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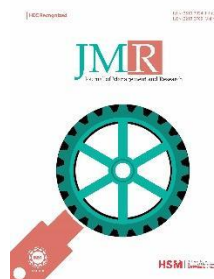
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Role of Government in Making Entrepreneurial Ecosystem Conducive in Pakistan: Case of Emerging Businesses

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Abstract

Entrepreneurship is strongly linked with prosperity, economic development, and wellbeing of a country. The current study attempted to fill this gap and intended to empirically assess the phenomenon of entrepreneurship in Pakistan as well. This process was carried out by analyzing the local context of Pakistan and the role of government according to the standpoint of entrepreneurs. The current study attempted to determine the entrepreneurial situation as experienced by the entrepreneurs in order to understand as to why the culture of entrepreneurship has not been developed in Pakistan in spite of self-employment arrangements introduced by numerous government regimes. For this purpose, a qualitative research strategy was employed to explore this phenomenon. Moreover, about 65 in-depth semi-structured interviews were conducted based on the experiences of the entrepreneurs with government in their entrepreneurial journey. The majority of the entrepreneurs revealed either a total ignorance or undeniable distrust in the government schemes. The entrepreneurs complained of bureaucratic bottlenecks, delays in responses, corrupt culture, and lack of support by government. The results also showed an indication of ‘informal *entrepreneurship*’ in Pakistan which connotes that businesses prefer to remain unregistered and non-documented by keeping their financial transactions undeclared in order to escape labor law and tax regulations. This, according to the participants of the current study, is considered fundamental by business owners due to tough and complex regulatory procedures for their new businesses. Moreover, it is also further intensified

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by the unhelping behavior of the pertinent government institutes and their demand of “*illegal gratifications*” in lieu of offering any service.

Keywords: Entrepreneurship, illegal gratifications, Pakistan, role of government, unhelping behavior

Introduction

Due to its well-documented contribution to economic growth of a nation by promoting self-employment and creation of jobs through small business ventures, entrepreneurship has attracted a lot of attention from contemporary research. The entrepreneurial activity is deemed as a key factor in boosting the economy of a country where it acts as a way to attain financial affluence. Along with innovation in goods, services, and businesses, all nations view entrepreneurship promotion as an essential tactic for generating job prospects (The Organization for Economic Cooperation and Development [OECD], [2012](#)).

Recently, the governments of several nations have fully acknowledged the importance of entrepreneurship as a significant alternative to traditional wage employment and its contribution towards increasing economic development in the country (Igwe, [2016](#)). Since, the potential return on entrepreneurship is greater than the pay one may receive from employment (Su et al., [2020](#)). This phenomenon has also drawn the attention of researchers/theorists towards the exploration of concept and identification of numerous factors that have an impact on the entrepreneurial process. However, because the majority of studies have been done in established economies, it may not be practical to generalize their results to undeveloped or developing nations like Pakistan. A contextual study is, therefore necessary to explore insightful findings for a given country (Grigore & Dragan, [2020](#)). Over the course of last decade, researchers have expressed the need to contextualize research on entrepreneurship for better policy decisions (Baker & Welter, [2018](#)).

Like any other organization, entrepreneurial ventures work in an environment that influence not only the success of already existing entrepreneurs, however, the growth of future entrepreneurs as well. Such an environment is referred to as an "ecosystem" in the discipline of entrepreneurship and there is a connection between ecosystem components and the institutions in which it works, both formal institutional settings and informal settings. One of the very vital components of entrepreneurial

ecosystem is the supportive government with its enabling policies (Isenberg, 2011, as cited in Maroufkhani et al., [2018](#)). The current study examined the role of government from the perspective of entrepreneurs in Pakistan (Raza et al., [2018](#)).

Literature Review

The concept of entrepreneurship has several facets and has also been recognized as a discipline over time, particularly in the last two decades. Global Entrepreneurship Monitor (GEM), quoted by Gutterman ([2015](#)), provided a very comprehensive definition, that roughly describes entrepreneurship as an endeavor towards starting a new business. For instance, it includes starting a new company, self-employment, or expanding or diversifying in an existing business as an initiation of change. Such a change may take the form of altering or improving an already-existing good or service, creating new procedures to boost production, entering a new market that includes uncharted geographical territory, or seizing a rare raw material to produce better goods (Gutterman, [2015](#)).

