fostering entrepreneurship

The tax breaks and the promotion of entrepreneurship are provided below:

In the case of tax concessions (e.g., ZATCA exemptions), it will shield operating liquidity, as revenues and costs of creative enterprises are highly volatile and often project-related, while the costs of registering IP and the costs of copyright protection can be significant. Tax relief isn't just a reduction in accounts; it's an in-house capital reserve that helps creative business owners keep valuable creative talent on board and keeps their business running during the gaps between projects.

Fiscal relief mechanisms can be applied in a variety of ways and have the effect of lowering operating costs and increasing retained cash flow (e.g., ZATCA initiatives in Saudi Arabia – MSCS Consulting, 2018. Tax concessions protect for the nascent creative businesses the working capital that will be submitted to uneven revenue realization and high expenditures on the defense of intellectual property protection Alkhulayfi, 2024. An institutional view of a favorable tax regime would be one that provides a favorable organizational structure to encourage reinvestment in the core venture activities. It is fiscal incentives that help preserve liquidity and thus enable businesses to expand their market, test new service lines, and maintain operations during demand shocks Akcigit et al., 2022; Onileowo, 2024. Accordingly, it is hypothesized that:

H2: Tax breaks have a significant positive effect on fostering entrepreneurship.

Subsidized training and fostering entrepreneurship

Subsidized training is specifically designed to address the "artist-entrepreneur dilemma" that is common in creative companies, in which businesses are based on artistry and have a serious lack of skills in IP licensing, royalty agreements, creative contracting, and cultural marketing. By providing creative entrepreneurs with the business toolbox, specialized business skills training, and assistance of the government helps to prepare, protect, and market their creative IP, and helps to turn creative power into proactive and sustainable business strategies.

Subsidized training programs include publicly funded or low-cost skill development programs in operational management, commercialization, and intellectual property rights, business planning, etc (Fairlie et al., 2015). One of the most common problems identified in the creative industry sector is the "artist-entrepreneur gap," which refers to individuals with strong creative abilities but limited skills in commercial and administrative training (Kayani & Alzaid, 2025). Incentive theory suggests that knowledge gaps can be bridged with capability-building subsidies so that the founders can make more efficient use of the assets of the firm. Specialized business and technical training increases the strategic confidence of managers, which fosters an active competitive posture and a systematic approach to managing risk (Fairlie et al., 2015; Matviienko, 2023). It is hypothesized that:

H3: Subsidized training has a significant positive effect on fostering entrepreneurship.

The Moderating Role of Perceived Bureaucratic Burden

The perceived bureaucratic burden of the entrepreneur refers to subjective assessment of the entrepreneur when interacting with public services, regarding the difficulty of procedures, the amount of documentation, and the delay in administrative procedures (Kang et al., 2025). Perceived bureaucratic burden is an entrepreneur's self-evaluation of administrative stumbling blocks they face in the process of using public support and may include complex procedures and a lot of compliance documentation. In public policy and organizational scholarship, perceived bureaucratic burden is defined as the individual or firm's evaluation of the non-monetary costs associated with an interaction with a government program, including learning costs (information about program rules and eligibility requirements), compliance costs (time spent on paperwork and meeting reporting requirements), and psychological costs (frustration, stigma, and/or loss of autonomy) (Moynihan et al., 2015). When considering the use of government support schemes, high perceived burdens create friction points that reduce the perceived value of the incentive, increase the costs of adoption, and lower the likelihood of adoption. The common cognitive friction in the form of cognitive mechanisms, administrative complexity, documentation burden, and processing lag varies by incentive type, but the empirical manifestation of this friction is shared:

Bureaucratic burden as a moderator of financial grants

The entrepreneur's subjective assessment of the complexity of the processes, the amount of documentation required, and the administrative delay in interaction with public support systems is perceived as bureaucratic burden (Kang et al., 2025). Based on institutional theory (Ferreira et al., 2025), bureaucratic friction is perceived as an institutional obstacle to the relationship between the resource-poor creative start-up and the institution, which introduces a significant transaction cost. The catalytic effect of the capital is seriously reduced when the creative entrepreneurs come across an excess of bureaucracy in the application process for financial grants. The grant is disbursed in markets that are fast and have short commercial windows; any time-consuming steps in the administrative process delay the grant's arrival, and it reaches the market when it is too late (Alqahtani, 2022; Lerner, 2020). Moreover, compliance needs take up disproportionate managerial attention and divert managers' focus from product innovation to administration. Thus, high administrative burdens reduce the ability of financial grants to improve the entrepreneurial orientation. Hence:

H4: Perceived bureaucratic burden significantly moderates the relationship between targeted financial grants and fostering entrepreneurship, such that high bureaucratic burden weakens the positive effect.

Bureaucratic burden as a moderator of tax breaks

Tax incentives are designed to maintain strong liquidity, but can only be implemented if they are administered simply (MSCS Consulting, 2018). The benefits of cash-flow can be outweighed by the regulations themselves, which can take time and resources to meet and have unclear eligibility criteria (Alsolamy, 2023; Kang et al., 2025). Financial insecurity is caused by the ambiguity of rules and procedures in the institutions, and as such, this deters innovative founders from investing their retained entitlement in bold and proactive projects or uncertain markets (Onileowo, 2024). In this situation, the positive effect that tax benefits have on firm-level risk shifting and strategic agility is lessened due to the complexity of the institutions. For this reason, it is hypothesized that:

H5: Perceived bureaucratic burden significantly moderates the relationship between tax breaks and fostering entrepreneurship, such that high bureaucratic burden weakens the positive effect.

