

The Role of Public Sector in Promoting Entrepreneurship: An Analytical Review of Pakistan's Economy

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Abstract - The research focuses on the understanding of the role of public sector in catalyzing economic growth by promoting entrepreneurship in Pakistan. The concept of "Entrepreneurial Government" is emerging, in which public organizations/ institutions have to play an innovative role in nurturing entrepreneurs across the country. For this kind of entrepreneurship to thrive, governance is the key for it and can provide the right incentives to innovate financing instruments and business models to meet new challenges while putting accountability mechanisms in place to avoid the pitfalls of unconstrained power. The study will bring out more insight into the important aspects of economic development with a view to explore a causal relationship between nurturing of entrepreneurs and incubation of feasible indigenous environment through governmental policies including role of public sector institutions and business development centers in creating enabling environment and promoting entrepreneurship and innovation at the national level to bring about a change in the economic development of Pakistan.

Index Terms - Public Sector, Entrepreneurship, Entrepreneurial Ecosystem, Entrepreneurial Government, Entrepreneurship Development Centers, Governmental Policies and Pakistan.

1. INTRODUCTION

Entrepreneurship has become a buzz word and received a great deal of importance all over the world. In Pakistan, the discipline of 'Entrepreneurship' achieved important status in 1980s and continues to receive vital governmental attention for its incubation in indigenous environment. Research articles, books and many studies in the 'Applied Public Sector Economics' argue that 'Entrepreneurship' is good for economic growth because it impels improvements in productivity and economic competitiveness with technological advances and economic liberalization (Drucker, 1985; Acs, 2006; Hasan et al., 2012). Jean-Baptiste Say, a French economist defined entrepreneurship in terms of creating economic value in about 1800 - "The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield." In today's economy, "Entrepreneurship is defined as a systematic innovation, which consists in the purposeful, objective based and organized search for changes, and it is the systematic analysis of the opportunities such changes might offer for economic and social innovation" (Tiwari & Tiwari, 2007; Hasan et al., 2012).

In view of the above, entrepreneurship can be viewed as an original combination of innovation and risk taking. In Pakistan, innovation and risk taking is severely inhibited by the intrusive role of government.

Unfortunately, the government is unable to channelize socio-political economic stability in the country. Pakistan's socio-economic conditions are awful and the country is entangled with unstable socio-political and socio-economic dilemmas. Although, many governmental regimes have offered protection/ subsidy policies and made ample efforts to enhance entrepreneurial activities in Pakistan but all such hard work do not bring the desired outcome as instable political condition cause a major hindrance in executing strategies. Besides law and order condition & political instability there are further dilemmas which are bigger and more extensive.

Presently, the accelerating pace of globalization, the stiffening of competition and economic instabilities are shifting the focus of public sector from job/ employment oriented economy to entrepreneurs based economy in Pakistan.

Fostering entrepreneurship is not only vital to promoting Pakistan's competitiveness but also imperative for a journey to prosperity for the poor of the country. "Entrepreneurship development has the potential to create jobs through the formation of new business ventures; utilization of available labor and resources to create wealth, stimulate growth, boost the economy and increases a nation's GDP, and reducing dependence on social welfare programs" (Acs, 2006). Entrepreneurship ecosystem of Pakistan has also received a great deal of attention in the American research. According to a study

conducted by the John F. Kennedy School of Government at Harvard University in May 2012, "promoting entrepreneurship was one of the most-cited and most impassioned recommendations" for strengthening Pakistan's private sector. "...the new holy grail for governments in both emerging and developed countries is to create an environment that nurtures and sustains entrepreneurship" (Cathcart, et al., 2012).

2. ENTREPRENEURIAL ECOSYSTEM

In today's entrepreneurial ecosystem, the public sector is at a critical inflection point and enjoying a poor reputation for a host of reasons. Some of the reasons are deserved and some are just crap. How and what can public sector do to improve the alluded perception of contemptuous economists and stake its claim to be a credible player as a 'catalyst for economic growth'? The answers to these questions not only shape up a way forward but also help the public sector obtaining an understanding of reforms (including legislative changes) that are required to develop entrepreneurship.

