

**Local Resident's Perception Based Analysis of Entrepreneurship
Development: The Case Study of Maqpoondaas Special Economic Zone
(MEZ) under CPEC in Gilgit Baltistan**

BY

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Development: The Case Study of Maqpoondaas Special Economic Zone
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*A dissertation Presented to Pakistan Institute of Development Economics PIDE, Islamabad,
Pakistan in Partial Fulfillment of the Requirement for the Degree of Master of Philosophy in
Economics and Finance.*

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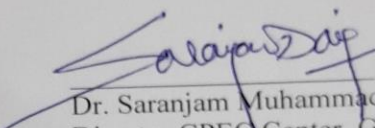


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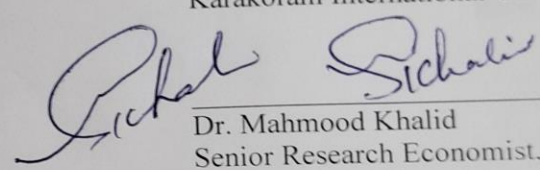
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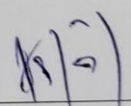
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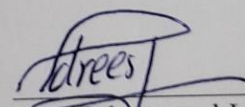
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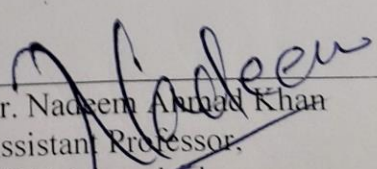
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DECLARATION



I hereby declare that this thesis work, which I submit to the Department of Pakistan Institute of Development Economics, PIDE, Islamabad for the award of M.Phil degree in Economics and Finance, is my personal effort and it has not been submitted anywhere for any reward. Whereas other sources of information have been used, they have been acknowledged.

Sajida Batool

Date: 05-Dec-2019

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“Al hamdu lillaahi rabbil ‘alameen Ar-Rahman ar-Raheem Maaliki yaumid Deen Iyyaaka na’abudu wa iyyaaka nasta’een Ihdinas siraatal mustaqeem Siraatal ladheena an ‘amta’ alaihim Ghairil maghduubi’ alaihim waladaaleen” (Aameen)

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Sajida Batool

DEDICATION



Dedicated to Family, Friends and Teachers.

(May Almighty Lord Bless them More)

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List of Acronyms

AAC	Awareness about CPEC
AAMEZ	Awareness about MEZ
CSFs	Critical Success Factors
EE	Education & Experience
GB	Gilgit Baltistan
LA	Loan Availability
MEZ	Maqpondass Special Economic Zone
NE	Nascent Entrepreneurship
PCA	Principal Component Analysis
RMC	Regional Market Competitiveness
SEZ	Special Economic Zone
SEZInc	SEZ Incentives

Abstract

Special economic zone (SEZ) is a fruitful structure for enhancing employment, trade, promoting small businesses to access market. SEZs are considered as a powerful engines of economic growth. Nine SEZs will be developing in the Pakistan in the collaboration of China under CPEC project. One of the SEZ will develop in Gilgit Baltistan province of Pakistan. The purpose of this study is to find out the local's perception towards entrepreneurship development in the advent of Maqpondass SEZ development in Gilgit-Baltistan through perception based analysis. For this we have selected the population of business sector from three districts of Gilgit. Our sample size is 432 through Cochran's formula and used random sampling from three district of Gilgit which are connected to CPEC route. We used ordered logistic regression and our dependent variable is nascent entrepreneurship (NE) and independent variables are Awareness about CPEC (AAC), Awareness about Maqpondass (AAMEZ), SEZ Incentives (SEZInc), Regional Market Competitiveness (RMC), Loan Availability (LA), and Education and Experience (EE). Results identify that strong linkages will be develop between MEZ industries and local small businesses and entrepreneurs in future. Results also put forth strong perceptions that with government Incentives, adequate financial arrangements, skill development and background knowledge and relation with local business will help to start a new business entrepreneurship. Results are as per entrepreneurship theory. Finally as a policy recommendation we suggest that government should focus on human capital development and provide financial aids along with creating incentives for adapting advanced technological formation to promote local businesses in Gilgit through SEZ because many natural resources are under produced due to lacking of mentioned facilities

