Development of Migrant Businesses in Saudi Arabia: Towards an Economic Sociology of Gulf Migration

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Migrant labour has been an integral part of the social and economic fabric of the Gulf societies. While labour migration has affected many aspects of the lives of migrants and their receiving states in the Gulf, one of the most visible but often neglected migration outcomes is the development of migrant-operated businesses across the Gulf states. Evidently, many of these businesses are owned and run by migrants in collaboration with kafeels (sponsors). Drawing on the experiences of Bangladeshi migrant entrepreneurs in Saudi Arabia, this article explores the dynamics of Gulf migration, by identifying the transition from migrant worker to migrant entrepreneur, and explaining the making of migrant entrepreneurship within the temporary migration process. The study suggests that migrant entrepreneurship is embedded within the dynamics of migration trajectory and the broader factors on which this depends. Notwithstanding their marginal character, the Bangladeshi enterprises in this study have flourished because of migrants’ willingness to embrace innovation. The reconfiguration of such research, I argue, will give rise to an economic sociology of Gulf migration.

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Migrant labour has been a key feature in the Gulf Cooperation Council (GCC) countries since the mid-1970s. Out of a population of over 51 million across the six Gulf countries – Saudi Arabia, Qatar, Kuwait, Oman, Bahrain, and the United Arab Emirates – foreigners account for roughly 25 million, constituting around 49 per cent of the total population.³ In terms of labour force participation, migrant workers are estimated to account for around 70 per cent of the total labour force in these six GCC countries.⁴ The common narrative for explaining this surge in the foreign population is that the 1973 oil boom, and the unprecedented number of development projects which took place subsequently, attracted massive flows of migrant labour to the region (for details, see Fargues, 2013; Fargues and Shah, 2017). Migrant flows from South Asia and the Arab world to the Gulf states now account for the world’s largest movements of South-to-South migration by far (Fargues and De Bel-air, 2015).

Existing research on Gulf migration has contributed to the broader understanding of migration patterns, the causes and implications of migration, migrant remittances, recruitment and the kafala system, irregular migration, citizenship and naturalisation, and many other related issues (for details, see Arnold and Shah, 1986; Kuptsch, 2006; Shah, 1994; Fargues, 2011, 2013; Ullah, 2014; Jamal, 2015; Jain and Oommen, 2016). However, there are new and emerging areas which remain largely under-researched, for instance, migrant-operated businesses in the region. The phenomenon of migrant-operated businesses has changed the character of the private sector in the Gulf countries (Vora, 2011). Of these migrant-operated businesses, some businesses are actually run and owned by migrants themselves. Remarkably, the migrants who are now running and owning businesses came to the region as ordinary migrant workers; later, they progressed from migrant worker to migrant entrepreneur. The emergence of migrant businesses in the Gulf, thus, constitutes a fascinating field of migration research that has so far been overlooked in the mainstream research on Gulf migration.

Among the GCC countries, Saudi Arabia is the largest country in terms of geography, population and economy. Historically, agriculture, animal husbandry, fishing, Hajj (pilgrimage), and safe trades for business were its major sources of economic life (Sallam and Hunter 2013:142). However, the oil boom and subsequent economic growth changed the

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⁴ Ibid.
economic activities of the country after the 1970s. Saudi Arabia’s current population is over 30 million, of which around 20 million is locals and about 10 million foreigners. Migrant labour is, thus, critical for the country’s economic development. In particular, Saudi Arabia is a popular destination for Bangladeshi migrants, with nearly three million going there for work between 1976 and 2016. In terms of skill composition, only around three per cent of migrants were professionals, the remaining being broadly categorised as low-skilled. There are currently around 1.3 million Bangladeshis employed in Saudi Arabia, although some unofficial reports estimate the real number could be as high as 2.5 million. Low-skilled migrants are hired to work in dirty, dangerous and demanding jobs (the ‘3Ds’) under renewable contracts.

This paper concerns those Bangladeshi migrant workers who, despite these challenging circumstances, have transformed themselves into migrant entrepreneurs. Bangladeshi migrants are particularly interesting for this research because they are also Muslims and they are one of the early migrant groups who have been working in the country since the 1970s.

Immigrant entrepreneurship is predominantly seen as a phenomenon of the global North, with immigrants and ethnic economies in the United States and Western Europe receiving far greater attention (Muniandy 2015). Thus, observation of the social phenomenon of migrant businesses in the global South is changing our understanding of migrant businesses, which up until now has been dominated by interpretations and assumptions framed in the West. Consequently, explanations of how migrants establish businesses under conditions of labour migration in the South remain scarce. Against this background, the aim of this paper is to explore the making of Bangladeshi migrant businesses in Saudi Arabia. The paper addresses the following questions: Who are these migrant entrepreneurs? Why do they seek to open businesses? How do migrants circumvent the restrictions imposed on them in running businesses? What makes them entrepreneurs? Broadly, this paper explains the shift in an individual migrant’s trajectory from migrant worker to migrant entrepreneur with the help of the group characteristics that Bangladeshi migrants possess, the opportunity structure that Saudi Arabia offers to migrant

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5 Ibid.
6 The Bureau of Manpower, Employment and Training (BMET) keeps records on the outflow of emigrants from Bangladesh. However, they do not keep record on returning migrants, and as a result, the available official data only shows outflow of Bangladeshi migrants. Compiled from official statistics found in BMET website: http://www.bmet.gov.bd/BMET/statisticalDataAction. Accessed on 22 February 2017.
workers, and the innovation that migrant entrepreneurs introduce to their businesses in order to make their businesses different and rewarding.

This paper proceeds as follows. The next section provides data sources and research methods. After the research methods, this paper addresses migrant entrepreneurship from a theoretical perspective, with a focus on labour migration. This paper highlights the significance of opportunity structure, cultural conditions, and innovative practices in the development of migrant businesses. Wherever possible, this paper provides examples drawn from migrant-receiving countries in the Gulf states and East Asia, in order to position it within the context of temporary migration. The next section discusses migration control policies in Saudi Arabia, followed by a section on the characteristics of Bangladeshi migrant entrepreneurs. This paper then turns to examining the opportunity structure in Saudi Arabia, which allows the emergence of Bangladeshi businesses, before explaining the various innovative strategies that respondents employ to make their enterprises profitable. This paper concludes with a discussion of the significance of the findings, emphasising the policy implications.