This issue has also received a great deal of attention both in practice and in the literature. However, the literature does not provide a definitive solution to bridge the gap between the role of public sector institutions and governmental policies/ initiatives for the development of entrepreneurship culture but draws limelight towards synchronization between the two. This analytical study brings out more insight into the important aspects of the role of public sector with a view to explore an alliance between governmental policies and entrepreneurial ecosystem.

2.1. Role of Economy in Developing Entrepreneurs

In Pakistan, entrepreneurs are springing up from within the society as solo professionals. The outsourcing trend in the corporate sector has helped in introducing entrepreneurial mindset across the country. However such solo entrepreneurs also face immense difficulties and barriers in establishing their mark in the long run due to the lack of relevant education (entrepreneurial skills) and governmental support. Researches indicates that they are negatively influenced by factors like inflation, problems of company's registration process, complicated access to the financial assistance, and cumbersome procedures (Malik, 2003; Haque, 2007 & Hasan et al., 2012). Sometime these hurdles emerge from within the society and can be eradicated by simple steps while at other times they come forward from outside the society and difficult to be stamped out.

2.2. Role of Governmental Policies and Schemes in Developing Entrepreneurs

Government has a pragmatic role to play in providing an overall environment that facilitates people in identifying and developing entrepreneurial qualities in them. Governmental role in setting an overall environment includes financial assistance policies and schemes, establishment of entrepreneurship incubation centers, providing safe and crime free society to let entrepreneurs grow. Supporting policies of government not only assist entrepreneurs in generating revenues for the government but also helps in combating with the unemployment in the country.

Unfortunately, the nationalization period in Pakistan has affected innovation adversely and in subsequent years very little growth had been taken place. As a result, the entire essence and the spirit of innovation were strangled. Later, PMLN took some initiatives such as distribution of yellow cabs and interest free loans to promote small scale entrepreneurs but couldn't incubate a culture of entrepreneurship in Pakistan due to multiple reasons. First of all, those who received yellow cabs and loans did not deserve or need it. In other words, such people just availed the opportunity as a reward to their political affiliation. Secondly, deserving candidates, although provided with the loans, were not capable of utilizing them in a best possible manner due to the lack of requisite knowledge and guidance. The result, therefore, was disappointing where cabs were gradually sold and loan-money was either spent on luxury or eaten up by mismanaged businesses.

2.3. Role of Entrepreneurship Development Centers

Many development institutions and business incubation centers are experimenting to promote entrepreneurship as a way to help individuals across the country. In Pakistan, the World Bank and the United States Agency for Development (USAID) have created their own Small and Medium Enterprise divisions to provide funding and entrepreneurial training to the country's youth who needs assistance in establishing their businesses (USAID, 2005; World Bank, 2003; Rajput & Murad, 2008). Although, a few dedicated public-private partnership based not-for-profit institutions, career and entrepreneurship development centers such as the National Entrepreneurship Working Group (NEW-G), The Indus Entrepreneurs (TiE), Institute for Advancing Careers and Talents (iACT) etc., are functioning for providing financial and educational assistance to the young entrepreneurs but these institutions cater the developmental needs at local and regional level only. However, Small and Medium Enterprises Development Authority is governmental machinery that supports

entrepreneurship ecosystem at a national level. SMEDA has been tasked with an advisory role in the implementation of PM's youth business loan scheme across the country. Its role is shaped and influenced by the country's underlying economic, educational and socio-cultural conditions.

2.4. Role of Entrepreneurship Development in Academia

In Pakistan, the Institute of Business Administration (IBA) Karachi enjoys the privilege of being the first academic institution for taking entrepreneurial initiatives in academia and establishing the Centre for Entrepreneurship in 2006. Later, LUMS also landed into the field and started Entrepreneurship & SME Centre in Lahore to build an entrepreneurial culture in the country and to support entrepreneurs and SME's for future growth and prosperity of Pakistan.