Bureaucratic burden as a moderator of subsidized training

Accessible and friction-free participation is key to the effectiveness of capability building programs (Fairlie et al., 2015). One of the hallmarks of creative start-up teams is the lack of redundancy and the lean team. The cost of participation increases if the registration process is complex, documentation requirements are cumbersome, or the process is slow, such as with institutional verification (Kayani & Alzaid, 2025). One of the main obstacles to enrolment is the perceived administrative requirements for creative managers, or, on the other hand, delays that may occur during the training process and result in misalignment with the needs of the ongoing project (Brás & Robaina, 2025). If there is a high level of tension between the bureaucracies, subsidized training has a smaller positive impact on the proactiveness of managers and their innovation capacity. Hence, it is hypothesized that:

H6: Perceived bureaucratic burden significantly moderates the relationship between subsidized training and fostering entrepreneurship, such that high bureaucratic burden weakens the positive effect.

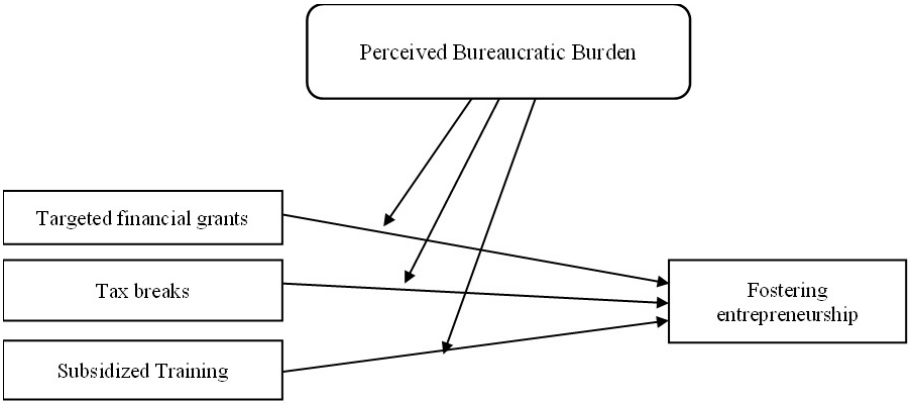

Fig. 1 *Conceptual framework*

Methodology

Research design

The study adopts a quantitative and cross-sectional survey research design to examine the direct and moderating effects of government policy incentives on Entrepreneurial Orientation (EO) in the cultural and creative industries in Saudi Arabia. It was decided to use Partial Least Squares Structural Equation Modeling (PLS-SEM) to analyze the hypothesized relationships using SmartPLS 4.0 software.

For the sake of methodological considerations, PLS-SEM was preferred to Covariance-Based SEM (CB-SEM) for four methodological considerations (Hair et al., 2017; Sarstedt et al., 2021): (i) PLS-SEM is especially suited for research models that primarily focus on maximising explained variance in endogenous constructs *(R^2)* instead of model-fit testing; (ii) Multiple reflective items are present in each latent variable of the conceptual model and there are six simultaneous direct and interaction paths; and (iii) PLS-SEM offers strong path estimates in exploratory and emergent settings (e.g., the emerging Saudi creative industries) where underlying distributional normality is likely to be violated. The achieved sample size of 212 respondents is sufficient for PLS-SEM to attain an excellent level of statistical power without imposing the large sample numbers typical of maximum likelihood estimators.

The structural model and hypothesized paths were estimated using the Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS 4.0. The mean replacement method was used for missing data (less than 0.5% of the survey entries) before being estimated by the algorithm. A non-parametric bootstrapping procedure was performed with 5,000 bootstrap subsamples and two-tailed tests with Bias-Corrected and Accelerated (BCa) 95% confidence intervals to assess the significance of the path coefficients. Perceived bureaucratic burden, targeted financial grants, tax breaks, and subsidized training were measured with the two-stage product indicator approach in order to increase the statistical power and stability of the parameters in the composite-based structural equation modeling.

Population and sampling procedure

The targeted population included founders, owners, and C-level managers of SMEs in the creative industries that were in the early growth phase within Saudi Arabia. According to the national definition for SMEs in Saudi Arabia and its institutional framework, only businesses with fewer than 250 staff and under 10 years of operation in the creative sub-sector of the Kingdom of Saudi Arabia, identified by the Ministry of Culture (such as

design, digital content, media, performing arts, heritage, film, video games, and fashion) were included (King Abdulaziz Center for World Culture (Ithra), 2021).

The sampling design was purposive sampling (non-probability sampling) so that the respondents were entrepreneurs or managers of creative entrepreneurs with direct experience in the implementation of various government support mechanisms. The participants were selected from the official business directories, digital media, and communication tools of the Small and Medium Enterprises General Authority (Monsha'at), cultural business incubators, and creative industry clusters in Riyadh, Jeddah, and Dammam. A standardized online survey link was sent to 350 eligible contacts from enterprises over a 3-month period. A total of 258 questionnaires were returned completed. A systematic two-stage screening process was then used to ensure data quality:

1. During the first stage, a total of 27 submissions were excluded because respondents reported that they had not applied for or received any government incentives.

2. 11 submissions in the second stage were eliminated for having an enterprise age exceeding 10 years, and 8 responses were eliminated because of missing records or straight-lining responses.

After this screening procedure, 46 invalid submittals were discarded, leaving 212 completed questionnaires (an effective net response rate of 60.57%). Purposive non-probability sampling does not involve random sampling, and therefore, the results obtained are interpreted with appropriate caution in relation to being generalized to the whole population of micro-enterprises.

Sample characteristics

Table I summarizes the demographic and organizational profiles of the participating enterprises and managers (*N* = 212).