An entrepreneur is influenced by both internal and external loci of control (Arkorful & Hilton, [2022](#)). In the context of external forces, impacting an entrepreneur and the influence of the government and its institutions that impede or support entrepreneurial activity is one of the crucial elements (Al-Mataani, [2017](#)) in a region (Vatavu et al., [2022](#)). According to Christensen and Goedhuys ([2004](#)), this function of government lays the groundwork for a legal environment which is one of the fundamental building blocks of business activity in any region. It also enhances the economic prosperity of young enterprises and, as a result, employment and economic activity increase too. Entrepreneurs function in a social environment that demands diversity of social linkages as well as institutional factors that facilitate or halt the working of entrepreneurs (Steyaert, [2007](#); Thornton et al., [2011](#)). Hence, entrepreneurship in a specific region, is influenced by the formal institutional values encompassing formal rules that govern the behavior (Boettke & Coyne, [2009](#)) of entrepreneurs. Since, the environment in which an entrepreneur operates impacts him/her socially, any norms created by an external authority (government), such as political or legal structures, written rules and regulations, formal contracts, and a constitution become the formal binding to all members of the group (Granovetter, [1985](#)).

The small businesses are in particular impacted by the formal institutions (government) and the legal framework requirements as they perform a significant role in determining the entrepreneurial activity in any region; the laws that govern the legal structure, therefore, shape entrepreneurial activity of the country (Aidis, [2017](#); OECD, [2023](#)).

According to Pita et al. ([2021](#)), the ecosystem in which an entrepreneur operates is not a universalist or one-size fit all approach, rather it is heterogeneous. Thereby, countries across the world need to focus on their own ecosystems considering the dynamic nature of entrepreneurship. Ecosystem including the influence of multiple components' culture, markets, finances, policies, human capital, and infrastructure influence an entrepreneur. According to Wurth et al. ([2022](#)), though the concept of entrepreneurship and effect of factors influencing it have captured the attention of theorists, practitioners, and policy makers during the last ten years, yet the in-depth and detailed accounts of understanding the role of entrepreneurship and government have been ignored (Vatavu et al., [2022](#)). The literature on entrepreneurship also suggests that it matters differently for different regions (Content et al., [2020](#)). According to Pita et al. ([2021](#)) the research conducted on entrepreneurship so far still lacks detailed descriptions about the interactions entrepreneurs have with their environment in which they operate. The field of entrepreneurship has been dominated by positivist approach, methodologically involving the statistical methods of research, deficient in its ability to unearth the idiosyncratic variations of a particular region (Burg et al., [2022](#)). The dearth of such studies has been observed in perspective of the developing countries (Neumann, [2020](#)), especially in the perspective of early-stage entrepreneurs (Guerrero et al., [2021](#)) to curtail the entrepreneurship myopia focusing on universalist lens existent in present literature (Pita et al., [2021](#)). The current study attempted to fill this gap and conducted a qualitative enquiry by revealing the ground reality as perceived and depicted by the end users of such initiatives. The entrepreneurs, in turn, may enable the policymakers to improve the situation by minimizing the negative influencers and by focusing on the positive ones.

Significance

As entrepreneurship thrives in a region, the economic development and prosperity also flourishes. This is a precise reason that many governments, whether of developed or developing countries, have already started or are

starting to encourage entrepreneurship. One of the Ministers of the current government acknowledged the government's inability to provide jobs for everyone in country and called for private sector contribution in this regard. The governments in various political regimes in Pakistan have also stressed self-employment and entrepreneurial initiatives. Numerous self-employment programs, such the "Youth Business Loan" and the "Youth Investment Promotion Society," demonstrate the nation's efforts to support the entrepreneurial culture. Rana (2015) reported that majority of these schemes had been a debacle and they needed to be relaunched. Therefore, an empirical investigation was deemed necessary in order to better understand the difficulties faced by young entrepreneurs in Pakistan who are 5 years old or younger. This investigation could then help policymakers improve the situation by reducing the negative influences and focusing on the positive ones.

Research Question

“What are the perceptions/experiences of the entrepreneurs about Pakistan’s entrepreneurial ecosystem in terms of the role of government in making entrepreneurial ecosystem conducive (or otherwise), in the opinion of the entrepreneurs?”

