Entrepreneurship’s Role in Enhancing the Productivity and Sustainability of Pakistan

Abstract

This paper explores the emerging trend of entrepreneurship and social entrepreneurship globally as well as in Pakistan. It discusses how entrepreneurship plays a central role in economic progression for developed countries like the United States and how it has the potential to play a pivotal role in the case of a developing country like Pakistan. According to various studies, Pakistan with the 175 million population is the 6th most populated country globally, having 60 percent of its population under the age of 25 years. A well-trained, educated and entrepreneurial-oriented population can be an asset for a developing economy. Literature has reviewed, discussed and pointed out main issues, difficulties, and opportunities about entrepreneurship in Pakistan; presents a working model of entrepreneurship that can foster entrepreneurship. Therefore, a conceptual framework is developed which further can be tested empirically. This study presents entrepreneurship as a way forward for the national development of Pakistan.

Key Words: Entrepreneurship Development in Pakistan, Conceptual Model, Emerging Trends, Workforce, Internationalization, International Entrepreneurship

Introduction

Entrepreneurship is essential for a country, society, and economy as it acts as an approach where creative and innovative ideas can materialize into new ventures and small businesses can be started to employ the form of necessity-based, opportunity-based entrepreneurship businesses and salary substitute firms. In the United States, small businesses contribute nearly half of the GDP [1]. Globally, entrepreneurship has given birth to countless successful organizations and eventually new economies. Since small and medium-sized enterprises (SMEs) contribute significantly to Pakistan’s GDP, exports, and employment, the majority of the studies emphasized the barriers and factors which affect negatively the SMEs performance. Several studies focused to highlight the issues and challenges which can hinder the SME’s growth and development. For example, [2] identify financial barriers such as higher cost of credit and loans, refusal of bank finance, lack of access to equity capital, etc. Similarly, [3] recognize the psychological barriers which affect SME’s growth and performance.

Therefore, limited attention has been paid to entrepreneurship as a way forward for the economic development of Pakistan. It is observed by various scholars that entrepreneurial initiatives can vigorously participate in enhancing the economic development of any state or nation, particularly in the case of Pakistan. By taking into consideration the current economic and geo-political conditions of the country, present entrepreneurship without structural and economic reforms cannot alone act as a key player and major contributor towards economic growth and social uplift of the country and its citizens.

Following the survey conducted by the Global Entrepreneurship Monitor (GEM, 2012) in Pakistan, the Total Early-Stage Entrepreneurial Activity (TEA) rate was approximately 11.57 percent. This is almost half of 24 percent of the similar low-income countries i.e., 12 percent. This was comparatively half while there have been found a rate of 24 percent in other analogous countries. Secondly, by sustaining this lower rate, there has reported that only a quarter are being engaged in enterprises for the sake of opportunity while the remaining part is being enforced into enterprises for need. This arrangement is more worse in other comparable states with low income
where opportunity based entrepreneurship exists three times higher. Moreover, the statistics have revealed that approximately 3.4 percent of respondents are appeared as new owners of their businesses for only up to three and a half years. It compares unfavorably with an average of 12.75 percent in other low-income states in the sample of 2012. According to the Ease of Doing Business, ranking by World Bank, Pakistan is rated 136 out of 190 countries, previously in 2017 it was rated 147 [4]. Though due to some coordinated efforts at the national level in Pakistan in the year 2019, Ease of Doing Business, ranking by World Bank, Pakistan improved 28 positions to 108 position [4a] from 136 in the year 2017, still, a lot need to be accomplished to foster and promote entrepreneurship in Pakistan.

The effectiveness of these and other initiatives to foster entrepreneurship needs to be further improved by filling unaddressed gaps. According to a global survey conducted on ease of undertaking business index in 2016 conducted by the World Bank, Pakistan is ranked, 144 in the category of “Ease of Doing Business” and 141 in the category of “Starting a Business”, among 190 countries in the world [5].

Moreover, according to the National Commission on Entrepreneurship report in the United States, “Building Companies, Building Communities”, states assist the creation of the entire framework through which entrepreneurs work for infrastructural projects such as regulating the environment, laws of bankruptcy, telecommunications and transportation. If a nation wants to develop a strong, integrated and well-intentioned entrepreneurial community group, various pieces are required to be assembled wisely (similar to a jigsaw puzzle) and at the most appropriate time. [6] has named some of these pieces which entail several resources such as funds, workforce, technology, and a supportive environment.

According to one of the classical definitions by Professor Stevenson from Harvard University, entrepreneurship has been defined as to hunt chances beyond the resources and power [7]. Now upon carefully analyzing the process of “pursuit of opportunity beyond the resources, one controls” as laid out by Stevenson, we will find that entrepreneurs have successfully identified gaps in the marketplace and have subsequently come up with new innovative ideas that were successfully tuned either into goods or services.