Table I
Demographic and organizational characteristics of the sample (*N* = 212)

Characteristic	Category	Frequency (*n*)	Percentage (%)
Gender	Male	131	62.8%
	Female	81	38.2%
Age	25-34 years	123	58%
	35-44 years	89	42%
Educational Level	Bachelor's degree	110	51.9%
	Master degree	59	27.8%
	Doctoral degree (PhD)	26	12.3%
	Other/ Professional Diploma	17	8%
Creative Sub-Sector	Design	51	24.1%
	Digital Content	47	22.2%
	Media & Broadcasting	38	17.9%
	Film & Video Production	25	11.8%
	Fashion & Apparel	21	9.9%
	Other creative Sub-Sector	30	14.1%
Firm Age	Less than 3 years	95	44.8%
	4-7 years	74	34.9%
	8-10 years	43	20.3
Geographic Location	Riyadh (Central Region)	117	55.2%
	Jeddah (Western Region)	53	25%
	Dammam (Eastern Region)	32	15.1%
	Other Region	10	4.7%
Creative Sub-Sector	Design	51	24.1%
	Digital Content	47	22.2%
	Media & Broadcasting	38	17.9%
	Film & Video Production	25	11.8%
	Fashion & Apparel	21	9.9%
	Other Creative sub-sector (Performing, Art, Heritage, Gaming)	30	14.1%

The demographic analysis in Table I showed a young, highly educated sample, consistent with the Saudi creative entrepreneurship landscape under Vision 2030. The majority (58 percent) were 25-34 years old, showing the industry's attractiveness to millennials joining SMEs, with 42 percent aged 35-44 suggesting mid-professional careers were pursuing EO. Of the respondents, 62 percent were male and 38 percent female, reflecting slow gender shifts in Saudi business in line with national reforms. High education levels were indicated by 52 percent having bachelor's degrees, 28 percent master's degrees, and 12 percent PhDs, preparing them for EO challenges in creative sectors. Sub-creative sectors were diverse, with design (24 percent), digital content (22 percent), and media (18 percent) dominant, followed by film (12 percent) and fashion (10 percent). Firm ages were 45 percent less than 3 years and 35 percent 4-7 years, examining early-stage incentives' effects. Geographically, 55

percent Riyadh, 25 percent Jeddah, and 15 percent Dammam, matching economic clusters (Vision, 2022). In sum, the profile of the distribution mirrors that of the Saudi Creative Start-up Ecosystem today: high concentration in key economic clusters (Riyadh and Jeddah), a strong youth prominence and a focus on education, and a strong emphasis on digital, design, and media sectors.

Measures

The multi-item measurement scales adapted from existing empirical studies were validated for all latent constructs in the conceptual framework, which were measured reflectively. The Likert scale was used for all survey items to record a response from 1 (strongly disagree) to 5 (strongly agree).

Fostering entrepreneurship (Endogenous dependent variable):

fostering entrepreneurship at the enterprise level was measured reflected by nine items, which corresponds to the key behavioral components of Entrepreneurial Orientation (EO): Innovativeness (3 items), proactiveness (3 items), and risk-taking (3 items), adapted from the work of Covin and Slevin (1989) and Clark et al. (2025). Sample item (FEO2): "We often bring new creative products, services, or approaches to market that set us apart from our competitors."

Targeted financial grants (Independent variable):

Financial grant support was measured on a five-item scale (TFG1–TFG5) adapted from Akcigit et al. (2022) and Lerner (2020), which evaluated the availability, direct injection of liquidity, and the usefulness of non-dilutive financial grants to early asset acquisition and prototyping. Sample item (TFG1): "Our firm received government capital in financial grants that were not to be repaid, which helped us to acquire special equipment and experiment with new creative projects."

Tax breaks (Independent variable):

Fiscal relief was assessed using four items (TB1 – TB4) adapted from MSCS Consulting (2018) related to the effect of ZATCA tax holidays, tax exemptions, and fiscal concessions on the operating liquidity of enterprises and working-capital retention. Sample item (TB2): "Fiscal fee waivers and tax exemptions have helped our firm maintain operating cash flow in the face of fluctuating business cycles."

Subsidized training (Independent variable):

This construct was measured using a scale of four items adapted from Fairlie et al. (2015) measuring participation in government subsidies for four areas of capability building: intellectual property protection, creative contracting, cultural marketing, and business scaling (ST1 – ST4). Sample item (ST3): "Subsidized government training programs provided our management team with essential skills in intellectual property rights, commercial contracting, and business strategy."

Perceived bureaucratic burden (Moderating variable):

Administrative friction was assessed reflectively through four items (PBB1–PBB4) adapted from Kang et al. (2025) to include compliance overhead, volume of documentation, institutional ambiguity, and administrative processing delays when interacting with public support programs. Sample item (PBB3): "Complying with administrative procedures and documentation requirements to access government support consumes excessive time and managerial effort."

The instrument used qualifying routing questions to ensure substantive validity in varying levels of policy exposure (i.e., applicants for incentive and incentive recipients). Awarded recipients responded to questions focused on actual business utility and operational relief, while applicants who are still in the process responded to questions about the accessibility of the process, transparency of the criteria, and administrative steps taken, ensuring their responses were tied to first-hand experience with the institution.

Common Method Bias (CMB) diagnostics

Common Method Bias (CMB) is a potential problem in self-reported, single-informant cross-sectional surveys, and was addressed using both procedural and statistical methods (Podsakoff et al., 2003). Procedurally, this involved randomizing construct items across portions of the digital questionnaire so as not to establish a pattern, ensuring strict confidentiality and anonymity, and using concise questions to reduce the need for evaluation apprehension and social desirability bias.

Two Complementary Diagnostics (CDs) were done by statistical methods. The first was that the single factor test used by Harman was performed on an unrotated exploratory factor analysis. The single largest factor explained 32.4% of the variance, which is considerably lower

than the 50% threshold. Second, since the Harman test has limitations in detecting small method differences, a complete collinearity test was conducted within SmartPLS, which was recommended for PLS-SEM models (Kock, 2015). The variance inflation factor (VIF) values for all the resulting variables were within a conservative limit of 3.3, as shown in Table IV, and were below the conservative limit of 10. All the resulting variable variance inflation factor (VIF) values were under the conservative limit of 10 and comfortably under 3.3 VIF (Table IV). The authors recognize that the cross-sectional data obtained from self-report questionnaires are not completely free from the potential for method variance, but the results of the statistical diagnostic tests indicate that, for this study, method variance is not a general problem for the validity of the structural paths.