Key Words: SEZ, Maqpondass, Nascent Entrepreneurship, Gilgit

Chapter 01

Introduction

1.1 Background of the Study

Special Economic Zones (SEZs) are strategically important enclaves or territories, formed by the state in direction to enhance the economic evolution and prosperity of the region by attracting foreign and domestic investors. The aim of SEZs are to overcome the hurdles that hamper investment in the broader economy, overcoming deprived governance, inadequate infrastructure, restrictive policies and complicated entrance to land. In 1937 first SEZs was established in New York, USA. Taiwan and Iceland established SEZ in 1960, the most well-known SEZ of Shenzhen was set up in 1980. Up to now SEZs have been set in more than 135 economies all over the world (Pakdeenurit, IAENG, Member, & Rattanawong, 2014). Among many countries implementing this as a fruitful approach for business development and economic growth, the major example is china. Until 2009 China had established 750 SEZs at national and regional levels. SEZs represent about 46% of FDI, 22% of domestic GDP and 60% of exports. Furthermore 30 million jobs are produced by SEZs in China (Zeng, 2015). In this context SEZs under CPEC project are important for boosting up the economy of Pakistan through the industrial development and collaboration, improving trade between countries and generating healthy economy in Pakistan. It will affect the small businesses and entrepreneurs through different approaches like tax exemption and government incentives. China is best example who promoted the small businesses in SEZ to make market more competitive and enhance exports through given incentives to entrepreneurial industry.

Initially under CPEC project, 27 SEZs were recommended and approved by the Ministry of Planning and Development and Reforms, Pakistan. Distribution of the SEZs across the country are; seven SEZs in Baluchistan and Punjab each, eight in KPK, three in Sindh, while Islamabad and Gilgit Baltistan will have single each.

Later in December 2016, nine Special Economic Zones were ratified for four provinces, Azad Jammu and Kashmir, Gilgit Baltistan and two at federal level in 6th JCC meeting in Beijing China, represented by all the chief ministers of Pakistan. Now each accepted regions of Pakistan has allocated land for the establishment of SEZs in their respective province. Due to the CPEC Project Pakistan will be converted into economic hub and it will increase the investor's self-confidence not only from China but also from the rest of the world. In the early harvest programs CPEC project will overcome the power crisis by providing the energy infrastructure (Ali, et al., 2017).

In Gilgit Baltistan "Maqpoondaas Special Economic Zone (SEZ) GB" will be constructed over 250 acres land in Maqpoondaas area where Agro-based, handicrafts, livestock, minerals and wood-related businesses have been noticeable as potential industries. This SEZ will open new possibilities for investors including local and foreign, and the native business communities to gain more from SEZ under CPEC project because of the benefits attached to SEZ in terms of release of custom burdens on capital goods imports, tax holiday for ten year period as well as infrastructure facilities to be assured by the federal administration in this scheme (Nigar, 2017).

The Chinese Ambassador Yao Jing said "the Chinese government wishes for the development of the resident through trade activities between GB and neighboring Xinjiang province." Furthermore hydropower projects, upgradation of Karakorum Highway (KKH), Chitral road and maintenance structures have been opened in the GB region. "The Gilgit Baltistan region is one of the most attractive areas in the world and its economy could get a boost up from tourism and trade

with China” (NAGRI, 2018). Gilgit Baltistan is only area which connect the Pakistan with China and central Asian countries. Due to strategic importance of GB China and Pakistan both are interested in area for spread business through this route under CPEC project (Ali, Haider, Ali, Ali, & Ming, 2017). Gilgit-Baltistan is gate way to CPEC.

Under CPEC project there are some other projects apart from SEZ for GB that will develop the business sector and bring economic growth. So, we will find out the locals perception about the participation in entrepreneurship in SEZ through government incentives and loans availability.

It is always seen that the industrial development contributes to the development of the area, where more specifically the entrepreneurship activities are the consequence of these industrialization. Firstly, we would explain; who is entrepreneur? According to Richard Cantillon: Cantillon’s entrepreneur is somebody exercises business arrangement in the appearance of uncertainty. He claimed that the beginning of entrepreneurship lies in the deficiency of perfect foresight (Wenckers & Thurik, 1999). According to Schumpeter (1934) invention of new business as well as innovation in existing businesses is entrepreneurship. Entrepreneurship always improve economic conditions through production and financial surplus through earning in the economy which lead to international access. China is best example. China has supported new businesses in SEZs to promote local to gain more from business. They implement effective policies and proper governance for SMEs and entrepreneurs to prosper natives and make market strong under SEZs. Negative political influence, weakness of regularity implications and lack of proper governance generate sprints for the achievement of these areas (Zeng, 2015).