On the other hand, the route of entrepreneurship has also given rise to the concept of “creative destruction” as described earlier by the famous Austrian economist, Joseph Schumpeter in 1942, that has revolutionized numerous industries globally and given birth to novel products, services, and business models while replacing the older products, services, and business models, this process describes the course due to which advancements in information and communication technology (ICT) has replaced and destroyed previous product and services [8].

This paper presents entrepreneurship as a way forward for the economic development of Pakistan, keeping in view the cultural, societal, economic, political and legal context of Pakistan. This study aims to provide the guidelines to the policymakers on how they can achieve economic development by promoting entrepreneurship. Furthermore, this article provides a conceptual framework that may be tested empirically in further researches.

**Literature Review**

Word “Entrepreneur” takes its origin from the French word “endeavor” i.e. describes the person who struggles or develops a new project, scheme or idea and takes important responsibility for the built-in dangers and the results [9]. In the early 18th century, a French economist, Jean-Baptiste Say has described the term “entrepreneur” and he proposed it as “he is the one who commences an enterprise, especially in form of a contractor while performing the duty of a middle man in between capital and labor.” [10].

On the other hand, according to [11], “Social Entrepreneurship” has been described as a tool, method, or practice through which social problems such as environmental destruction, health issues, illiteracy, poverty, are found to make the life of individual better.

Furthermore, the ideology of social entrepreneurship is still needed to be explored, as it takes similarities with other areas, which makes it difficult to be understood completely.

Hence, this discipline can be studied by many researchers considering it as an opportunity that has not been explored until now. Also, it links up with other domains such as entrepreneurship, sociology and organizational theory just for the sake of challenging and rethinking of basic concepts and conventions [12].
[13] have stated in their study that when value creation is taken into account, social entrepreneurship has been found to have a dramatic impact on society as compared to just an increase in the creation of economic value. The notion of social entrepreneurship had grabbed the attention of individuals, organizations, scholars, and academicians.

In contrast to other forms of entrepreneurship that lay more emphasis on economic value creation, social entrepreneurship is quite different as it based upon providing more value to social value creation and development [14]. This notion of social value creation has grabbed the attention of scholars, individuals, organizations, and academicians towards social entrepreneurship. This kind of entrepreneurship has merged business enterprise ideas using a social reason and a cause. Moreover, social enterprise and entrepreneurship is a comparatively favorable area which provides the capable people with chances of creation of communal as well as economic value while social entrepreneurship is an emerging area in academic research nowadays [15]. According to findings of [16], in the context of social entrepreneurship, the activities belong to several models which are ranged from entirely non-profit to profit projects or amalgamation of both.

Social Entrepreneurship

Social Entrepreneurs such as renowned Nobel prize winner, Dr. Muhammad Youns, Garmen Bank founder had empowered the women and reduced poverty in Bangladesh through micro-financing and regarded as the father of microcredit [17]. Similarly, in 1951, a great social worker, prize winner of Lenin Peace and nominee of Nobel Prize, Abdul Sattar Edhi had established the Edhi foundation. Edhi Foundation has established itself as a non-profit organization for the sake of facilitating the deprived people, drug addicts, handicaps with free services of 24 hours such as facilities of medical, ambulances, funeral services, old age shelters, houses for orphans, rehabilitation centers as well as training facilities. Guinness Book of World Records, recognizes, Edhi foundation is acknowledged for possessing the world’s largest voluntary ambulances’ stream [18] and started his organization from very small begging [19].

In Pakistan, there exist several types of social entrepreneurial projects ranging from nonprofit businesses, for instance, Shaukat Khanum Memorial Cancer Hospital and Research Centre (Shaukat Khanum) and Edhi foundation to profit-making organizations such as Kashf Foundation (KF) by Shanyan Zafar. These all are established just for the sake of providing the poor with short term loans on interest and uplifting the poor economy. Meanwhile, Akhuwat foundation (A.F.) founded in 2001 by Dr. Muhammad Amjad Saqib is the pioneer of interest-free micro-financing in Pakistan, it operates through religious places (mosques and churches) to keep its cost and increase community involvement. A.F. has distributed over 39 billion rupees with the help of more than 675 branches in 350 cities across Pakistan, with a wonderful recovery rate of 99.94 percent, too low-income people in the country by helping 1.8 million families by either helping them start a small business or by helping them grow their business [20]. Social entrepreneurship has established a difference, more particularly, in the communities where they are operating. In Pakistan, they have helped in the uplift of the society.