Data Analysis and Results

Assessment of the measurement model

Construct reliability and validity

The measurement model was assessed for outer model indicator reliability, internal consistency reliability, convergent validity, and discriminant validity (Hair et al., 2017). All outer loadings of the indicators were higher than the recommended value of 0.70 and statistically significant with $p < 0.001$, as indicated in Table II, meaning that each indicator accounted for more variance with its respective construct than with error variance (Hair et al., 2017). As such, none of the indicators were deleted or shortened in the process of model estimation, and all of them were considered in the model. Table II shows that Cronbach's alpha for each construct falls in the acceptable range of 0.70 (Sarstedt et al., 2019) with values ranging from 0.731 to 0.860. The composite reliability (rho-a) values range from 0.652 to 0.161, while the composite reliability (rho-c) values range from 0.874 to 0.923, which all also above the criterion of 0.70 (Sarstedt et al., 2019). The Average Variance Extracted (AVE) was used to access convergent validity; all AVE scores were higher than the recommended value of 0.50 (ranging from 0.590 to 0.705).

Table II
Construct reliability and validity

	Outer Loading	Cronbach's alpha	Composite reliability (rho-a)	Composite reliability (rho-c)	Average variance extracted (AVE)
Fostering entrepreneurship		0.841	0.852	0.874	0.698
FEO1	0.812				
FEO2	0.835				
FEO3	0.847				
FEO4	0.829				
FEO5	0.860				
FEO6	0.831				
FEO7	0.818				
FEO8	0.844				
FEO9	0.838				
Perceived Bureaucratic Burden		0.851	0.863	0.882	0.705
PBB1	0.825				
PBB2	0.849				
PBB3	0.853				
PBB4	0.831				
Subsidized Training		0.911	0.916	0.923	0.590
ST1	0.752				
ST2	0.731				
ST3	0.804				
ST4	0.782				
Targeted financial grants		0.859	0.871	0.887	0.682
TFG1	0.841				
TFG2	0.855				
TFG3	0.829				
TFG4	0.798				
TFG5	0.806				
Tax breaks		0.879	0.885	0.896	0.652
TB1	0.789				
TB2	0.822				
TB3	0.815				
TB4	0.802				

Heterotrait-Monotrait ratio (HTMT)

Hair et al. (2017) concluded that the heterotrait-monotrait (HTMT) ratio in Table III showed discriminant validity because all the correlations of all constructs were below 0.90, demonstrating distinct constructs as recommended in Saudi SME studies (Hair et al., 2017). The measures validate the scales for structural path modelling to test hypotheses related to the effect of incentives on EO.

Table III
Heterotrait-monotrait ration (HTMT)

	Fostering entrepreneurship	Perceived Bureaucratic Burden	Subsidized Training	Targeted financial grants	Tax breaks
Fostering entrepreneurship	Fostering entrepreneurship				
Perceived Bureaucratic Burden	0.510				
Subsidized Training	0.628	0.488			
Targeted financial grants	0.476	0.207	0.187		
Tax breaks	0.459	0.085	0.239	0.190	

Assessment of the structural model

Collinearity statistics (VIF)

Perior to testing the hypothesized structural paths, collinearity was evaluated. Collinearity tests in Table IV revealed no problems with variance inflation factors (VIF) below the conservative cutoff of 5 (Sarstedt et al., 2014): Perceived bureaucratic burden at 1.339, subsidized training at 1.240, targeted financial grants at 1.429, and tax breaks at 1.240, ensuring stable path estimates without multicollinearity bias in the collected data (Sarstedt et al., 2014).

Table IV
Collinearity statistics (VIF)

Fostering entrepreneurship	
Perceived Bureaucratic Burden	1.339
Subsidized Training	1.250
Targeted financial grants	1.429
Tax breaks	1.240

Model fit

Model fit metrics in Table V showed good alignment between saturated (SRMR 0.046, d_ULS 0.863, d_G 0.391, Chi-square 460.25, NFI 0.936) and estimated models (SRMR 0.054, d_ULS 1.036, d_G 0.443, Chi-square 485.24, NFI 0.921), with SRMR under 0.08 validating overall fit for hypothesis testing (Henseler et al., 2015).

Table V
Model fit

	Saturated model	Estimated model
SRMR	0.046	0.054
D_ULS	0.863	1.036
D_G	0.391	0.443
Chi-square	460.25	485.24
NFI	0.936	0.921

R square

The structural model explained significant variance in fostering entrepreneurship (Byrne, 2016; Sarstedt et al., 2021). As shown in Table VI, the coefficient of determination *(R^2)* explains 0.666 of the variance in fostering entrepreneurship, and the adjusted R^2 is 0.655. Which representing substantial explanatory power.

Table VI
R square

Endogenous Construct	*R*-square	*R*-square adjusted
Fostering Entrepreneurship	0.666	0.655

***F* square**

The effect size (f^2) was assessed based on the criteria set by Cohen (1988) which allocated values of 0.02, 0.15 and 0.35 to small, medium and large effect sizes, respectively. The perceived bureaucratic burden (f^2) = 0.049) and tax breaks (f^2) = 0.022) have small local effect sizes on encouraging entrepreneurship (as presented in Table VII). On the other hand, there are very small local effect sizes in targeted financial grants (f^2) = 0.009) and subsidized training (f^2) = 0.003). The predictors together explain a significant amount of variance in the endogenous construct, 66.6% (R^2) = 0.666), with these individual local effect sizes being small.