**Research Methods**

This study focuses on Bangladeshi migrants-turned-entrepreneurs in Saudi Arabia. I define ‘migrant entrepreneurs’ operationally, as owners or operators of businesses who run or operate those businesses with a share in both investment and profit. Bangladeshi migrant entrepreneurs run different types of micro-enterprises to cater to the needs of nationals and non-nationals (including Bangladeshis). Micro-enterprises in Saudi Arabia are those businesses that employ up to nine employees. Bangladeshis are involved in a myriad of micro-businesses across the country. In order to cover a wide range of migrant businesses, this study identified 26 types of common businesses that Bangladeshi migrants were principally involved in Saudi Arabia. However, this list of 26 businesses is not exhaustive as it excludes many other businesses that this study could not include due to lack of accessibility and availability. In total, 50 migrant entrepreneurs from these 26 types of businesses were purposively selected for the interview.

I used a semi-structured questionnaire and the questionnaire was constructed after participant observation and informal discussions with migrants and migrant entrepreneurs, and was
designed to elicit information on socio-demographic characteristics, nature of business, mobilisation of resources, business environment, the challenges of opening businesses, and finally the strategies employed to overcome barriers. The questionnaire survey was conducted between August 2014 and April 2015. The major research sites were Mecca, Madinah, Riyadh and Dhahran. The questionnaire survey was supplemented by participant observation and informal discussions, as well as small focus group discussions with migrants and migrants-turned-entrepreneurs during my several visits to Saudi Arabia between 2013 and 2015.

All respondents in this research were male migrants of Bangladeshi origin. Interviews with the respondents were carried out face-to-face at their sites of business or residence. Migrant entrepreneurs were interviewed in Bengali, the mother tongue of Bangladeshis, and the responses later translated into English. Interviews were conducted with the assistance of a Bangladeshi student who was studying at Dhahran. In addition to migrants-turned-entrepreneurs, I also talked to migrant workers, in order to understand why many migrants could not join migrant businesses. Such informal discussions also provided fascinating, complementary insights into the development of migrant entrepreneurship in Saudi Arabia. However, I would like to acknowledge the fact that the duration of fieldwork was limited by financial and time constraints, and that this precluded more in-depth fieldwork in certain respects.

**Theoretical Orientations**

Extensive research has been conducted on migrant (or ethnic) entrepreneurship in North America and Europe (for a review, see Portes 1995; Thornton 1999; Kloosterman et al. 1999; Zhou, 2004; Rath, 2000). One of the crucial research endeavours in migrant entrepreneurship is to investigate why migrants tend to be entrepreneurs (Zhou, 2004:1046). Two theoretical approaches are employed in explaining the causes of migrant entrepreneurship: cultural and structural. In her review essay, Thornton (1999) describes the entrepreneurial literature as dichotomous, being split between supply-side and demand-side accounts. The supply side focuses on the individual participants and their traits as entrepreneurs, while the demand side analyses the context under which entrepreneurship occurs.
Broadly, the cultural approach focuses its attention on groups’ cultural properties and ethnic resources. In this vein, several arguments have been advanced at the group level, such as the ‘sojourner thesis’ (Siu, 1952), and the ‘class and ethnic resources’ account (Light, 1994). The sojourner thesis notes that certain groups of migrants have a passion for their homeland and desire to return to their family roots. This thesis stresses that migrants have motivation to succeed, through frugality and diligent work in easily liquidated business ventures in the host society (Siu, 1952). Light (Light, 1994; Light and Rosenstein, 1995) advances a resource theory of entrepreneurship, arguing that the kinds and quantities of resources immigrants possess greatly affect their likelihood of becoming self-employed. The sojourner thesis is particularly relevant in this case. As migrants have temporary status, they tend to work hard and save their incomes in order to take it back to Bangladesh. The resource theory also confers insight into how Bangladeshi migrants use co-national connections to arrange the start-up capital.

Prior to the 1980s, cultural-deterministic arguments dominated this area of research. Since the 1980s, studies of a more empirical nature have moved the general conceptualisation beyond purely cultural arguments, so as to include structural causes (for details, see Orderud and Onsager, 2005). The structural approach focuses on the contextual or external forces of society, as well as the constraints and opportunities, in the development of ethnic entrepreneurship. At the structural level, the ‘blocked mobility thesis’ posits that discrimination and racial barriers in a host society produce unfavourable labour market conditions for ethnic minorities (Bonacich and Modell, 1980; Li, 1976). As a result, ethnic minorities look for jobs in the ethnic business arena so as to secure economic prosperity (Barrett, et al. 1996; Borjas, 1994). We notice the same trend in Saudi Arabia, where migrants, being trapped in low-skilled occupations, venture out into micro-enterprises as an alternative source of higher economic returns.

The theoretical basis of ethnic entrepreneurship research made great strides in the 1990s. For instance, Waldinger et al. (1990) argued in favour of an integrative approach, an approach that takes account of socio-cultural features as well as the economic and institutional environment in which entrepreneurs operate. Waldinger et al. introduce the categories or concepts of opportunity structures and group characteristics, that is, market conditions and access to ownership on the one hand, and predisposing factors and resource mobilisation on the other, thereby combining structure and agency. This interactive model of immigrant entrepreneurship is an attempt to integrate culture with structure, ethnic resources with opportunity structure,
and supply with demand (Waldinger et al., 1990). In this approach, the demand for business and the supply of skills and resources interact to produce ethnic entrepreneurship in a host country.

Thus, in the light of existing theories, there appear to be two overarching theoretical principles concerning starting a business in a host country: necessity and opportunity (Knight, 2015; Williams, 2007). The former focuses on entrepreneurship as a last resort, the latter on entrepreneurship as a goal. Marked by their official status as members of the low-skill group, with the associated immigration status, migrant workers are unable to progress up from ‘3D’ occupations, and thereby turn to migrant entrepreneurship. In a study on Polish migrants who migrated to the United Kingdom (UK) in the post-2004 period, Julie Knight reported that the migrant is not motivated to migrate in the hope of starting a business; rather, it is only after experiencing the foreign labour market that the migrant is motivated to start a business (Knight, 2015:578). This is an emergent phenomenon in Asia as well. For instance, migrants in Japan and South Korea working in low-skilled positions tend to become migrant entrepreneurs due to lack of occupational mobility (Lian and Rahman, 2014 and Rahman and Lian, 2011).