Economies like Bangladesh, Russia and China have modified SEZs Act by announcing new forms to overwhelm the rent seeking performance, governance issues and other political effect (Wang, 2009). This study will specifically examine the entrepreneurship in the Special Economic

Zone of Maqpoondaas, Gilgit Baltistan which will be constructed over 250 acres land. This study will explore the local's perspective about participation as entrepreneur in SEZ. Gilgit Baltistan facing many barriers like public and private, lack of technology, state ignorance etc. to access natural resources to get benefits from it but the effect of SEZ on this zone might sharper and faster because of area population and nature.

Literature has explored that many successful SEZs in the world promoted the small business and enterprises to boost up economies and entrepreneurship part in GDP growth is observable in many economies like Indonesia, South Korea and the best example is China where they give incentives to entrepreneurs to boost up production growth and make economy prosper. They give many incentives to the entrepreneurs in SEZs. Now we want to look for the Maqpoondaas Special Economic Zone of GB for such support to entrepreneurship to develop region under CPEC project with China. In simple words we want to examine: Either Govt-incentives and facility of Loan availability promotes the business sector to be entrepreneurs in Gilgit-Baltistan?

This chapter explains the introductory part including background, problem statement, and objectives of the study, research questions and significance of the study and research hypothesis. 2nd chapter covers of Literature including theoretical literature and empirical literature. 3rd chapter explains the Data and Methodology, 4th chapter has detailed of results and discussions with policy recommendations.

1.2 Entrepreneurship Opportunities under SEZs of CPEC

The appearance of Special Economic Zones (SEZ) with the system of business liberalization around the world increased significance especially in the rising world to fascinate foreign direct investment (FDI). The 'infant industry argument' cannot be continually defensive for native

industry. Original value creation essentially required to be affiliated to compete with the trade realities of the period that is a task for public policy ingenuities. Thus, SEZ Ordinance (2015) is a struggle to make the environment for boosting investment local and foreign to address this issue of inadequacy and insufficiency in worth addition abilities. These creativities will attach local potential to create an allowing environment for business actions that can central to regional and national economic progress. With about 40% population below poverty line, Pakistan needs a new method to economic tumor so that benefits of CPEC may be appreciated by all tiers of the society (Haq & Farooq, 2016).

One of the Special Economic Zone (SEZ) under CPEC is Maqpoondaas SEZ in Gilgit Baltistan. Gilgit Baltistan have more natural resources for the industries like under CPEC Fruit Processing industry, Marble/ Granite, steel industry , Iron Ore processing, Leather Industry and Minerals Processing Industry are observed in SEZ. Including all these industries there are also small and medium enterprises (SMEs) and entrepreneurs who are doing business in local market and with china as well because the Gilgit area connects the Xinxiang province of china closely and local businessmen easily import and export things with China in lower transportation cost. So, this is other opportunity for Gilgit Baltistan to develop more businesses in the region under CPEC. The locals have more resources to bring prosperity in the region but due to lack of financial resources the individuals stopped themselves to be an entrepreneur. Gilgit Baltistan (GB) is largely dependent on dry fruits and agriculture as the area is famous for its almonds, apricot and cherry all over the world. GB is produces about 120,650 tons of almonds per year and their export can yield billions of rupees for farmers (DAWN, 2017). So, one can use these almonds in many products to create new business but unfortunately resources are not available there. But SEZ might provide those facilities to locals to participate in food processing industry which is recognize as potential