In the corporate sector the initiatives in Entrepreneurship are also emerging and some of them are as follows: In Karachi, Shell Tameer program has helped about 27000 young entrepreneurs through workshops, seminars and meetings. The Indus Entrepreneurs (TiE) is a global non-profit organization that promotes entrepreneurship across the country.

These educational institutions are playing a vital role in the grooming and development of entrepreneurs by inculcating sharp leadership skills under the guidance of experienced teachers and trainers. Other public sector universities should increase their appetite to get into the discipline of 'Entrepreneurship' and launch Bachelor's/ Master's degree programmes so that the youth will learn to speak the language of entrepreneurial discourse.

3. RESEARCH RATIONALE

The study aims to analyze the causal relationship between nurturing of entrepreneurs and incubation of feasible indigenous environment through governmental policies including role of public sector institutions and centers in creating enabling environment and promoting entrepreneurship and innovation at the national level to bring about a change in the economic development of Pakistan. Besides, this research provides a way forward to the Pakistan's economy in understanding and developing of reforms that are required to develop entrepreneurship intellect.

Subsequently, the study not only helps the authors in their professional career but also provides a competitive advantage in pursuing their perspicaciously pragmatic research work among the researching fraternity of Pakistan. Inductive theory based research analysis enriches the authors knowledge bank and

smoothes her career progression as a consultant in the field of learning and development as an entrepreneur.

Notwithstanding the above, the research opens doors for the economists and governmental policy makers to participate in challenging and yet not attainable goal of developing entrepreneurship culture in Pakistan.

4. METHODS

This analytical study is of qualitative nature and has been done in two phases. Phase one is consisting of detailed/ theoretical study of historical and contemporary policies/ schemes offered by the government of Pakistan for the development of entrepreneurship culture whereas phase two covers critical analysis of the role of public sector institutions and centers in nurturing entrepreneurs.

- Phase 1: A comprehensive theoretical analysis has been carried out for the literature review/ Entrepreneurial Ecosystem. A variety of global researches published in favor and against the above-mentioned argument in international journals will be meticulously reviewed. Besides, books written by various economists on the issue highlighting its significance will be studied for the qualitative, theoretical and subjective analysis.
- Phase 2: To gather a wealth of detailed information and deep insight into the role of public sector institutions and centers in nurturing entrepreneurs, the information will be collected and reviewed from the published literature available about the government's entrepreneurship development projects, schemes and programmes.

5. PROBLEM

Although Pakistan's economy is moving up the priority list of the international world but still facing turmoil of poor performance on the continuum of entrepreneurship. This study is aimed at exploring the relationship between nurturing of entrepreneurs (dependent variable) and incubation of feasible indigenous environment through governmental policies (independent variable) including role of public sector institutions and centers in creating enabling environment and promoting entrepreneurship and innovation at the national level to bring about a change in the economic development of Pakistan.

6. SAMPLE

In this study, heterogeneity purposive non-probability sampling technique was followed to include

as many as opinions and views contributed by the economists. A broad spectrum of relevant ideas has taken in to account as a sample from the universe of all possible ideas available in literature. This sample consists of research papers, articles, and books.

7. PROCEDURE

- Phase 1: For the comprehensive content analysis digital libraries such as L.E.J National Science Information Center of the University of Karachi, Digital library of George Mason University and Chartered Institute of Personnel Development, UK were used. Internet resources had been effectively utilized for reading recent articles published in Harvard Business Review, Personnel Today and Economist that reports on the published economic surveys.
- Phase 2: In context of public sector entrepreneurship development programmes, the information was collected from the websites of public sector institutions and centers such as The National Entrepreneurship Working Group (NEW-G), Small and Medium Enterprises Developmental Authority (SMEDA), The Indus Entrepreneurs (TiE) etc.