Shaukat Khanum, established by the famous cricketer, philanthropic turned politician, Imran Khan is considered a real success story of a social entrepreneurial project. Shaukat Khanum is a charity based institution of health care established for the sake of cancer research and providing treatment services to both rich and poor. It is financed by donations not only from Pakistan but also from throughout the world. Shaukat Khanum has generated funds through its facilities of Pathology and Radiology while generated funds are used for providing treatment facilities to poor patients.

The idea and thought of entrepreneurship are developing globally and also in Pakistan. Organizations and groups such as the Kauffman Foundation and Global Entrepreneurship Monitor (GEM) are considered in those organizations which are promoting entrepreneurship globally. GEM is a nonprofit institution for academic research for the purpose to extract high-quality information regarding international entrepreneurship. In the meantime, the Kauffman Foundation has ascended as the largest foundation of entrepreneurship in the world.

Pakistan in the context of Entrepreneurship

In Pakistan, various associations such as Small and Medium Enterprise Development Authority Pakistan (SMEDA), under the umbrella of Ministry of Industries and Production, Government of Pakistan and various
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enterprises such as The Indus Entrepreneurs (TIE) and different other enterprises below the numerous Chambers in Pakistan have been working throughout the country. However, in the theoretical and practical perspective, entrepreneurship is described poorly while its understanding is ruptured [21].

According to [22], entrepreneurs are facing severe hurdles including acquiring loans, taxation, legislation and administration obstacles which hinder the establishment of Small and Medium-sized Enterprises (SMEs). A research study has designed in Kosovo to examine the obstacles in the growth of SMEs and other business environment hurdles which are perceived by entrepreneurs are identified major hindrances including legal environment, funding, taxation, administration barriers and unfair competition [23].

According to [24], potential personality traits possessed by entrepreneurs such as their beliefs, values, attitudes and past experiences have played a significant part in nurturing entrepreneurial activities. While [25] has argued in his studies that individuals have their own beliefs regarding personalities and their associated behaviors and when they cooperate and intermingle with any entrepreneurs, they derive an observation and perception attached with that entrepreneur which results in self-perception, image, conduct, and behavior of the businessperson i.e. entrepreneur. A professor at Ohio State University, Albert Shapiro has argued that “An entrepreneur is not ‘born’…. Instead he ‘becomes’ by the experiences of his life”. By observing the entrepreneurs, we have found that their personality traits, risk-taking attitudes, and their experiences contribute towards their success.

The opportunity cost of entrepreneurship is increased by the expenses of starting a new venture, entry cost by regulatory authorities and union wage policies. Moreover, inefficiencies and inadequacies in the communication of implicit knowledge have been arisen within family ownership transfer and become an issue when the economic career of a venture idea exceeds, activity life of a business person and an entrepreneur [26]. It has stated in “Searching for the invisible man” [27] that those entrepreneurs are more interesting who bring innovation. Though, in microeconomics, there is more importance for prices, interest rates, and wages and talks about reinvention and revolution are not being discussed.

There requires grass rootwork for the encouragement of entrepreneurial activities and for giving a suitable environment to develop entrepreneurial skills that must begin from academia. If academics such as universities have provided enough knowledge and encouragement for entrepreneurial activities, the probability of selecting an entrepreneurial field will be increased [28].

Entrepreneurship: An instrument for national progress and development

Human capital is the most valuable resource for any country; it is directly linked to human development [29]. Pakistan with the 175 million population is the 6th most populated country globally, having 60 percent of its population under the age of 25 years [30] so in case if the population of this segment is appropriately groomed through educational institutions and vocational training with entrepreneurial skills and knowledge it can uplift country’s economy. According to [31] in 2015 it is estimated that Pakistan’s population reached 190 million and if continues with the same rate it will be the third-largest population by 2050 [32]. According to a recent census conducted by the Pakistan Statistical Bureau in 2017 is estimated that Pakistan’s population has reached (207.77) million, there is an increasing trend of [33]. In such a situation, it will be impossible for the present national infrastructure to support employment unless the entrepreneurial activities are enhanced to generate work for a large and growing population.

Developing countries such as Pakistan have faced multiple problems including a very low literacy rate, high unemployment rate, severe poverty, terrorism, and corruption. It is projected that approximately 24 percent of the Pakistani population is living below the poverty line [34]. Moreover, a report about Pakistan’s economy generated by Pakistan’s central bank (State Bank) has recognized and revealed that the HeadCount Ratio (H.C.R) regarding poverty in Pakistan has been surged by 33.8 percent in the fiscal year 2007-2008 to approximately 36.1 percent in the year 2009 which is exposed that about 62 millions of people are living below the poverty line in Pakistan. Another report of the World Bank has exposed that further 10 million people fell under the poverty line according to a survey of 2010 [35].