industry in SEZ. GB is famous for minerals (Platinum, Gold, Palladium, Lead, Copper, Zinc, Nickel, Cobalt, Bismuth, Molybdenum, Arsenic, Antimony and iron ore), valuable stones (Emerald, Ruby, Spinal, Sapphire, Topaz, Aquamarine, Epidote, Tourmaline, Moonstone, Zircon, Parasite, Amethyst, Garnet, Manganite).¹ GB is rich in natural resources but the need is modern technology and resources to access easily and CPEC projects might provide modern human skills to locals, valid policy tools and give them incentives to be a new business entrepreneur because in literature success stories of SEZ depends on incentives and valid policy executions. Resources can be fully utilize if CPEC give more opportunities to locals. GB is also rich for tourism sector, it is known as jewel of Pakistan for attractive areas in GB. Individual can also get more benefits from this sector through infrastructure, restaurants, tourist guidance and local food services. When CPEC project will run and SEZ will construct in GB then obviously it will be economic hub because GB is a gateway to the CPEC and it will increase businesses with china and it will also develop competitive market and as a result, financial sector will develop through banks and societies in the region. In the presence of banks and societies, it will generate loan availability to the locals. Individual could get start business easily and generate opportunities for other. This whole cycle will move and locals easily access to resources and generate businesses and take a part in development of the economy of Pakistan. ¹

Connecting the far off areas of Pakistan through CPEC will produce entrepreneurial activities especially by employing available means, increasing net returns, reducing entry cost and creation of clusters. This connectivity will increase to higher skills improvement to produce differentiable goods and services growing economic welfares to these areas.

¹ www.gilgitbaltistan.gov.pk> minerals

1.2 Strategical Importance of GB

Gilgit Baltistan is not getting only increasing level of mass media exposure now a days but also discussing in speeches and international platforms debates not due to political importance but due to unique strategically importance and natural beauty (Znews, 2016). Due to the natural beauty of GB, it is considered to be the capital of tourism in Pakistan or jewel of Pakistan because of the highest mountains of the world including K2 which is second highest mountain in the world, the Himalayas, Karakorum and Hindukush, five over 8000 Meters peaks, 101 peaks over 7000 meters, 5100 glaciers, 2200 Sq. miles of snow covered area, 119 Lakes, 23 historical forts, a century old culture of hospitality and acceptance of visitors (Baloch, 2017). The land of Gilgit Baltistan is connected to the borders Azad Kashmir to the southwest, Khyber Pakhtunkhwa to the west, Wakhan Corridor to of Afghanistan to the northwest, the Xinjiang Region of China to the north and the Indian state of Jammu and Kashmir to the south. An entrepreneur can easily access to all these economic regions very easily in short time and can expend the business properly. All types of trades can be done through this route because the land of Gilgit Baltistan is only area which connect the Pakistan with China and central Asian countries. Due to strategic importance of GB China and Pakistan both are interested in area for spread business through this route under CPEC project (Ali, Haider, Ali, Ali, & Ming, 2017). SEZ of Maqpoondaas GB will creates many opportunities and benefits to the regional people and also have some negative impacts related to environment.

1.4 Problem Statement

SEZs are established under distinctive circumstances. Due to strategic importance Gilgit-Baltistan (GB), China want to access other economies through the route of northern areas of Pakistan. When CPEC project will go through GB and will construct the Maqpoondaas Special

Economic Zone in GB; it will affect the region economically, politically, socially, environmentally and culturally. CPEC project will generate more opportunities for the locals to access natural resources and they may contribute in CPEC project as an opportunity. This paper want to find out what will be the contribution of SEZ in developing entrepreneurship under CPEC? And how these projects of SEZ and CPEC project will provide way to the entrepreneurship development in Gilgit Baltistan.

This research is going to attain for following objectives.

1.5 Objectives of the study

The main objectives of the study is to examine the contribution of SEZ in entrepreneurship development in under CPEC in Gilgit-Baltistan.

Other specific objectives of the research are

1. To examine the local's perception about the future role of Maqpoondaas Special Economic Zone (MEZ) in entrepreneurship development and business creation.
2. To examine the potential of entrepreneurship development in local communities in Gilgit Baltistan.

1.6 Research Questions

The previous existing objectives are distributed into two research interrogations so that the purposes can be attained in detail via responding these interrogations. Following interrogations must be read in perspective of SEZ in Gilgit-Baltistan.

1. What is the potential of entrepreneurship development in Gilgit Baltistan?

2. Do people have intentions of starting or developing entrepreneurship in MEZ considering CPEC as an opportunity?

1.7 Significance of the Study

This study will add up in literature and helps in making economic and SEZ policies for the region when it comes to business entrepreneurship under Special Economic Zone (SEZ) because this element is important factor for the growth and development of the Gilgit Baltistan. This study will provide some reading material to upcoming researchers and readers. The study will also generate useful information that can be shared by all stakeholders.