Research Methodology

The current research was conducted by using a qualitative research methodology in order to gain a comprehensive and thorough understanding (Boeije, 2010) on the matter. Qualitative research is deemed suitable for the questions that require exploration to achieve a detailed insight into the matter (Creswell, 2005), substantiated in individual experience (Nowell et al., 2017). The data was collected through in-depth semi-structured interviews. These interviews are aimed to provide detailed information regarding a person’s (in this case entrepreneurs) experiences and perceptions concerning a specific phenomenon to understand the contextual details of an issue.

The population of current study comprised of both, female and male entrepreneurs who were in their initial years of ventures (aged 5 years or less which according to Colombelli et al. (2016) is qualified as a young firm), to capture the challenges faced by young businesses with the government directly or indirectly belonging to businesses. These businesses include Information Technology (IT), food, fashion designing along with

consultancy/training/education. The sample size comprised of 65 entrepreneurs. To gather the information from people with a certain level of experience and capability, a purposive sampling strategy was used (Neumann, 2014). Data processing was done through *NVivo 12 Plus*, that is, a qualitative research software. The data analysis was performed by using *thematic analysis* with the help of Braun and Clarke's (2006) method. This method is comprised of steps of identification, data organization, describing, and reporting of themes that emerge within an interview dataset.

In order to ensure the recall ability of the transcript data and to differentiate among anonymous respondents, a coding scheme was developed in NVIVO where the respondents were coded according to their gender, the sector of their business venture, and the order of their interview. For instance, a male interviewee belonging to IT sector was coded as ITM1, whereas ITF2 was the code for female respondents of the same sector.

Data Analysis

The subsequent section considers the views of the entrepreneurs about the ineffective/effective *role of government institutions*. Moreover, it also examines different schemes introduced by government with regard to developing/improving the entrepreneurial climate in the country. A large number of respondents labeled the governmental institutions' role as ineffectual and unsupportive for new ventures and characterized various schemes introduced by government as merely cosmetic, superficial, and ineffective. According to one of the entrepreneurs:

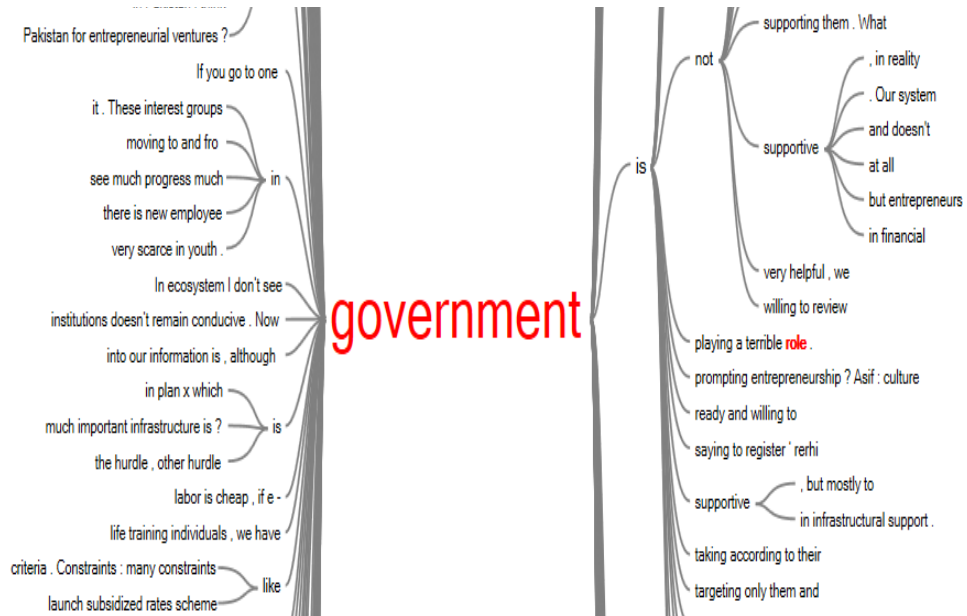
“...there are numerous projects (like loan programs) introduced for entrepreneurial development, however the effective implementation of these projects is what the youth needs to actually contribute towards economic development and wellbeing of our country...”. Another entrepreneur asserted:

... government did introduce some schemes and projects lately that apparently reflects their efforts towards the development of small businesses. However, they are working cosmetically and only few people get benefit out of those schemes. It is lack of communication and help on part of government due to which majority of us are either not selected nor we have the know-how of those schemes or how to apply as procedures apparently also seem to be too difficult....