In prevailing situations, there need to introduce entrepreneurial activities to the development of the national growth of the economy by establishing a realistic approach at the national level of policymaking. Entrepreneurial
education must be introduced for the youth of nation and initiatives regarding the training of developing entrepreneurial skills must be taken at school levels. The current educational system of Pakistan is discouraging entrepreneurial traits such as the behavior of risk-taking. The current curriculum must have needed to be revised completely and upgraded for the sake of developing and enhancing skills such as entrepreneurial orientation and creativity. By taking this initiative, the enhancing skills and knowledge with the levels of education will gradually decrease the fears regarding failures of entrepreneurship [36]. Almost all developing economies are accepted that education of entrepreneurial activities is too effective for enhancing economic growth and it is also understandable that to refocus on education regarding entrepreneurship will highly contribute towards promoting entrepreneurial culture in any country [37].

Global Entrepreneurship Monitor, in their revolutionary work on individual characteristics of entrepreneurs in Pakistan: the outcomes of research work have revealed that the entire business environment, entrepreneurial climate including revising part of the state, security reassurance and rules of law and elimination of the rent-seeking attitude is moving towards market-based approach [38]. Moreover, the Planning Commission of Pakistan has also emphasized its reinforcement and according to their report entitled “A study of Entrepreneurship and Innovation” [39], a new approach requires to be harmonized with innovation, creativity, and globalization.

Concceptual Framework
The proposed framework (figure 1) shows how the independent variable(s) i.e. (a) Academia: University, College and Training Institutes, (b) Opportunity Entrepreneurship, (c) Role of Institutions, (d) Economy, (e) Geo Political Situation, (f) Education, (g) Culture, (h) Informal education & experiences, (i) Personal Traits & Values, (j) Legal Framework & its Enforcement, (k) Social Entrepreneurship, (l) Necessity Entrepreneurship, (m) Women Entrepreneurship, (m) Public Policy, (n) Institutional Dilemmas, (o) How it effects the economy/business environment, (p) How ages effects Entrepreneurship, (q) Intrapreneurship, (r) Copreneurs (s) Relationship between poverty reduction & Entrepreneurship, (t) How can it be used to overcome recession/ un-employment / poverty, (u) Corporate Social Responsibility effects the dependent variable, Entrepreneurship.

Proposed Framework
Please refer to the proposed framework in figure 1.
Expected Outcomes of Propose Model

Entrepreneurship and national development cannot take place in vacuum i.e. absence and lack of proper supporting infrastructure which is graphically represented in figure 1. Various bits and pieces, shown as independent variables (as mentioned in figure 1: proposed framework) need to be carefully strategically aligned together, just like a piece of a jigsaw puzzle, so that the dependent variable (Entrepreneurship) in the model can be influenced positively.

Conclusion

Entrepreneurship can work as a tool for the development of any nation through adopting the systematic and realistic approach, development programs of entrepreneurship and related academic courses by making them a part of the curriculum at educational and vocational institutions. According to Dr. Ishrat Hussain, currently an advisor to the Prime Minister of Pakistan on Institutional Reforms and Austerity, former governor of Pakistan’s State Bank and renowned economist: entrepreneurship has contributed a radical part in many nations including Korea, China, India, Brazil, Mexico, and Columbia while these countries have presented high rates of entrepreneurial activities in its early stages [40].

In conclusion, a holistic view of entrepreneurship is required as a tool for national development. Entrepreneurship, in a developing country like Pakistan, can only be strengthened by concentrating on simple basics i.e. strengthening the institutions. Regardless of the prospective paybacks of entrepreneurial activity in Pakistan, the entrepreneurial activity in the country is limited; as polices made by the government have not historically been made for Small and Medium Enterprises [41].

However, to strengthen the institutions is a long-lasting approach while taking into account the ground realities of our nation and societies there requires a visible contribution, planning, harmonization and above all the timely implementations by stakeholders. Also, there is a need to develop such a realistic and sustainable framework, where all stakeholders are equally involved and participated. In order, to develop a culture that fosters sustainable entrepreneurship in Pakistan as a strategic tool and instrument for the national development, mechanism of encouragement, motivation, and incentives along with the policy of government needs to be established to encourage entrepreneurship [42]. Furthermore, self-employment prospects in form of opportunity and necessity-based entrepreneurship and as well as social entrepreneurship bring the potential and required capacity to produce employment prospects, projects of social improvement for the countries’ national progress and development. Having both the capacity and capability to facilitate and address the increasing population of the country.
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