Table VII
F square

	Fostering Entrepreneurship
Fostering entrepreneurship	
Perceived Bureaucratic Burden	0.049
Subsidized Training	0.003
Targeted financial grants	0.009
Tax breaks	0.022

Path coefficient (Hypotheses testing)

Bootstrapping in Table VIII verified the significance of all direct and moderating paths, and supported the hypotheses on the effects of incentives' on creative entrepreneurship in Saudi Arabia. Direct effects show targeted financial grants have a greater positive effect with an original sample of 0.349, a *t* value of 6.484, and a *p* value of 0.000, which is significant, supporting H1. Similarly, tax breaks have a positive effect with an original sample of 0.245 with a *t* value of 4.711 and a *p* value of 0.000, and are significant, supporting H2. Subsidized training has a positive effect on promoting entrepreneurship, with the variable estimated at 0.180, *t* value of 3.288, and a *p* value of 0.001, which is significant, supporting H3.

For moderating effects, perceived bureaucratic burden moderates the relationship between targeted financial grants and fostering entrepreneurship negatively with an original sample of -0.124, a *t* value of 1.973, and a *p* value of 0.049, meaning the effect is weakly negative but significant. The interaction between perceived bureaucratic burden and tax breaks is also negative, with an original sample of -0.172, a *t* value of 3.170, and a *p* value of 0.002, so the bureaucratic burden is a stronger moderating effect for tax breaks. Perceived bureaucratic burden also has a negative moderating effect on the link between subsidized training and fostering entrepreneurship, with an original sample of -0.153, a *t* value of 3.254, and a *p* value of 0.001, which also means the higher the perceived bureaucratic burden, the weaker the positive effect of training on fostering entrepreneurship. Thus, H4, H5, and H6 are all empirically supported.

Table VIII
Path coefficient (Direct and moderating effects)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	*T* statistics (|O/STDEV|)	*P* values
Subsidized Training -> Fostering entrepreneurship	0.180	0.188	0.055	3.288	0.001
Targeted financial grants -> Fostering entrepreneurship	0.349	0.337	0.055	6.484	0.000
Tax breaks -> Fostering entrepreneurship	0.245	0.252	0.052	4.711	0.000
Perceived Bureaucratic Burden x Targeted financial grants -> Fostering entrepreneurship	-0.124	-0.107	0.063	1.973	0.049
Perceived Bureaucratic Burden x Tax breaks -> Fostering entrepreneurship	-0.172	-0.183	0.060	3.170	0.002
Perceived Bureaucratic Burden x Subsidized Training -> Fostering entrepreneurship	-0.153	-0.144	0.047	3.254	0.001

Figure 2 shows the same results as the table, illustrating the bootstrapped paths and the direct effects are positive, while the moderating interaction effects are negative.

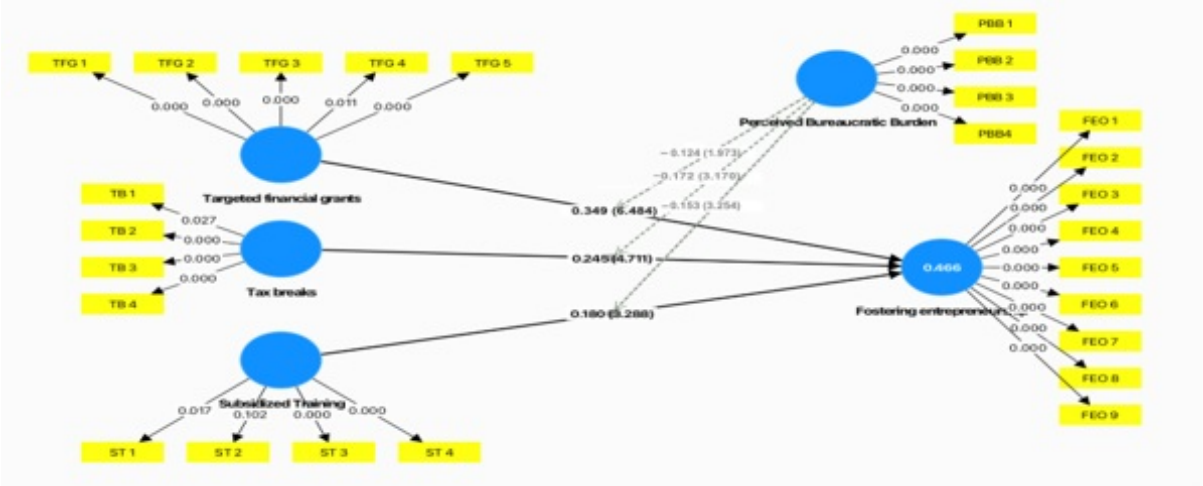

Fig. 2 *The structural model (Bootstrapping- p value and t value)*

Simple slope analyses (Figure 3) were performed to explore these three moderating relationships between each incentive and fostering entrepreneurship at the mean, low, and high levels of perceived bureaucratic burden (-1, 0, and +1 standard deviations).

1. Targeted Financial Grants × Bureaucratic Burden: The positive association between financial grants and promoting entrepreneurship is strong and steep, with a β value of 0.473 at a low level of perceived bureaucratic burden (-1 SD) (p<0.001). The slope is clearly shallower (+1 SD, β=0.225, p=0.012), revealing that administrative obstacles have a clear effect on reducing the positive effects of grants.

2. Tax Breaks × Bureaucratic Burden: There is a strong positive relationship between tax breaks and entrepreneurship at low levels of bureaucratic burden (-1 SD) (β=0.417, p<0.001). If the bureaucratic burden is high (+1 SD), the simple slope becomes substantially weaker (β=0.073, p=0.218), suggesting that high levels of bureaucratic burden almost eliminate the benefits of fiscal relief.

3. Subsidized Training × Bureaucratic Burden: The positive impact of subsidized training on entrepreneurship is strong when there is low bureaucratic burden (-1 SD; β=0.333, p<0.001), but moderate when there is high bureaucratic burden (+1 SD; β=0.027, p=0.635).

The simple slope patterns provide support for hypotheses H4, H5, and H6, showing that under certain conditions incentives can induce entrepreneurial orientation, however, the positive effects of incentives will be reduced systematically if the entrepreneur suffers from heavy bureaucratic burden.