The interviews conducted with entrepreneurs echoed that government can play a favorable role in the promotion of entrepreneurial inclination in the country by framing the business-friendly policies and giving subsidies in taxes/duties. However, regrettably the situation is just the contrary. Cumbersome and tough registration process, complex taxation system, corrupt practices of institutions, lack of proper guidance and response by relevant departments were the most shared grievances uttered by the interviewees with respect to the government institutions' role in their business ventures. Entrepreneurs articulated that due to these bureaucratic problems, new and small scale businesses evade the registration entirely. Moreover, the owners of these businesses favor functioning in an “*informal entrepreneurship sector*” growing in Pakistan to escape the taxation/duties obligatory on registered businesses. The tree-map as exhibited in the *Figure 1* evidently showcases the dismal viewpoint of the entrepreneurs about the role played by government institutions.

Figure 1

Word Tree Exhibiting Viewpoints/Opinions of Entrepreneurs Regarding the Role of Government Institutions



Cognizant of the value of entrepreneurship in the economic development, various regimes in Pakistan have introduced numerous

initiatives that include, “*Youth Investment Promotion Society*”, “*Prime Minister Kamyab Jawan Loan*” scheme, and “*Chief Minister Self-Employment Scheme*” (Zaman, [2019](#)). According to Chemin ([2010](#)), in Pakistan, large-scale firms continue to receive considerable attention from government as opposed to small and medium-sized businesses.

The difficulties faced by new business owners in interacting with governmental institutes and completing required formalities have been discussed in the next section in light of themes found in the data:

1. ‘(Un)Ease of Doing Business’

“*Ease of Doing Business*” is the concept coined by World Bank. This concept states the ranking of the countries each year in terms of facilitative business regulations. From the perspective of small, local startups, this index evaluates the reforms in several domains including starting a business, registration of a property, receiving financial support, paying taxes, as well as labor market regulations (The World Bank, [2018](#)). According to Ease of Doing Business Ranking, Pakistan is ranked at 108 out of 190 countries (State Bank of Pakistan, [n.d.](#)) that hints at the “*(un)ease of doing business*” in Pakistan. This statistic was also recognized by the entrepreneurs interviewed for the current study. According to the affirmation of one of the entrepreneur:

“There is no ease of doing business in the country, we have a lot of issues”. Another respondent added:

...ease of doing business, is quite difficult in Pakistan ... the regulatory frameworks are so difficult that you cannot do without the advisors and lawyers ... and what if you cannot afford advisors and lawyers... doing business’ formally’ is not easy in Pakistan for sure...

Yet another entrepreneur stated:

... there are difficulties in registration process, the taxation process, getting financial support ... there are so many difficulties in regulatory framework that it curbs one’s motivation to enter into the business and then it gets more difficult to sustain with these difficulties....

According to the interviewed entrepreneurs, news in media pertaining to the facilities provided to young and budding businesses are for *show-off* purposes. On realistic grounds, they have to go through a lot of challenges with respect to access and availability of financial support, registration process, and advice on legal issues. Evidently, most of the schemes launched by different government regimes are rather '*politically motivated*' and are attentive on getting the political mileage rather than giving any long-term benefit to the country. Many a times, schemes are publicized without the backend groundwork and are full of procedural bottlenecks, thereby creating unwarranted hassle for the aspiring entrepreneurs by demotivating the beneficiaries. Even, the officials working in these institutions are not appropriately trained which results in delayed responses and lack of guidance to the questions of the potential entrepreneurs. Thus, it proves counterproductive for the development of entrepreneurial culture in the country as voiced by one of the entrepreneur:

... every political party, during election campaigns, announces schemes and policies for the development of the country ... such schemes are announced before elections and then we see no work except that some of those announced schemes are implemented later in their 5 years tenure to make an impression to get votes in the next election... I do not feel they are for the betterment of citizens but to increase their vote bank unfortunately....