From the other perspective, entrepreneurs can be motivated to start a business due to the existence of opportunity. Raman and Lian, for instance, report that Bangladeshi migrants did not find any halal food restaurants in South Korea and Japan when they first migrated in the 1980s and 90s (Lian and Rahman, 2014 and Rahman and Lian, 2011). As Muslims, they perceived the business opportunity for halal food and other ethnic products in these countries, and accordingly worked in low-skilled ‘3D’ jobs for a few years to raise funds to start a business. Harris also highlights a similar trend among Poles in the UK (Harris, 2012, as cited in Knight, 2015:578). This interpretation is echoed in the growing literature which sees migrant entrepreneurs as motivated by both necessity and opportunity (Williams 2007; Knight, 2015; Minniti et al. 2006; Ram and Phizacklea, 1995).

A relevant question in the development of migrant businesses is how migrant businesses become thriving enterprises. We notice that migrant entrepreneurs employ different innovative strategies to access a wider clientele and penetrate new and lucrative markets. Although the management literature on entrepreneurship focuses on innovation (Caves and Porter, 1977; Porter, 1998), ethnic business studies tend to overlook the importance of innovation (Aldrich and Waldinger, 1990: 112). Engelen suggests that this is probably due to the marginality of
most ethnic and migrant businesses (Engelen, 2001: 211). To Schumpeter, entrepreneurship consists of recombining one’s available resources in new ways; the carrying out of the plans enabled by the new combination is called ‘enterprise’; and the individuals whose function it is to carry them out are called ‘entrepreneurs’ (Schumpeter, 1934: 74). For Schumpeter, innovation is the raison d’être of the entrepreneur (Swedberg, 2009).

Schumpeter identifies five types of innovation: ‘a new good’, ‘a new method of production’, ‘a new market’, ‘a new source of supply of raw material or half-manufactured goods’ and ‘a new organisation of an industry’ (Schumpeter, 1934: 66). Migrants employ one or more of these five types of innovation in their business to make it profitable. It is fundamental to entrepreneurship that an entrepreneur always has to make a profit, and Swedberg remarks that the Schumpeterian innovations are only viable if they do in principle enable profit: “introducing a new good, a new method of production, and a new market, and so on may well be ‘entrepreneurial’ but unless there is profit, there is no Schumpeterian entrepreneurship” (Swedberg, 2009:196). Notwithstanding their marginal character, the migrant enterprises in this paper have prospered because of the resourcefulness of individuals and their willingness to innovate in order to tap co-national (Bangladeshi), greater South Asian (regional), and local (Saudi) markets. This paper, thus, explains the shift in an individual migrant’s trajectory from migrant worker to migrant entrepreneur with the help of group characteristics, opportunity structure, and innovation.

**Migration Control Policy in Saudi Arabia**

Saudi Arabia is a prime migrant destination and remittance source country for migrants from the Maghreb, Mashreq and Asia (Shah, 2010; Kuptsch, 2006; Fargues, 2011; Fargues and De Bel-Air, 2015; Jureidini, 2016). With over 10 million non-national residents, with roughly 35 per cent of Saudi Arabia’s total population being comprised of foreigners in 2016, Saudi Arabia is ranked as the second-biggest remittance-sending country and was among the top five migrant destination countries worldwide in 2016. The growth of the foreign population in Saudi Arabia has been steady and remarkable: from nearly 1.5 million foreigners in 1980, to 3.8 million in

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1990, 5.5 million in 2000, 8.5 million in 2010, and 10 million in 2016.\textsuperscript{10} The bulk of foreign workers in Saudi Arabia are confined to the bottom of the occupational ladder: around 80 per cent of all foreign labourers are in semiskilled and unskilled occupations (Fargues and De Bel-Air, 2015: 148).

Broadly, temporary migration control policies are informed and shaped by three basic principles: limited settlement, limited scope for citizenship, and limited scope for national culture and identity modification in response to external influences (Castles 2001:197). The Gulf countries have developed a sophisticated migration management system known as the \textit{kafala} (sponsorship) system, which embodies the two common policy stances of international migration: protectionism, and the absence of any project for integrating immigrants into society (Fargues 2006:18). The Gulf societies are characterised by the dual labour markets entailed by the \textit{kafala} institution: most nationals are channeled into public jobs, while foreign workers are hired for private-sector jobs (Fargues and De Bel-Air, 2015; De Bel-Air, 2014).

The \textit{kafala} system is instrumental in managing foreign worker flows and subordinating them to citizens (Shah 1994, Longva 1999, Colton 2010, De Bel-Air 2011; Auwal, 2010; Jureidini, 2016). There are two overarching features of the \textit{kafala} system: first, it is both administered and regulated by the Ministries of Interior; second, it is devised around the model of employer sponsorship of foreign labour, that is, the responsibility for a migrant worker and his/her residency lies with the employers (for details, see Zahra, 2015). The job contract is issued by a sponsor (\textit{kafeel}), which may be a placement agency or a company/institution, or any individual on the condition that he or she is a citizen of the given GCC country. Every migrant, from manual worker to businessperson, needs to go through the \textit{kafala} system in the region. A migrant worker thereby is tied to his or her \textit{kafeel} and the system works such that the migrant worker can only work for \textit{kafeel} for a specific period (Longva, 1999; Gardner 2010; Rahman, 2012; Jureidini, 2016).

\textit{Kafeels} often hold passports or other travel documents, and sometimes exploit migrants by denying them proper wages and conditions of employment (Colton 2010, Gardner 2010). Foreign workers are generally not permitted to transfer their sponsorship or work for another

employer without obtaining the approval of the original sponsor (for details, see Zahra, 2013, 2015). Foreigners residing in Saudi Arabia need to obtain an exit permit before leaving the country. Saudi labour law requires the employer to bear the costs of the exit visa and return ticket to the worker’s home country at the end of his or her employment; however, should the employment relationship be broken, foreign workers become illegal residents. Foreign workers are not allowed to marry or have sexual relationships with locals. Specific policies are pursued to create obstacles to family reunion and long-term settlement (De Bel-Air 2011; De Bel-Air, 2014; Auwal, 2010; Fargues and De Bel-Air, 2015; Zahra, 2015). And yet, despite this restrictive migration control policy, some migrants are able to transform themselves into migrant entrepreneurs even within the *kafala* framework.