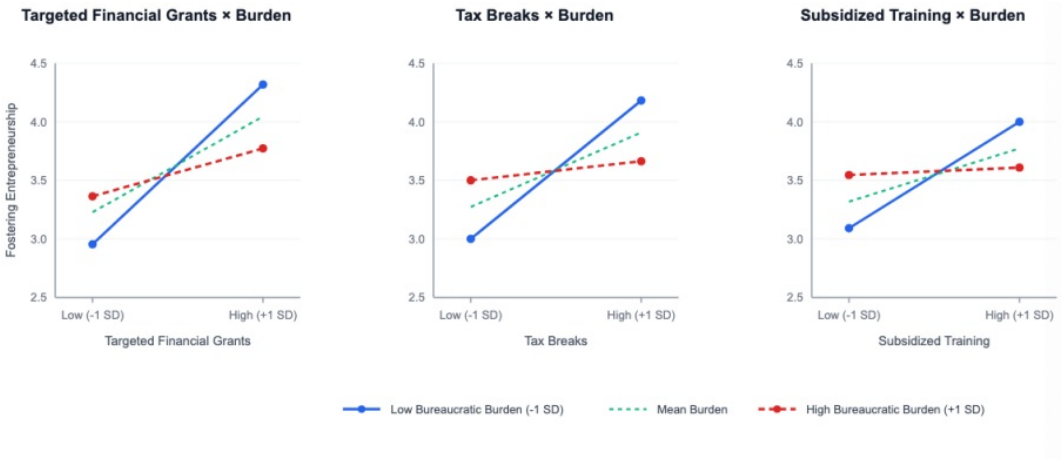

Fig. 3 *Simple slope plots for moderation effects*

In addition to verifying the direction of the hypotheses in relation to the existing literature, the results of the study show two important patterns from a substantive point of view regarding the profile of creative enterprise in Saudi Arabia.

First, the structural results show that perceived BUR reduces tax breaks with the greatest effect (beta = -0.172, p = 0.002), trailed by subsidized training (beta = -0.153, p = 0.001) and attenuates targeted financial grants with the weakest effect (beta = -0.124, p = 0.049). This differential vulnerability is based on compliance operating as a mode of functioning. Targeted financial grants are a single-shot application process, where if approved, there is a significant and non-dilutive liquidity injection – as a result of the initial administrative process, that is commercially catalytic

and provides capital that does not flow through an investment fund. By contrast, fiscal relief, such as ZATCA tax holidays, municipal fee waivers must be continuously maintained and complied with, such as monthly or quarterly electronic filing, audited financial statements, and verification processes. Recurring administrative tasks are a burden on the founders of creative businesses, especially micro and small enterprises, who often lack an accounting or legal team, and thus have to use productive hours in managing the regular needs of the administrative tasks or hire costly external accountants. These continuing transaction expenses actually eat into the small amount of cash flow remaining after accounting for the tax exemption, offsetting the fiscal stimulus that was hoped for.

Second, the direct path from subsidized training to research collaboration (beta = 0.180, $p = 0.001$) is statistically significant and positive, but has a small local effect size ($f^2 = 0.003$), whereas the direct path from targeted financial grants to research collaboration is the primary direct effect (beta = 0.349, $p < 0.001$). This split between path significance and effect size yields an important concept: capability-building is a good institutional intervention, but in an early-stage creative sector that is just emerging, with serious upfront asset deficits, human capital enhancement is an operational complement, not an independent driver of entrepreneurial risk-taking. The incremental explanatory power (f^2) of the training program is small when direct capital mechanisms (government grants and government retained fiscal reserves) are in place. While upfront capital grants address the immediate existential question of funding creative prototyping and technology acquisition, training is a reinforcing lever that can help to improve the utilization of that capital.

Discussion and Implications

Discussion of empirical findings

The empirical results provide strong quantitative support that the public policy incentives have an active effect on promoting entrepreneurship at the firm level in the Saudi cultural and creative industries. Each of the three direct policy instruments, namely financial grants, fiscal tax breaks, and subsidized capability-building training, independently showed statistical significance positive effects on Entrepreneurial Orientation (EO). Their relative predictive magnitudes are, however, significantly different in aspects that contribute to an understanding of the dynamics of creative enterprise.

Financial grants specifically targeting the entrepreneurs (beta = 0.349, $p < 0.001$) were the most powerful predictor of entrepreneurial orientation. This finding is in line with the premises of incentive theory which argues that it is essential to provide non-dilutive liquidity for absorbing one-off sunk costs, and with the empirical evidence given by Lerner (2020) and Akcigit et al. (2022). The founders of creative industries can also receive direct capital injections where they can invest their resources to develop their new product designs, create prototypes, and then explore markets with greater levels of uncertainty (Alqahtani, 2022; ithra, 2025).

Tax breaks (beta = 0.245, $p < 0.001$) were the second largest direct impact. This is consistent with the findings of the previous studies conducted by MSCS Consulting (2018) and Onileowo (2024), which suggest that operating cash flow can be positively affected directly by fiscal relief (ZATCA tax holiday). Lower taxes, however, benefit creative start-ups that have variable cash flows, to provide a liquidity buffer to support the investment in competitive capabilities and market initiatives (Alkhulayfi, 2024).

In the same way, the subsidization of training was significant and positive (beta = 0.180, $p = 0.001$). While education is an important element, our empirical results show that capability acquisition is complementary and less direct in its contribution to overall EO than direct financial de-risking. Creative training in entrepreneurship helps address the “artist-entrepreneur” skill gap by offering essential abilities, including commercialisation, contracting, and IP management skills (Fairlie et al., 2015; Kayani & Alzaid, 2025).