Another entrepreneur voiced:

... one of the major issues that I think exists in the government schemes is that they are politically driven, and the institutions involved in the implementation of these schemes do not know about what they are supposed to do... this clearly hints towards the lack of homework on part of ruling party ... ultimately citizens suffer, what to talk about small business owners....

As per the primary data of the current study, the "*discontinuity in schemes*" of different government regimes by the successive governments is another challenge where each succeeding regime announces their own initiatives and disowns or discontinues the schemes of preceding regimes. Due to this inconsistency, there is a "*lack of trust*" in government schemes, thereby impeding their very purpose in attaining the envisioned purpose. The respondents also whined about the "*frequent changes in policies*"

relating to small and new businesses including the inflationary issues, taxation, or registration requirements. One of the entrepreneurs cited:

“... every new political party when in power and becomes part of the government makes polices of previous government null and void... this creates difficulties for a businessperson considering the different priorities of the ruling party ... had they been supportive, in 72 years we could have achieved a lot...”. Another respondent expressed: “...the role of the government is inhibitive, and it is because of the change in policies every now and then, whether its import policy or trade policy. Businesses need consistent policies, and I think Pakistan’s government changes policies too frequently”.

There also appears to be a “*lack of coordination*” among different institutions dealing with the entrepreneurial/business schemes as well as amongst the individuals working in the same institution, which causes undue hassle for new business entrepreneurs:

When you go for NTN (National Tax Number), they say that first create a bank account and when you go to the bank, they say that first get an NTN and the chain continues... there is a lack of training and technical knowledge to the officials.

Another respondent added:

... I have experienced so many ambiguities and loopholes in our system ... my friends doing business abroad tell me that they have one window operation... you know all the details as they have friendly staff to guide you... we unfortunately do not have such systems. If you go to one government department, they tell you one thing and then another department tells you a different thing. I remember the issue with complaint of my small factory unit gas and electricity complaint resolution... I did all they mentioned and yet the name of the property I purchased was not transferred to my name... I, then, decided to use a link of some reference I knew and then my complaint was resolved... the biggest issue is that we do not have systems, or you can say we have systems, but they do not work properly.

The issue of “*illegal gratification*” has also been voiced by the entrepreneurs which highlights the issue of bribery at individual level that

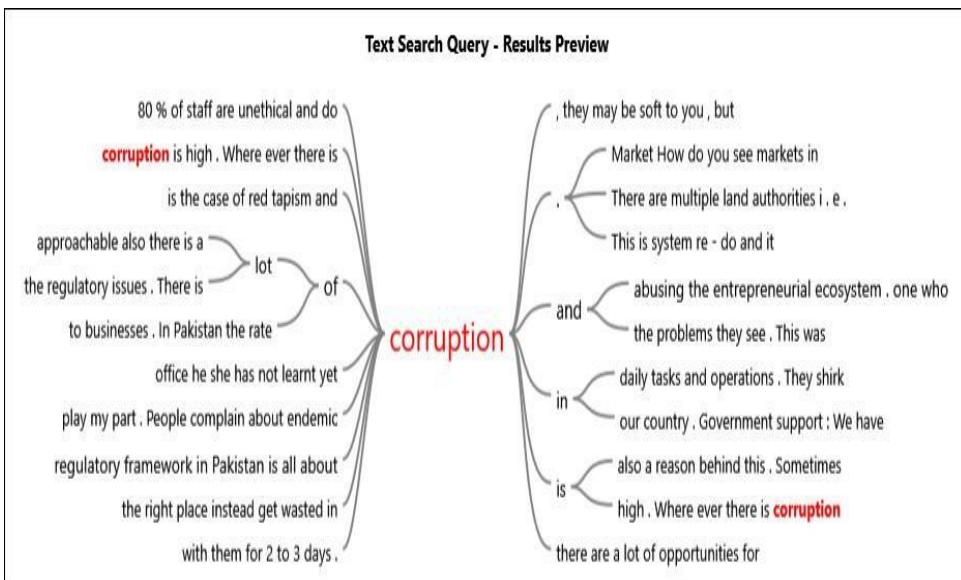
entrepreneurs have to give to expedite the pending work with a particular institution. According to an entrepreneur: "...the process is so difficult that you cannot do things on your own and if you seek guidance from relevant institutions, you have to bribe them". Another respondent added: "...dealing with government officials is an issue ...at every point in your business you are going to face hurdles ...there will always be someone to bother you... indirectly asking for bribe...". Yet another respondent added:

I pay the taxes but then I get a random email on my email account (registered with Federal Board of Revenue - FBR) from FBR due to some issue that I do not have any idea about... I requested my lawyer to deal with these issues and he bribed the officers to get rid of those random issues...I, then, paid lawyer for these 'services'... this is really discouraging, and it has been happening since the time I became the tax filer/registered business....