**Some Predisposing Factors for Development of Migrant Businesses**

At the group level, two questions are broadly addressed in immigrant entrepreneurship literature: Why do migrants emerge as entrepreneurs? How do they mobilise resources that give them a competitive edge? These questions are usually clustered in two themes: predisposing factors and resource mobilisation (Waldinger et al. 1990).

When a migrant turns into migrant entrepreneur, his individual migration experience takes on a different trajectory from his fellow migrant workers. Table 1 presents the individual migrant’s trajectory to becoming an entrepreneur. Among the surveyed entrepreneurs, 36 per cent were in their 30s and 58 per cent in their 40s. All respondents were married except two respondents (Case No 7 and 11). They had different levels of educational qualifications: 66 per cent had from 6 to 12 years of schooling in Bangladesh, and 18 per cent had from 13 to 16 years of schooling. They had migrated to Saudi Arabia between 1986 and 2010; 48 per cent in the 1990s and 48 per cent in the 2000s: they have, thus, been living in Saudi Arabia for considerable time. With such a long period of stay, all respondents were fluent in Arabic. Respondents had started their first business in Saudi Arabia after working for several years; 14 per cent began the businesses in the period 2010-present, 72 per cent in 2000-2009 and 12 per cent in 1990-1999.

As mentioned earlier, the migrants had come to Saudi Arabia as migrant workers. Among those surveyed, it took on average 7.25 years to transform themselves from migrant worker to
entrepreneur – in other words, the surveyed entrepreneurs had worked as ordinary paid workers for on average 7.25 years. The waiting time for starting a new business varies from person to person depending on the availability of start-up capital and finding a trustworthy kafeel for the formal procedures.

The respondents had mostly been students or unemployed before coming to Saudi Arabia. Eighty-four per cent had had no business exposure before migrating. The remaining 16 percent had some sort of agricultural business exposure at the family level. In rural Bangladesh there are sessional businesses in agricultural products that elder members of an agricultural family often pursue to generate seasonal additional incomes, and other male members of the family often assist with if necessary. The respondents’ prior experience, therefore, did not amount to active business exposure, and it is, thus, evident that the surveyed entrepreneurs had embarked on businesses in Saudi Arabia without adequate prior experience.

One of the obvious reasons for switching from paid employment to self-employment is that there is little occupational mobility in low-skilled wage employment; migrants need to rely on monthly wages which are also subject to the availability of work and the economic downturns often caused by oil-price fluctuations (Rahman, 2011). A change in migrant’s occupation or employer is not encouraged, compelling migrants to work on fixed wages for long periods. Faced with blocked economic prosperity or a low-wage trap, one of the lucrative options available to migrants is to start a business which is low in start-up capital but high in economic returns.

Social pressure also seems to influence respondents’ decisions to start businesses. For Bangladeshis, the decision to leave the home country to take up work elsewhere is not an individual project; the hopes and aspirations of family and extended families follow the migrant overseas; at root, migration is one strategy – along with marriage, education, and house-building – through which individual migrants and their families attempt to reposition themselves in their society of origin (Rahman, 2017). In a similar vein, the perceptions of international migration and the collective strategy that pins its hope on migrants, builds up social pressure on migrants working overseas to seek out businesses for better economic returns for themselves and their families.
Generally speaking, the migrants who join in the temporary migration stream tend to be more able, better prepared, and more inclined toward risk than those who stay home (Ullah, 2010). Rahman reports that Bangladeshi migration to the GCC countries is basically debt-financed migration, and the lenders of the funds for migration actually siphon off the bulk of migration (economic) returns (Rahman, 2015). It is reported that migrant families are forced to exploit valuable family resources to pull together the economic cost of migration, which, in turn, transfers labour migration into debt migration. Thus, labour migration to the Gulf states runs on debt, with migrants and their families indebteding themselves in the migration process. Migrant indebtedness further encourages a risk-taking attitude among the migrants, with the migrants’ propensity to take risk also being reflected in an entrepreneur’s own words:

“Taking risk is a part of a migrant life; when I paid over US$4,000 [$5,352] to come to Saudi Arabia by disposing valuable piece of arable land owned by my family, I took high risk... I came to work as a construction worker... My many friends are still working in construction sector… I trusted my kafeel to start this business (grocery shop) with the money that I saved here (Saudi Arabia). I took this risk and this is why I and my family are better off today...”

A migrant entrepreneur (42 years), Madinah

In general, migrants are more likely to strike out on their own and experience less aversion to the substantial risks that this course entails. The same characteristic also gives them an advantage in competition with locals. Surveyed respondents seemed satisfied with low profits because they calculated the economic returns in relation to Bangladesh. Respondents perceived their social status as well as economic gains in terms of the very different social hierarchies of their home society. They were more concerned with economic mobility in Saudi Arabia than with social status, because their reference point was not Saudi Arabia but Bangladesh. In a new migrant’s eyes, running a business is a compelling alternative to working as a wage-worker, setting a role model for others and spurring more migrants to be entrepreneurs over time.
Resource Mobilisation

Gathering the necessary capital to start a business is indisputably one of the biggest challenges in the process of business creation, especially for temporary migrant workers. Formal credit being inaccessible, migrant entrepreneurs use a number of sources to arrange the start-up capital for their business, for example, own savings (100 per cent), borrowing from friends (28 per cent), kafeels (24 per cent) and relatives (18 per cent), or other sources (6 per cent) such as informal credit with high interest, or arranging money from Bangladesh through the hundi11 system. Moreover, migrants use not only various sources but also multiple sources, that is, they arrange the start-up capital from two or more of the above-mentioned sources. One of the prevalent sources of start-up capital is migrants’ own savings: migrants save in order to finance their business. Savings are not only widely used as a source for business financing, but also a major contributing factor. For example, for 58 per cent of the migrants interviewed, their savings contributed between 41 and 100 per cent of total start-up capital of their businesses (Table 1).