1.8 Hypothesis of the Study

H₀: There is no any relationship between Government Incentives, Loans, Education and Experience and intentions to start a new business entrepreneurship

H₁: There is relationship between Government Incentives, Loans, Education and Experience and intentions to start a new business entrepreneurship.

Chapter 02

Literature Review

2.1 Concept of SEZs in Literature

Defined environmental areas in a country with national boundaries where rules and regulations for trade and investment are different from the rest of the economy. Different rules and regulation which deals investment, trade, taxation, international trade conditions and regulatory environment. These liberal policies and effective administration are given to that specific area to develop economy (Farole, 2011). Special elected region in a nation having freedom policies to fascinate foreign direct investment FDI (P Pakdeenurit, Nanthi Suthikarnnarunai, & Wanchai Rattanawong, 2014). To attract FDI attentive on export-oriented items, the government gives tax incentives to the business sector in special selected area (Ali, 2015). To increase trade, investment, employment through making correct plan (Nigar, 2017). A manufacturing area to help nationwide and international depositors in the host nation having excellence set-up and duty unrestricted culture for the upgrade of export-oriented things (Pahariya et al., 2011).

SEZs have solid connection with local economies in literature which clarifies that there is strategic, physical and financial link with local economy. These linkages benefits to the locals and enhance small businesses development and accumulate human capital through job creation and technological advancement in region. Many linkages benefits locals as well as outsiders with valid policy implementation.

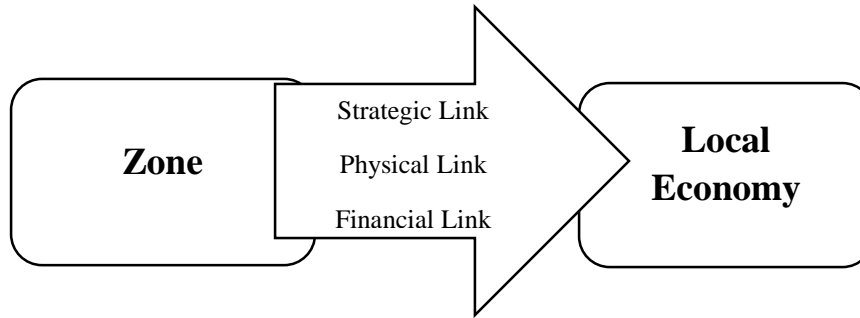


Figure 1. Integration of Zone and Local Economy (Adapted from: Farole and Akinci, 2011)

2.2 Theoretical Approach

In literature many theoretical studies explained that the SEZs in a world always positively affect the small businesses and entrepreneurship and enhance human capital in the form of job creation, access to new technology when policy implementation was properly applicable (Cizkowicz, *et al.*, 2015; Pakdeenurit, *et al.*, 2014; Wang, 2009; Jayanthakumaran, 2002). SEZs which benefits local entrepreneurs and provide employment in the form of job creation are Sri Lanka, Indonesia, Korea and China. Some other SEZs got fail to achieve such benefits due to improper implementation of SEZ policy like South Africa. So the benefits the in the form of FDI and easy policy format (Jayanthakumaran, 2002).

2.2.1 Entrepreneurship Theory:

The entrepreneur first appeared in writings of Richard Cantillon (1680-1734). Three economic agents are recognized by Cantillon: “Landowners, entrepreneurs and employees” Cantillon’s entrepreneur is somebody exercises business arrangement in the appearance of uncertainty. He claimed that the beginning of entrepreneurship lies in the deficiency of perfect foresight. (Wenekers & Thurik, 1999).

2.2.2 Schultz's Theory of Entrepreneurship: The Human-Capital Approach

According to Schultz formulation of theory, Entrepreneurship is the ability to reallocate or adjust resources in reaction to bring changing conditions. By itself, Entrepreneurship is a feature of all the human performance, not an exceptional function executed by class of professional. "no matter what part of the economy is being investigated, we observe that people are consciously reallocating their resources in response to changes in economic conditions" (Schultz, 1975). Farmers, students, businessmen, housewives, and even university deans, research directors and president make Schultz list of Entrepreneurs (Klein & Cook, 2006).