An important finding of this study is that perceived bureaucratic burden moderates the relationship between each of the three policy tools and the outcome of the study negatively. In line with institutional theory and administrative burden-based theory (Ferreira et al., 2025; Kang et al., 2025), the administrative friction is a systematic obstacle that reduces public investments. Bureaucratic burden weakened the positive benefits of tax breaks (beta = -0.172, $p = 0.002$), subsidized training (beta = -0.153, $p = 0.001$), and financial grants (beta = -0.124, $p = 0.049$). As compliance processes, paperwork, and institutional response times begin to increase, creative managers take time away from value creation and product innovation, into administrative navigation (Alsolamy, 2023). This means that public support has a net effect that is significantly reduced by institutional friction.

The structural heterogeneity of the sample across creative subsectors needs to be taken into account when interpreting the empirical results. Specifically, 64.2% of the surveyed enterprises are in the field of design (24.1%), digital content (22.2%) and media and broadcasting (17.9%). Digital and asset-light subsectors feature quick production turnarounds, fast market access, and sensitivity to software licensing and IP commercialization. Due to this strong presence, the direct effects were particularly strong for targeted financial grants for software, hardware, and prototyping and for tax relief that supports immediate working capital retention. The subsectors that need greater capital investment, physical facilities, and longer lead time for production and regulatory approval, however, are film production (11.8%), fashion (9.9%) and performing arts or heritage (14.1%). In these high capital disciplines, the delay and friction in procedure can have a more negative impact on the liquidity of the venture and project continuity. Although there is generally a consistent pattern of directionality across the pooled sample, such effects are not unavoidable in terms of incentive absorption or administrative friction, and must be understood in each of these subsectors.

The relative strength of the interaction terms provides important information on the nature of administrative friction across different policy

mechanisms beyond merely establishing the direction of the hypotheses. In particular, perceived bureaucratic burden had the greatest negative influence on tax breaks (β = −0.172, p=0.002), followed by subsidized training (β = −0.153, p = 0.001), and finally the negative interaction effect between these two (β = −0.124, p = 0.049).

This increased sensitivity of tax breaks to friction with the bureaucracy reflects the structural nature of tax breaks in the Saudi creative enterprise environment. First, although financial grants are targeted, and once approved, they allow immediate access to the non-dilutive liquidity of the funds, the claiming and maintenance of tax exemptions (e.g. ZATCA tax holidays and fee waivers) requires continuous and recurrent institutional compliance. Financial statements are mandatory, electronic invoicing is required and regular audit clearances are mandatory for enterprises. Second, most of the creative businesses in Saudi Arabia are micro- and small-scale businesses owned by creative, and technical experts, who do not have accounting or legal departments. Founders are forced to spend significant time on navigating administrative rules, or face high costs from third-party accountants merely to apply for exemptions, when those rules are complicated or unclear. The regular costs of compliance directly offset the small cash-flow benefit of the tax concession, cancelling out its liquidity benefit. In contrast, grants are a significant advance of capital that can be a commercially transformative force even though they are applied for relatively late. Therefore, fiscal policy tools in emerging creative markets must be more than just statutory relief and are almost entirely dependent on frictionless and automated digital administration.

Theoretical contributions

This study contributes to the field of entrepreneurship and public policy literature in three important ways. First, the study builds on the traditional focus of institutional theory on formal rules structuring market conduct at the macro-level, and shows that at the micro-firm level, institutional enablers (incentives) and institutional friction (bureaucratic burden) are in constant tension. Second, this study also provides a deeper understanding of the role of institutions in entrepreneurship by examining how institutional enablers and institutional friction work in tandem at the micro-firm level. Third, the study brings insights from the micro-firm level to the field of entrepreneurship, which is traditionally studied at macro-level. Through the fact that administrative hassles directly affect the usefulness of government assistance, the study models the limits of government policy mechanisms. Second, incentive theory has often dealt uniformly with state support mechanisms. This study highlights empirical variation across policy levers: direct capital subsidies provide the strongest potential for catalytic risk-taking in explorations, while fiscal and training mechanisms are essential, though complementary. Third, the Contextual Literature on Vision 2030: The previous studies in the field of entrepreneurship in Saudi Arabia mainly focused on general SMEs, descriptive macro assessments, or technology startups (Abdulrab et al., 2022; Alqahtani, 2022). This inquiry offers one of the first quantitative analyses of firm-level EO in the Saudi cultural and creative industries and offers empirical guidelines for the development of the creative sector in emerging economies.

This study does not make a causal claim based on cross sectional data, but rather a strong empirical link between public incentive mechanisms, administrative friction, and entrepreneurial orientation at the firm level in a nascent creative sector. By doing so, it sheds light on Institutional Theory by highlighting the two-way interaction at the micro-level of formal institutions: public policy incentives are positive institutional enablers that correlate positively with entrepreneurial attitude, while perceived bureaucratic burden is an institutional friction that dampens these relationships significantly. The study empirically illustrates how the observed gains of state support are reduced by administrative obstacles, thus enabling it to model the boundary conditions of institutional interventions in creative enterprise ecosystems.

Practical and policy implications

For policymakers, regional development agencies, and cultural sector authorities (Ministry of Culture, Cultural Development Fund, and Monsha'at), these results offer practical recommendations: First, targeted financial grants are the most powerful motivator for entrepreneurial behavior (beta = 0.349), so processes of distributing grants should be scaled up and accelerated. Lengthy screening processes, and ill-defined assessment forms, don't meet the short creative market windows. Structured milestone disbursements and automated application platforms will help maximize the impact of these grants. Second, tax concession moderates the effect of bureaucratic burden the most (Beta = -0.172), so tax relief programs need to be administrative frictionless. The Zakat, Tax and Customs Authority (ZATCA) needs to roll out simplified exemptions for qualified creative start-ups for reporting, which allows for a single click, and standardize digital tax clearances, thereby reducing compliance burden that comes with claiming exemptions. Third, subsidized training should go beyond the general business management and include the specific commercial issues faced by creative companies: monetization of creative IP, copyright, royalty agreements, digital distribution rights, and cultural marketing across borders. Modular, digital micro-credentials will enable creative entrepreneurs who are busy with production to upskill without sacrificing time.