Important friendship bonds are formed with other compatriot migrants on foreign soil, through shared experiences at work or through living in the same dormitories or worksites. Confronted by similar uncertainty and socio-economic experiences, migrants build new relations with fellow migrants in the migration process. This newly formed friendship, shaped by common migration experience, sometimes becomes a valuable source for start-up capital: 28 per cent of surveyed respondents collected partial start-up capital from friends in Saudi Arabia. In addition to friendship networks, we also see limited use of relatives as a source of financing the business; 18 per cent of respondents borrowed a portion of their start-up capital from relatives in Saudi Arabia.

Most kafeels do not invest in migrants’ businesses financially; they are mostly rent seekers, selling sponsorship rights for income. However, some kafeels in fact assist potential migrant entrepreneurs to open businesses by supplying financial capital for rental deposits (usually to owners of business places or shops), which is popularly known as ‘position deposit money’ (shop places). It was found that 24 per cent of respondents arranged a portion of their start-up capital from kafeels who are willing to invest.

11 Hundi is an informal funds transfer system widely practiced by Bangladeshi migrants overseas to transfer money from the migrant’s country to the home country, or from the home country to migrants’ host country or elsewhere (see for details, Rahman and Yeoh, 2008).
capital from their kafeels. However, it was notable among respondents that they did not favour seeking financial investment from kafeels, since such financial investment would also involve additional monitoring of migrants’ businesses, as well as profit sharing. One of the downsides of such investment from kafeels is that it might confound the relationship, putting further strain on their asymmetric relationship.

Market Conditions: From ‘Immigrant Jobs’ to ‘Immigrant Businesses’

As discussed above, the opportunity structure for the development of migrant businesses primarily comprises market conditions and access to ownership (Waldinger et al., 1990). This section examines the types of businesses that Bangladeshi migrants are involved in, and their pathways to entrepreneurship in Saudi Arabia. It is important to note that, even if market conditions are favourable for both co-national and mainstream businesses, the migrants must gain access to ownership of migrant-run businesses. This paper discusses the pathways to migrant entrepreneurship instead of access to ownership because migrants cannot legally own businesses; this is further elaborated in the relevant section.

For a migrant business to arise, there must be some demand for the goods and services it is able to offer. Some migrant businesses primarily serve compatriots’ needs, while others target locals and foreigners in the main market. Table 1 presents the different types of businesses that respondents were running in Saudi Arabia. This paper identifies 26 types of businesses run by 50 selected entrepreneurs. However, this not an exhaustive list of the businesses they were running. Bangladeshis are involved in many other types of businesses, which this paper could not cover due to a variety of constraints in the research process. We find diversity not only in migrant businesses but also in their clientele, which comprise locals, fellow Bangladeshis, and migrants from the Maghreb, Mashreq and Asia. Given the diversity in migrant businesses as well as the composition of clientele, for the convenience of discussion this paper offers a three-fold classification of migrant businesses: businesses that serve locals, foreigners and compatriots; businesses that principally serve locals; and businesses that largely serve compatriots and South Asians.
Some businesses that serve both locals and foreigners\textsuperscript{12} are: air conditioner repairs and maintenance; halal chicken suppliers; meat shops; motor workshops; perfume shops; telecoms and mobile accessories; hardware, printing and photocopy shops; sanitary and electrical products; and used home appliances/furniture (a special market called \textit{harras}). Some businesses that target mainly local populations are tailoring houses (Thobe/Saudi attire); toy shops; book and stationery shops, building (construction) materials; painting; building scraps; and laundry. Other businesses that serve principally Bangladeshis and other South Asian migrants are sweet shops, grocery shops, barber shops, luggage stores, \textit{paan} shops, restaurants, and \textit{umrah} (pilgrimage) services.

There is huge demand for rental houses across the country, mainly caused by the presence of large numbers of different groups of foreigners. The businesses that serve house building needs – such as materials and renovation, paint shops (both selling pains and providing painting services), and scrap metal business including construction scrap removal – are in high demand, both in building new houses or renovating old ones. Low-income group locals are especially in need of such services. As many of these migrant entrepreneurs have long worked in the construction industry, they are familiar with the market demands and technical know-how in the sector, giving them advantage over both small and large local enterprises in the sector.

It is argued that the long-term dependency on oil revenues and oil-related industries have hindered the formation of a viable local SME sector in Saudi Arabia (Kayed and Hassan, 2011; Albassam, 2015). The implications of the oil wealth are, therefore, far-reaching and touch all aspects of the daily life of ordinary citizens in the country. Most relevant to this research are the attitudes towards work. Saudis seem to have become heavily dependent on the state, and losing the urge to exploit their full potential (Burton, 2016; Kayed and Hassan, 2011). Indeed, dependency on the state has rendered a large segment of the Saudi population unwilling even to consider employment beyond the public sector. In contrast, since migrants come only with the aim of working and earning a livelihood, they tend to have positive attitudes towards work.

Michael Piore in his classic work \textit{Birds of Passage: Migrant Labor and Industrial Societies} identified certain jobs that are dominated by immigrants, and remarked that locals have

\textsuperscript{12} In the Gulf countries, migrants are often categorised as non-nationals or foreigners. Therefore, the paper uses the terms \textit{locals} and \textit{foreigners}.
developed aversions towards these jobs because of their negative perception, as well as the branding of these jobs as ‘immigrant jobs’ (Piore, 1979). In Saudi Arabia, it is not only that jobs have been branded as ‘immigrant jobs’: we find both that it is migrants who do all the menial jobs, that locals have long shunned those jobs, and also that businesses that are low grade, low-rewarding, and low threshold-type are increasingly seen as ‘immigrant businesses’ and locals have developed an abhorrence against running such businesses. These are not status-consistent occupations for most locals.

In Saudi Arabia, registered private sector enterprises numbered over 1.9 million in 2012, and nearly 87% of these private sector enterprises operate with fewer than 10 employees, locally known as micro-enterprises (Alsheikh, 2015: 6). Micro-enterprises often entail long working hours, cut-throat competition and low profits, and target low-end customers such as low-income group locals and foreigners. Locals own the micro-enterprises but they do not operate the businesses directly; they usually hire migrants to manage and operate them, entailing the exclusive presence of foreigners in micro-enterprises. As a result, this has further deteriorated the image and attractiveness of such businesses in the eyes of locals. Even if locals today chose to run such businesses for any reason, they would be unlikely to succeed alongside with foreigners. All these features have turned micro-enterprises into ‘immigrant businesses’ in the eyes of locals, entailing any future plans to attract locals into this sector almost unachievable.