The changed historical sights of the economist offer an extensive perspective on the conception of entrepreneurship along with on the intermediary variables that form the assembly between entrepreneurship and economic growth but having offered the entrepreneurship roles in economic theory and certain findings of system analysis and psychological examination, the question is whether there will ever be a theory of entrepreneurship? (Ripsas, 1998). A number of theories have been set onward by researchers the ground of entrepreneurship. These theories have their roots in economics, sociology, anthropology, psychology and management (Simpeh, 2011). These theories deals us properly good opening to relocate our energies at incorporating the various perspective.

2.2.3 Economic entrepreneurship theory:

Romer's (1990) version is first example in which device of growth refers to research division which provide the new methods of capital goods (Wenekers & Thurik, 1999). Those new methods are used in production process of goods. By supposing increasing returns to scale and monopolistic competition. Schumpeter (1934) Explained that progression is determined rents attained by the introduction of innovative goods, economic modification is the outcome of purposeful actions of profit seeking entrepreneurs. Economic growth is possible under entrepreneurship through

endogenous growth model because the new model of growth emphasis on the human capital development and innovation in enlightening economic growth (Wenekers & Thurik, 1999).

2.2.4 Resource Based Entrepreneurship Theory

This concept of entrepreneurship says that entrance to means / means by organizers is an essential interpreter of chance founded entrepreneurship and first-hand venture development. This resources based entrepreneurship theory strains the position of social, human and financial means (Aldrich & Cliff, 2003). When a person entrance to new means, it enhance the ability of the single to performance upon exposed opportunities (Davidson & Honing, 2003). Resources based entrepreneurship focuses on three aspects of theories like social, human resources and financial. Social resources as earlier mentioned by Reynolds (1991) has recognized four societal perspectives that communicates to Entrepreneurial openings. Principal one is social linkages which promote and build social bounding that promote trust in social life. Second is life progression phase context which contains evaluating the condition and features of individual's life who have definite to be entrepreneurs. The third perspective is ethnic identity. The forth social perspective is population ecology. This last factor explains that ecological dynamics perform an essential part in the existence of business. The management legislation, workers, customs, political system and struggle are a number of the ecological elements that might have an influence on existence of fresh business and the attainment of the businessperson. In simple words, the sociological theories are the close analysis of society traditionally (Landstorm, 1998). In financial aspect theory experiential research suggest that the establishment of first-hand business or entrepreneurship is more mutual when persons have access to financial capital (Blanchflower, Oswald, & Stutzer, 2001). And final is human resource theory, this human capital entrepreneurship theory enlightens two features which are education and human experience. These two aspects are positively associated to nascent

entrepreneurship (Anderson & Miller, 2003), rise opportunity credit and straight entrepreneurial victory (Davidson & Honing, 2003).

2.3 Empirical Literature

Entrepreneurship is essential and one of the fastest developing subfields in management research and is progressively seeming in economics, business and even law (Foss & Klein, 2008). Entrepreneurship generates many benefits to the economy either it relates to growth or job generation which decreases the unemployment from society and also easy access to the goods and services. In modern economies Entrepreneurship matters for economic growth than it has ever existed (Wenekers & Thurik, 1999).

Jayanthakumaran (2002) examined the performance of export handling Zones (EPZs) through survey of literature by using cost-benefit diagnostic framework. The results of this paper support the hypothesis of the research that is EPZs had encouraging impact on the citizens of host countries but is one drawback in the study which is that conversion elements are assumed to be constant during the course of study period. Economic literature survey discloses that the SEZs of China, South Korea, Sri Lanka, Indonesia and Malaysia are economically well generated the returns above the estimated cost. Textile export-oriented, footwear and clothing industry have momentous contribution toward employment in some cases, South Korea and Indonesia focused on local entrepreneurship to access new market. Survey exposes that as industrial expansion proceeds, the gap between opportunity cost of labor and market narrow, and the interest on Export Processing Zones tends to disappear. To give the benefits to host country and if the zones generates private benefits/profits to domestic shareholders there may hold interest on EPZs.