One of the classic examples of illegal gratification on part of public officials is *Corruption*. It has been stated as one of the most recurrently cited inhibitor by the entrepreneurs as evident from Word Tree shown in Figure 2 exhibiting the frequency of word 'Corruption'.

Figure 2

Word Tree Exhibiting the Frequency of 'Corruption' Mentioned by the Respondents in Numerous Contexts



Entrepreneurs who participated in this study complained about the corrupt practices of public institutions, from applying for registration of business startups to filing of taxes and from carrying out legal formalities to copyright issue. Entrepreneurs mentioned that they have to make the officials ‘happy’ by giving them the kickbacks, as stated by one of the entrepreneurs:

“Only if you bribe them, then the government officials are willing to do their work”. Entrepreneurs highlighted bribery as a tool to get things promptly done in Pakistan. One of the entrepreneur mentioned: “...in Pakistan, you cannot practice legal management of your business startup on your own ...you need a lawyer, but even then you have to bribe them as the process is so difficult that you cannot manage things speedily”. According to another entrepreneur, one has to bribe the government officials in order to get any approval from government authorities or else they create pointless problems: “If you want your operations to keep running in this country, then you should be ready to give money to officials ... otherwise be prepared for the problems”. Another respondent added:

... (there is a lot of corruption in government sector) I am talking about 95% of the cases. If there is a new employee in any government office, he/she has not learnt the tactics of corruption yet (then that may be an exception) ... but generally you have to make them ‘happy’ to get your work done for your company.

Entrepreneurs also voiced about the apprehension of weighty detailed procedures, lack of trust, and corruption predominantly in the form of bribe while looking for any help in any issue. One of the interviewees expressed: “...I have huge trust issue (and when you do not know the procedures, then officials) make the procedure longer than it actually is (to get bribe)”.

The entrepreneurs who participated in the current study had grave issues of suspicion and distrust about anything related to government and its officials and blamed them for any delay or shortcoming on their part to the corrupt practices of the government institutions: “... there is no two-way communication. It is like you are giving something to them, and they are not giving (you) anything back... I never got support from them”. Another entrepreneur expressed very bluntly:

Pakistan does not have a business oriented eco-system... I personally believe that government and regulatory framework in

Pakistan is all about corruption and abusing the entrepreneurial ecosystem. The one who pays the tax has more scrutiny to face than the one who does not. Our lawyers say to us if you evade the tax you are safe and if you file the tax you will be trapped because those who file will be more scrutinized....

Some entrepreneurs also stated that they have experienced fake/informal visits by fake officers claiming as representatives of various government departments. Many respondents stated that they prefer not placing their business name plates outside their office premises to evade such occurrences. One of the entrepreneurs stated:

... there is a lot of corruption in the system... lately, I have experienced that. As compared to formal actions by (genuine governmental) authorities, fake and informal visits are higher. (I have experienced that) ... fake food authority representatives fined me and later I got to know that it was a fake visit....

There has also been an evidence of *Sifarish (in Urdu)*/use of links, as a part of corrupt practices, to get things done speedily bypassing any chain of command. Entrepreneurs expressed that if an individual has links with government institutions, then they would not have to face any issue in legal system, as, in Pakistan the regulatory framework is not cooperative at all. It was said by one of the entrepreneurs that: "If you face legal issues in regulatory framework in Pakistan, you cannot solve it on your own". Another respondent added: "without links or people who know you in the government offices, the regulatory framework is tough". Another participant expressed:

I had to face an issue that in the initial 3 years of my business I was out of the tax net, now in 4th year, I had to file my tax return and FBR created an issue. Then I went to Securities & Exchange Commission of Pakistan (SECP). Things did not work out and they asked me to go to banks and asked me to visit the SECP office again. It felt as if I had become a ball which was being tossed from place to place. So, I decided to use my links and contacts to help me through it and things got resolved.