Pathways to Migrant Entrepreneurship

The private/public sector dilemma in Saudi Arabia – that is, that locals want to work in the public sector while, despite a high rate of unemployment among locals, foreigners are hired to staff the private sector – creates pressure on the government to embark on pro-national policies and ensure a higher rate of employment among locals in private sector. As early as 1969, the government introduced the Saudisation campaign to ensure that priority is given to the recruitment of Saudis when hiring in the private sector (Alsheikh, 2015). However, the Saudisation drive could not achieve its target (Koyame-Marsh, 2016; Alsheikh, 2015). As a result, in 2011, Saudi policymakers came up with a new and improved programme, nitaqat, in order to boost the Saudi share in private sector employment. The main tool of the nitaqat
system is visa control; it suspends the privileges of issuing, renewing or transferring visas for non-compliant companies (Alsheikh, 2015).

At present, businesses are categorised into five groups for nitaqat requirement based on the number of their employees (Alsheikh, 2015: 4-7; Koyame-Marsh, 2016; Sevilla, 2014). The companies that employ from 1 to 9 employees are considered micro-enterprises, from 10 to 49 as small enterprises, from 50 to 499 as medium enterprises, from 500 to 2,999 as large enterprises, and above 3,000 as big enterprises. Of these different sizes of companies, it is only micro-enterprises that are exempt from the nitaqat or Saudisation requirement. All surveyed Bangladeshi entrepreneurs were micro-entrepreneurs with less than 10 employees and, therefore, exempted from the nitaqat requirement. Among the surveyed Bangladeshi entrepreneurs, the vast majority had at most three employees, while about one in ten was run exclusively by migrant entrepreneurs themselves. Instead of full-time employees, many entrepreneurs made use of part-time employees, especially at peak hours or seasons.

As mentioned above, according to formal procedures a migrant entrepreneur requires a kafeel to open a business. The kafeel secures the government approval for opening and running a business. It is important to remember that the kafeels officially own the migrant businesses, and migrant entrepreneurs get employee status in their own businesses as per the kafala system. Francoise De Bel-Air offers a two-fold classification of kafeels: small or occasional kafeels; and big kafeels (De Bel-Air 2011:3). ‘Small’ kafeels operate within small-scale, person-to-person frameworks. However, ‘big’ kafeels usually set up national-level networks to apply for work visas. It is the small kafeels who assist potential migrant entrepreneurs to circumvent the legal barriers to running a business. Migrant entrepreneurs make an informal financial arrangement with kafeels which often involves payment of a fixed amount, mostly monthly, along with offering occasional gifts, free delivery of products, and services on demand. In other words, the individual citizen generates disposable income by selling his sponsorship rights – this is indeed a means of additional income-generation for many ordinary citizens in Saudi Arabia (De Bel-Air 2011; Rahman, 2012; Zahra, 2015).

A potential entrepreneur’s first task is to find, in the migrants’ words, a ‘good kafeel’. A good kafeel means someone who can be trusted in business dealings, who will not breach the informal contract, or who will not come to strip off business possession abruptly. In a question about whether respondents feel unsafe in doing business in Saudi Arabia, 88 per cent of them
said that they do not feel unsafe in running their businesses because of the kafeel’s legal ownership of the business (Table 1). Surprisingly, only 12 percent of respondents expressed concern about their kafeel; they were worried that kafeels had the power to take over their businesses at will. However, they also mentioned: “we need to manage the relationship with kafeels”. Saudi Arabia, in the respondents’ opinion, is not the ideal place to run businesses for ordinary migrants; but they still consider Saudi Arabia a better place for migrant businesses than many other host countries, and certainly far better than their home country when it comes to doing business. Thus, the overall perception about doing business in Saudi Arabia indicated a level of comfort and contentment among respondents.

The migrant business relies fundamentally on mutual trust and involves mutual obligations and understanding with the kafeel. Since the arrangement is informal and based solely on trust, the experiences of migrant entrepreneurs are also found to be mixed. The author found many cases in which respondents were extremely pleased with their kafeels; as one respondent stated, “my kafeel is like a feresta,13 he takes care of me and comes to help me whenever any problem arises”. Another respondent stated: “my business is a good source of income for my kafeel; so, he is always nice to me”. However, the author also found a few negative cases where the kafeel dispossessed migrants of their business and they could not seek legal recourse. Thus, pathways to migrant entrepreneurship are contingent on trust and management of relationships; migrant entrepreneurship has flourished on this informal arrangement in such a way that it has become almost a norm.

**Innovations in Migrants’ Micro-enterprises**

Broadly speaking, what transforms ‘migrant business’ into ‘migrant entrepreneurship’ is the deployment of innovations in businesses. As we noted above, in Schumpeter’s classic analysis, the raison d’être for innovation in businesses is to make profits; and, according to Swedberg, innovation without profit is unviable. Thus, this section explores how and where migrants introduce innovations in their businesses. Drawing on the work of Porter (1998) and

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13 In general, Muslims believe that Feresta or Angel is the most trusted creation of Almighty Allah. All Muslims are directed to put faith in ferestas. Belief in ferestas is one of the six Articles of Faith in Islam. In Bangladesh and South Asia, people, sometimes, call righteous people ferestas because of the embodiment of qualities of ferestas in them.
Schumpeter (1934), Ewald Engelen discusses where innovation may take place in migrant entrepreneurship in terms of product, process, marketing, sales, distribution, integration and co-operation (Engelen, 2001:213-215). Given the nature of migrant businesses in Saudi Arabia, this paper focuses on innovations in relation to products, sales and distribution.

Product innovation in migrant businesses is found in several areas: creating new products, offering alternative products, introducing ‘old’ products at ‘new’ locations, and ensuring authenticity in products. Innovation in products takes a variety of forms, including in businesses that deal with grocery items, halal meat, halal chicken stores, restaurants, telecoms, fruits and vegetables, toy shops, mobile repairs and accessories, and hardware shops. Grocery shops are a case in point where migrant businesses permeate beyond the co-national population. Realising the demand for national and regional products, Bangladeshis have opened up grocery shops with products from South Asia such as bakery items, snacks, rice, culinary, confectionary, drinks and so on. As a result, there is always something new as well as old products for Bangladeshi, Pakistani, Sri Lankan, or Indian customers. Migrant entrepreneurs sell a variety of products from different countries in order to offer wider choices to South Asian customers and increase their clientele.