Policy implications should clearly differentiate between direct empirical findings derived from the structural model provides and more general and exploratory policy recommendations for ecosystem development to ensure scientific rigor.

Direct, Evidence-supported policy implications

- The need for targeted financial grants as the single most direct and significant source of entrepreneurial orientation (β = 0.349, p < 0.001) must take precedence in the public support authorities agenda, including the Cultural Development Fund and Monsha'at in particular.

Capital allocation, rather than the indirect mechanisms, should be made before absorbing high sunk prototyping costs, given that grants can serve as the initial capital required.

- To prevent administrative friction in fiscal clearances, fiscal support programs must not only be legislated exempt from taxes, but also have a perceived lack of administrative burden (β = −0.172,p = 0.002). The Zakat, Tax and Customs Authority (ZATCA) needs to have simplified, automated and digital exemption portals in implementation in coordination with creative industry regulators. Sustaining the cash-flow advantages of tax reliefs demands that the on-going documentation and verification procedures be minimised, or else the cash-flow benefits will be offset by the continuing administrative burden.
- Subsidised training is significant for their impact (β = 0.180, p=0.001) but is behind direct financial de-risking in terms of relative magnitude. Policymakers should view capacity building as a complementary support tool that can complement the effective use of financial incentives instead of be seen as a replacement for access to finance.

Broader exploratory considerations for creative ecosystem development

The relationship between constructs in the aggregate was tested in the empirical model, but the model would not test any particular curriculum structures or age groups may be explored by ecosystem practitioners by adapting program formats to creative workflows. Commercialization gaps such as lack of applied, flexible training in copyright monetization, IP valuation, and digital distribution can be addressed, for instance. In the same way, the age difference was not tested specifically as a moderating stratum, but early stage start-ups may have more liquidity available in the form of grants than maturing enterprises may have in the form of fiscal exemptions in the long term. These structural differences should be further investigated empirically.

Limitations and directions for future research

Because of the cross-sectional nature of the data models, future research can only be used to test statistical association and not to prove dynamic causality over time; therefore it is necessary to use a longitudinal panel to test increased survival and growth of the firm and the potential for export in other countries over time. Moreover, in this study, a purposive sample consisted of 212 creative entrepreneurs who had applied for or accessed at least one public incentive program. Although this sample is suitable for measuring the utility of policies, future research must include firms that do not receive the policy as a comparison control group to assess counterfactual selection effects. Moreover, perceptual measures were used in the survey by enterprise managers. Although common method bias tests indicated that this did not contaminate the data, future studies should support subjective measures with objective financial disclosures, audited financial accounts, and verified patent/copyright registries. Lastly, this study assessed the creative sector in Saudi Arabia in relation to the initiatives of Vision 2030. Other Gulf Cooperation Council (GCC) markets or emerging economies could be used for comparative analysis to assess the generalizability of the findings.

Furthermore, while the sample includes a range of cultural and creative fields, more than 64% work in design, digital content, and media. This distribution is based on the activity of the Saudi start-up market at the time of the study, and might limit the generalizability of the results to more capital-intensive or traditional heritage subsectors. Larger stratified samples are recommended to perform multi-group PLS-SEM comparisons across individual creative subsectors in future studies.

Moreover, the questionnaire differentiated between beneficiaries who have received an award and those who were involved in the administration process, but future studies should use formal multi-group analyses to compare beneficiaries awarded with rejected applicants and non-applicants. This would enable researchers to separate the effects of the policy treatment from the deterrent effect on application during the policy application process.

Conclusion

Innovative, creative, and agile development of the creative sector is a key focus of Saudi Arabia's Vision 2030 economic diversification program. Incorporating the institutional and incentive theories, this study analyzed the impact of targeted financial grants, tax breaks, and subsidized training on firm-level entrepreneurial orientation, and the conditional effect of bureaucratic burden. The empirical findings indicate that state incentives (especially targeted financial grants, beta = 0.349; tax breaks, beta = 0.245; and subsidized training, beta = 0.180) are crucial enablers of creative entrepreneurship, but that these incentives have reduced strategic value because of administrative hassles. To realize the maximum benefit from a public investment, it is not enough to simply allocate money, it is necessary to ensure that there are institutional channels of public administration that are transparent, accessible, and frictionless for creative entrepreneurs.

The findings of this study indicate that there is strong empirical evidence of a relationship between targeted government incentives and increased firm's entrepreneurial orientation in the Saudi creative industries. The results indicate that the observed benefits of direct capital grants are the strongest positive effect on entrepreneurial posture, but that these benefits are systematically limited by administrative friction. To maximize public policy interventions, however, not only is it necessary to provide the necessary resources by statute, but there also must be administrative delivery channels that are accessible, transparent, and low-friction.

Author contributions statement

- Author 1: Conceptualization, Methodology, Project Administration, Funding Acquisition, Writing - Review & Editing.
- Author 2: Investigation, Formal Analysis, Data Curation, Software, Validation, Visualization, Writing - Review & Editing.
- Author 3: Resources, Investigation, Writing - Original Draft, Writing - Review & Editing.

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Institutional review board statement

Ethical approval for this study was granted by the Research Ethics Committee (REC) at the University of Hail (Approval No. H-2026-101; April 6, 2026).

Informed consent statement

Written informed consent was obtained from all participants prior to data collection.

Participation was voluntary, and anonymity and confidentiality were ensured.

Data availability statement

The data supporting this study are not publicly available to protect participant confidentiality, in accordance with ethical approval from the Research Ethics Committee (REC) at the University of Hail, dated 6/4/2026-(Approval N.H-2026-101.) De-identified data may be requested from the corresponding author and will be shared subject to REC approval.

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