2. Comparison of Primary Data with Other Contexts

The data findings have been compared analytically with studies conducted in other contexts to determine the context specificity

(indigenous) of drivers and challenges in addition to thematic analysis (TA), focused on primary data findings through qualitative research inquiry in data analysis. For this purpose, the findings were compared with neighboring countries including India and Bangladesh that were part of sub-continent before partition having similar geographic context as well as with the developed world country that ranks number one in Doing Business Report by World Bank, New Zealand, having dissimilar context.

According to the latest statistics of World Bank's Global Development Data², India has the 6th largest Gross Domestic Product (GDP), amounting to 2.88 trillion US dollars. While, Pakistan's GDP is 0.28 trillion US dollars and Bangladesh's GDP is 0.30 trillion US Dollars with New Zealand's GDP to be 0.20 trillion US dollars. The World Bank has ranked Pakistan at 101st position, while India is way ahead of Pakistan at 63rd rank. On the other hand, Bangladesh is way behind Pakistan at 168th rank. New Zealand is at top position, ranked as 1st. The World Bank's Global Development database further states Pakistan's population to be 212 million, India's 1.35 billion, Bangladesh's 161 million, and New Zealand's population to be 4.9 million. However, per capital gross national income of these countries is; Pakistan's US \$1,580 which is way lower than much populated country, India having per capital income as US \$2,020, and Bangladesh having US \$1,750 per capital income. While, New Zealand surpasses all the above mentioned countries having per capita gross national income as US \$40,820, the highest among all.

According to the findings, Pakistan's entrepreneurial culture appears to be dominated with challenges and few drivers that demand government's attention with regard to better policy framework for businesses to flourish. Table (1), taken from the World Bank's latest report on Doing Business (2020), compares 2020's scores of Pakistan, India, Bangladesh, and New Zealand in various categories.

² World Bank Open Data https://data.worldbank.org/?name_desc=false

Table 1

A Comparison of the Scores in 2020 of Pakistan, India, Bangladesh, and New Zealand in Different Categories of the Ease of Doing Business

Categories	India DB2020 Score	Pakistan DB2020 Score	Bangladesh DB2020 Score	New Zealand DB 2020 Score
Overall	71	61	45	86.8
Starting a Business	81.6	89.3	82.4	100
Dealing with Construction Permits	78.7	66.5	61.1	86.5
Getting Electricity	89.4	64	34.9	84
Registering Property	47.6	48.6	29	94.6
Protecting Minority Investors	80	72	60	86
Paying Taxes	67.6	52.9	56.1	91
Trading Across Borders	82.5	68.8	31.8	84.6
Enforcing Contracts	41.2	43.5	22.2	71.5
Resolving Insolvency	62	59	28.1	69.5

Table 1 exhibits that scores in nearly all the categories in case of New Zealand are higher than that of Pakistan, India, and Bangladesh. However, among other three countries, India’s scores surpass Pakistan’s and Bangladesh’s in nearly all categories. These comparative findings further advocate that primary data results obtained from this research were needed in order to understand the context specific circumstances of the entrepreneurs of a particular country.

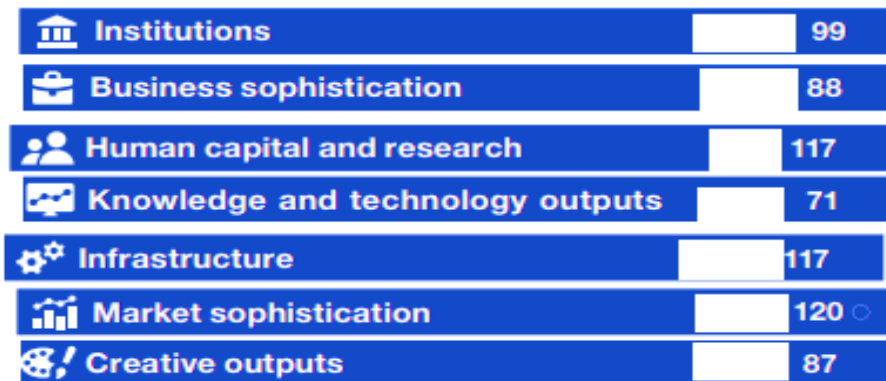
Discussion

Entrepreneurship is believed to be a catalyst for the economic development of a country. Despite a widespread know-how about the important role of a facilitative ecosystem for effective entrepreneurial development in a region, many developing countries, including Pakistan, are still inactive or lagging in improving their ecosystem (Mubarak, et al., [2019](#)). Pakistan is positioned at 109th rank out of 137 countries on the Global Entrepreneurship Index (Bosma et al., [2019](#)). It measures the health of the entrepreneurship ecosystems in terms of the facilities provided, depicting a dismal situation, especially being the lowest among the neighboring countries of the region (Ács et al., [2019](#)). Similarly, on the index of ‘*Ease of Doing Business*’,