In a similar vein, meat stores also sell products such as beef, lamb and mutton, and entrepreneurs sell meat products of different types and countries of origin. Frozen and non-frozen meats are also an option that local and foreign clienteles consider when they buy meat. Fresh meats are more expensive than frozen. Poultry shops have also the same varieties: local chicken and frozen and non-frozen chicken. Some migrant entrepreneurs buy poultry from local firms in distant locations at cheaper prices: this may give them competitive advantage over other poultry shops. Many of these poultry firms are staffed by migrants of Bangladeshi origin; as a result, migrant entrepreneurs sometimes get special deals.

Bangladeshi restaurants primarily serve co-national migrants in different parts of the country, except in the holy cities of Mecca and Madinah where they primarily serve Bangladeshi pilgrimages. Competition between co-ethnic restaurants is overcome by hiring experienced Bangladeshi cooks and offering various Bangladeshi dishes, especially different types of fish and vegetable dishes. Innovation occurs at both levels: varieties of dishes and authenticity of dishes. Curries prepared by Bangladeshi cooks are regarded as authentic Bangladeshi dishes. Bangladeshi sweet shops, for example, face competition from Pakistani and Indian sweet shops;
Bangladeshi sweet shop owners hire Bengali sweet makers from West Bengal in India to compete with others. Fruit shops sell different types of fruits and not necessarily from Bangladesh, India or Pakistan: fruits from Thailand and Malaysia such as rambutan and dragon fruit are also sold, and at high prices.

Migrant businesses that deal with mobile phones and phone accessories, repair services, essential electronic products, and hardware items are relatively high-end businesses for migrant entrepreneurs. Wholesale suppliers of mobile phones, electronic products and accessories deliver different models combining the relatively old and the very latest, and payment to the wholesale suppliers are made after sale under an arrangement called ‘payment after sell’. The strategy of ‘payment after sell’ reduces the investment costs of businesses for migrant entrepreneurs. Toy shops also have suppliers who offer ‘payment after sell’ schemes. As a result, migrant businesses can sell toys, phones and accessories, and other electronic products at cheaper prices than mainstream stores.

In addition, there are some unusual businesses that migrants take up in Saudi Arabia, for instance, barber shops, laundry, readymade garments, paan shops and tailoring. Barbers in Bangladesh are generally Hindus who take this occupation as caste-designated occupations. Muslim barbers are not common in Bangladesh except in some big cities. Migrant entrepreneurs identify the demand for barber shops especially from the co-national population. In contrast, laundry services are primarily used by locals. Migrant entrepreneurs open up laundries at convenient locations to attract locals. Bangladesh is famous for its readymade garments; cheap and affordable readymade garments are brought to sell to locals, compatriots, and other South Asians.

*Paan* is a preparation combining betel leaf with areca nut, lime and sometimes tobacco; it is chewed for its stimulant and psychoactive effect. People from rural Bangladesh and parts of India and Pakistan like to take *paan* a few times in a day: therefore, there is a huge demand. While Bangladeshis take *paan* with lime and areca nut, Indians and Pakistanis like to have *paan* with spices. Bangladeshi entrepreneurs introduce *paan* to different South Asian communities with their local flavours. While *paan* serves foreign clienteles, tailoring shops attend mainly to local clienteles. Tailoring shops are particularly trained to make thobe, Arab clothing for men. Thus, Bangladeshi entrepreneurs make concerted efforts to increase the level of product differentiation by introducing product innovation to varying degrees.
Regarding sales and distribution, spatial, temporal and modality strategies are particularly notable among migrant entrepreneurs. Spatial strategies include attempts to relocate firms for more rewarding markets (Engelen, 2001:215). To most migrant entrepreneurs, location of business is particularly important; they set up businesses near popular places or in popular streets. Fruit and vegetable shops, meat and poultry shops are located in designated markets; grocery shops in populated areas; and barber shops, sweet shops, paan shops, and restaurants in areas dominated by South Asian migrants. However, toy shops, photocopy service shops, cafeterias, telecom shops, perfume shops and other similar businesses are usually located in small shopping malls, or in roads and lanes where shop rental is relatively low. Some exceptional businesses such as painting, building materials, old home appliances, motor workshops, hardware, sanitary and electrical shops or scrap enterprises are usually located outside the mainstream market areas with an intention to compete with the full-price markets.

Temporal strategies refer to modifying selling or production hours (Engelen, 2001:215). Temporal strategies for migrant entrepreneurs are tied to self-exploitation; they tend to open the shop earlier in the morning, by 8 am and close at midnight. Some shops that are not located in shopping malls close their front door for a few hours at noon. Given the temperature in day time, shoppers tend to come to the market in the evening. Therefore, shops open until midnight. Some migrant businesses do not follow regular opening hours, such as painting shops, building construction firms, laundry, tailoring shops, chicken and meat suppliers, plastic bag suppliers and other supplier firms. These businesses are open for longer hours depending on the demand and the season – tailoring and painting shops, for instance, are usually busy during festive seasons. What makes migrant businesses more appealing to customers is that their services are available whenever needed or at short notice all year round.

Strategies that migrants employ to change the modality of sales and distribution are take-away services, tele-sales and home deliveries. Sweet shops, cafeterias and fast food shops are basically take-away businesses; customers do not require a place to sit as in restaurants. One of the convenient and widespread practices is to place orders for goods and services over the phone. Many migrants do not have time to go to grocery, meat or poultry shops because of clashes with working hours or lack of transport; they place their orders over the phone and goods are delivered at a convenient time, often without additional charge. Another service offered to Bangladeshis customers is “buy now and pay later”; as most migrant workers receive wages at the end of the month, or may not have money to pay at a particular time, this service
benefits both customers and retailers. Hiring part-time employees during peak hours, instead of full-time employees all year round, is another strategy to cut running costs and make higher profits.