8. ANALYSIS AND DISCUSSION

Like previous studies, this analytical study establishes that the role of government is critically important in creating an enabling environment of entrepreneurship in Pakistan. Unfortunately in past this role was more or less dormant with the restrictive mindset of the government that it cannot produce entrepreneurs but provide a regulatory and policy framework for their financial assistance. In the present era, the government has to bring a paradigm shift in its conventional mindset to develop the potential entrepreneurs with entrepreneurial intellect by providing free consultancy services so that they may be able to embark on small-scale businesses.

In Pakistan, many previous governments remain ineffective in playing their true role in developing entrepreneurs due to the deficient competence in providing decent business incubation environment. Such an environment aims at enhancing both socio-political improvement and economic expansion by mean of greater income and better human growth with entrepreneurial intellect. Unfortunately this has not been achieved so far for the reason of bad politics, governance and perennial corruption.

Based on the above-mentioned arguments presented by various economists and researchers, this has

been endorsed that unlike most developed and developing countries, Pakistan does not have a National Strategy or a Policy Framework to promote entrepreneurship. The challenges of promoting entrepreneurship and innovation in Pakistan are cumbersome government regulations, limited financing options for start-ups, absence of bankruptcy protection laws, weak protection for intellectual property and low levels of education, poor perception about entrepreneurship as it is equated with small business and cottage industries only. Besides, entrepreneurship is not encouraged as a career option for young graduates in our society. People in the Pakistani society are conditioned to attach the stigma of failure to the self starters or beginners. Due to the reason the fear of failure of the new entrepreneurs compounds on and they hardly get 2nd chances to prove them-selves in the business.

Strengthening the entrepreneurial ecosystem is beyond the scope or capacity of any single organization working on its own. It will require a coordinating agency to generate collaboration across social and economic sectors and create integrated linkages between business, academia, social enterprises, public and private institutions and regulatory authorities.

9. CONCLUSION AND THE WAY FORWARD

The research was focused on the role of public sector in nurturing entrepreneurs and exploring a way forward to deal with the entrepreneurship challenges via better strategizing on entrepreneurship mechanisms. The study deduced that the governmental financial assistance policies and schemes will not serve the purpose of entrepreneurship development single-handedly. In depth analysis of Pakistan's entrepreneurial ecosystem concludes that the government needs to provide stable socio-political economic environment and establish various institutions of higher business education in public universities and business incubation centers simultaneously; focusing on such an educational structure that craft vibrant and broader educational environment to transform powerful learners into powerful entrepreneurs.

If the Pakistan's economy is to be developed and the country has to tag it-self as a state of entrepreneurial intellect, urgent and stringent measures need to be taken. Some of which are recommended as under:

1. The current government should devise strategy to channelize interest free loans through institutions of higher business education in public universities which have separate entrepreneurship development departments. At this level innovative ideas should be supported with such loans.

2. At the same time other universities should be helped and encouraged in introducing entrepreneurship programs at master's level. Secondly, the government should target both rural and urban comparatively less educated but deserving youngsters through the scholarship based short-term courses with the help of vocational institutes. Interest free loans at this level can be distributed on the basis of the performance of the individual candidate and the recommendation of institute.

Integration of entrepreneurship and innovation with Pakistan's economic growth strategies to support and strengthen Pakistan's Entrepreneurship Ecosystem is of critical importance at a time. Although Pakistan's governmental machinery has been struggling to make the concept workable but couldn't achieve the desired goal so far. This study will not only become an aid in exploring the reasons that cause impediments in the way of establishing feasible entrepreneurial ecosystem (at local, regional, and national levels) to start a business but also serve in meeting the cultural/ social and business challenges.

It can be encapsulated that the entrepreneurship nurturing challenges in Pakistan are very much similar to the other developing countries across the globe. Moreover, this study will be of assistance in ascertaining that it is the public sector that accounts for the improvement in context of its competencies and strategies to establish its own vision in line with the governmental policies, rules and regulations to catalyze the economic growth of Pakistan. It is hoped that this study will inspire other researchers and provide the impetus for further research.

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