Pakistan has been ranked at 108th position (with Doing Business (DB) score of 61 in comparison to New Zealand which is at 1st rank with DB score of 86.8 score) out of 190 countries (The World Bank, [2020](#)). In terms of supportive business regulations and protection of property rights it depicts a bleak situation of entrepreneurial culture in the country. Figure 3 exhibits the *Global Innovation Index* (GII) ranking, that ranks the world economies according to their innovative capabilities and has ranked Pakistan at 99th position out of 132 countries (Global Innovation Index., [2021](#)). Pakistan's ranking in 7 GII areas with respect to ecosystem of entrepreneurship and innovative capabilities (Figure 3) shows a huge bridge to cross for Pakistan to improve its ranking. It directs the importance of government's role in this regard, the influence of which has been shared in the words of entrepreneurs in the analysis of the current study.

Figure 3

Overview of Pakistan's Ranking in the 7 GII Areas by World Intellectual Property Organization, Global Innovation Index 2021



The detailed investigation of the challenges as per the firsthand opinions of the primary stakeholders, the entrepreneurs, has revealed some major issues that might be contributing to the above dismal ranking of Pakistan according to the World Intellectual Property Organization. *The quixotic schemes of government and unsupportive role of allied institutions, is contributing to overall entrepreneurial inhibitions regarding the entrepreneurial ventures.*

Pakistan's different government regimes have been striving hard to promote entrepreneurship in their country due to its documented economic

benefits and potential for job creation. However, despite all the efforts, the rate of entrepreneurial activity is not inspiring and the country is still lagging behind in this regard (Zaman, [2019](#)). In the present context, a clear inclination of government policy in favor of large scale businesses can be seen in contrast to small and medium sized businesses (Chemin, [2010](#)). This point was also recognized in the findings where the entrepreneurs whined about the lack of interest on part of government. They highlighted the problems faced by small businesses and characterized the role of government institutions as overall inhibitive; creating further challenges for the entrepreneurs than providing them with the essential support.

To ease the escalating burden on job market, the Government of Pakistan seems keen to encourage the notion of entrepreneurship, particularly amongst the graduates. The data analysis shows that the government's small business schemes are apparently launched in rush to increase the political vote bank, however, consequently fail to attain the envisioned target due to procedural bottlenecks and hitches. According to Haque ([2007](#)), the exploitation of rules by influential people in these institutions or by the ones who are ready to recompense illegal gratification/bribe to the officers, makes the young business owners insecure of the regulatory framework and the entrepreneurial environment in which they function. Resultantly, it triggers them to lose belief and trust in the legal system. Nonetheless, the government can play a substantial role in the promotion and development of entrepreneurship by minimizing the challenges and hurdles. Government's efforts to provide a conducive entrepreneurial environment and stable business climate can provide an impetus to develop entrepreneurial culture in the country.

Conclusion

The role of government as per the findings of this study has been found to be less facilitating with respect to financial support and access to capital that is one of the major issues facing young businesses. Though government has introduced various schemes and programs, but everyone does not have an *awareness* of nor an *access* to those and a very few respondents who have reported availing from those sources did not have a good experience due to reported *lack of guidance, extensive documentation, cumbersome procedure, and delayed response*. As per the major findings of this study the Government and its allied institutions play a significant role in promoting and developing the entrepreneurial environment by way of

minimizing the hurdles faced by young businesses. Such efforts by government to provide a favorable and stable business climate/entrepreneurial environment can offer an incentive in order to create an entrepreneurial culture in the country. The purpose of this study was to highlight the issues faced by new and young businesses and a way forward for the improvements in the present entrepreneurial ecosystem of the country.

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