**Conclusion**

This paper has explored the dynamics of Gulf migration by identifying the transition from migrant worker to migrant entrepreneur in Saudi Arabia and elucidating the development of migrant entrepreneurship in the migration process. Through constructing Bangladeshi migrant entrepreneurs’ trajectories from the qualitative data, the findings highlight the dynamic nature of the migrants’ lives over time, accentuating the ability for trajectories to capture this dynamism. This paper has noted that Saudi Arabia has maintained strict entry, stay and exit policies with regard to the management of low-skilled labour migration. The Bangladeshi entrepreneurs surveyed came to Saudi Arabia as migrant workers and toiled in different sectors of the economy for a considerable period before they transformed themselves into migrant entrepreneurs. However, the change in occupational status has not necessarily entailed a change in immigration status, as this shift still takes place under the framework of the *kafala* system.

This paper has addressed two important questions at the group level. The first question concerns why migrants emerge as entrepreneurs in the labour migration process. The paper reports that there is little opportunity for occupational mobility among migrant workers. Faced with the low-wage trap, uncertainty of work, and potential deportation, they seek out alternative ways of realising their migration dream. Migrants find the solution in micro-enterprise, which is known to locals as a low grade, low-rewarding, and low threshold-type business – but to migrants represents something prestigious, and a potential source of higher economic returns. Apart from blocked mobility, migrants were keen to take up such businesses, despite the considerable risks, because of social pressure from family back home to stay longer in Saudi Arabia and uplift family members from economic stagnation. The second question concerned how migrants mobilise resources for business. This paper found that personal savings are one of the crucial sources of migrants’ funds for business.
Regarding opportunity structure, this paper has discussed the two conditions for the development of migrant businesses: a niche in which Bangladeshi migrant businesses can viably function, and pathways to migrant entrepreneurship. This paper has reported that market conditions are especially favourable for the development of migrant micro-enterprises in Saudi Arabia. Migrant businesses are diverse in nature, and so are their clienteles. This paper has found that the long and sustained channeling of migrant labour has transformed micro-enterprises into ‘immigrant businesses’, with all its ramifications.

This paper has discussed ‘pathways’ to migrant entrepreneurship instead of access to ownership, because under the kafala system migrants cannot own the micro-enterprises. Low-skilled migrant entrepreneurs are barred from owning businesses in Saudi Arabia. However, being entrepreneurs, migrants overcome this legal and structural constraint by arranging a kafeel for immigration sponsorship and managing a mutually beneficial relationship with him. In such an informal arrangement, migrants are in a weaker position than the kafeel, exposing them to victimisation. Yet regardless of ownership, the majority of respondents showed signs of comfort and security in the business environment in the country. The Saudi case suggests that Bangladeshi migrant businesses do not restrict themselves to co-national clienteles; the Saudi market conditions allow migrant businesses to serve local, co-national, and co-regional clienteles. And Bangladeshi migrant entrepreneurs employ various innovative strategies to survive and prosper in the low-threshold market.

This research has reported that the shift from migrant workers to migrant entrepreneurs takes place within the framework of kafala system only in a limited way. While the Gulf countries seem to realise the importance of migrant entrepreneurship, the shift from worker to entrepreneur is not formally recognised, although it is blatantly tolerated within the kafala framework. Migrant businesses are officially owned by kafeels and migrant entrepreneurs are considered employees in their own businesses as per their immigration status. As a result, the system offers room for breach of informal contract and subsequent unfair treatment of migrant entrepreneurs.

It is important to note that Saudi Arabia pursues considerably liberal policies to attract foreign direct investors and entrepreneurs (Burton, 2016; Kayed and Hassan, 2011). However, there is no transparent policy regarding migrant entrepreneurs in the country. Sociologically as well as demographically speaking, nationals in Saudi Arabia or other Gulf states are not in position to
operate millions of ‘immigrant businesses’ profitably, demanding a realistic, inclusive migration policy encompassing new dynamisms in the Gulf migration.

Saudi Arabia is undergoing radical transformation under the current leadership. The Crown Prince Mohammed bin Salman has pushed changes that could usher in a new era for the country. One of Crown Prince Mohammed bin Salman’s key projects has been ‘Vision 2030’, a wide-ranging plan to diversify the kingdom’s economy and reduce its dependence on oil. It is widely believed that if successful the ‘Vision 2030’ would transform the country’s economic model, making the private sector the engine of growth and jobs. Given the importance which Saudi Arabia’s visionary and charismatic crown prince attaches to economic diversification, it is imperative that leadership also finds the best way to take migrant entrepreneurs on board and make use of their experiences to achieve economic diversification in the kingdom.

The Gulf migration research and analysis needs to focus on the experiences of migrant labour in the Gulf with an adequate appreciation of social, cultural and economic context of the Gulf countries. It is imperative to note that over 25 million migrants in the six Gulf states are remitting over US$100 billion annually to their families and relatives in origin countries. Migrant remittances, transfers of cash and in-kind, are spent on food, education and healthcare and other basic necessities, thus contributing to the broader development process in Asia, Africa and the Arab world. These families are indebted to the Gulf nationals and states.

With an increasing focus on the migration-development nexus, it is also important to examine the new developments in the Gulf migration such as the emergence of migrant businesses across the Gulf countries. Research on migrant businesses in the GCC states is still in its infancy, and much work is required to understand the emergence of immigrant entrepreneurship with an appropriate methodology and an appreciation of socio-cultural context of the Gulf society. This paper makes an early effort to explore the emergence of migrant entrepreneurship under the conditions of temporary migration in Saudi Arabia. I hope that this research will be of use to those many inspired voices who will continue to carry this line of research forward and contribute to the development of an economic sociology of Gulf migration.
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<table>
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<tr>
<th>No of Cases</th>
<th>Ranges of Ages (Years)</th>
<th>Education (Years of schooling)</th>
<th>Marital Status</th>
<th>Year of Migration to Saudi Arabia</th>
<th>Prior Business Experience (Yes/No)</th>
<th>Year of Starting the Business</th>
<th>Period Worked as a Wage Worker</th>
<th>Contributions of Personal Savings to Start-up Capital</th>
<th>Nature of Businesses in Saudi Arabia</th>
<th>Clienteles</th>
<th>Do you feel Unsafe to Run Businesses under Kafala System?</th>
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<td>Meat shop</td>
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