Pastusiak, *et al.*, (2018) examines the effectiveness of special economic zones on economy of Poland by applying the original P. Warr's enclave model (1983). Selected area is the population of Poland for the analysis because of the excessive linkage of SEZs which impact the local and universal economic associations. P. Warr's enclave model is used for the measuring effectiveness of the SEZs impact on enclosed economy. Results explains that the effectiveness of SEZs impact on Poland is positive and furthermore SEZs are the best origin of additional value for the market. SEZs functioning in Poland is effective and brings the financial surplus for the economy. 14 SEZs are there in Poland that attracted about 1100 corporations and in 2013 working companies in the zones invested 55 billion PLN and created 120 thousand new jobs in Poland that enhance human capital development and reduce unemployment.

To shed light on some specific questions which are; how enormous are the benefits of SEZs and what are the networks of these benefits? To answer this (Wang, 2009) observed economic impact of SEZs by constructed a new panel dataset and collected unique dataset from 326 Chinese Municipalities of 36 provinces over the selected period of 1978-2007. The study results contributed in three aspects. First is increased 58% per-capita foreign investment and mostly foreign direct investment was export-oriented manufacturing enterprises, second contribution is SEZs does not multitude out local investment and internally possessed investment standard and third and last contribution of the research is SEZs contribute in total growth of factor efficiency level by 0.6 % point. The outcomes of the study suggests that the SEZs not only creates or transports capital but moreover innovative expertise and arrange for policy inferences for many developing economies. Capital innovation enhance the human capital development.

Wong (1987) attempted to review the development of SEZs in Chinese. The success story of Chinese SEZs are; initially the government offered 100% investment ownership to foreigners on

Chinese soil even though the economy is socialist and they adopted fairly liberal attitude towards foreign investors. The attraction of foreign advanced capital has been the leading objectives of founding the SEZs in China. Deng Xiaoping quoted that is to struggle for the utilization of universal capital and progressive expertise to assist in Chinese economic growth. Chinese state councilor Gu Mu who was responsible for the SEZ concerns said that economic development is rely on the foreign advanced capital. To achieve economic development and objectives, many forms of financial involvement has been planned which are usually as sole proprietorship, joint ventures, corporations, compensation trade and intermediate processing. In sole proprietorship they gave full foreign ownership subsidiaries, in joint projects assets coming from external and native investors in parity shares, in compensation trade whereby the foreigners supply the technology, capital equipment, material by Chinese companies who agrees to pay the certain quantity of finished goods to cover-up the investment and profit. But the Chinese government not encouraged the last three types and as a result the foreigners took keen interest in first three categories and they invested in bulk of FDI in initial categories. In Shenzhen SEZ, among the total FDI between 1979 -1984, sole proprietorship explanation for 22 per cent, equity joint venture 38 per cent and cooperative production 29 percent that is a total of 89%. As a result, the western advanced machinery with Chinese human and natural means into effectively use decreasing the cost and raise profit. Beside the joint project enterprises permitted to sell a smart portion of goods in China which give the extra benefits to foreigners to expose the Chinese marketplace. This method allowed the Chinese to develop the human skills and market competitiveness. Through their collaboration with foreign companies the higher level of technical interactions can be attained.

Tantri (2012) analyzed the India's Special Economic Zone (SEZ) plan over Export Processing Zone building by accumulating data of seven unadventurous SEZs from 1986–1987 to 2007–2008. The research study discloses that starter of SEZs in abode of its precursor, the Export Processing Zone, is having a substantial and positive influence on its performance of the trade at the combined level. Though, in terms of involvement to state trade, the Indian SEZs are covering way ahead the policymaker's expectations. Moreover, the policy of SEZ does not give the imprint to be successful in varying the trades' basket, which in order has affected the course of exports by the Special Economic Zones. Moreover, these zones or regions were found to be extremely vulnerable to outside shocks. They intensely argue in favor of a care in determining the sectoral select of Special Economic Zones and cautious inspection of its support across main Indian states.

SEZs are observed as devices increasing the credibility and acceptability of makeover strategies, inviting internal and foreign investment and it is also for expending of the economy. World success stories of the SEZs like china, Korea and other part of the world success SEZs focuses on small businesses to expend exports and regional market. In past studies like Karlsson & Karlsson (2014) observe innovation, small businesses and entrepreneurship, and demonstrates that, though these three notions have their individual definite literature and can be distributed with autonomously, they are narrowly connected. From Schumpeter to the current, a literature unites the entrepreneurship concept with its skill to make innovative factors 'combinations and conforming innovations in procedures and produces. Similarly, in a broad stream of literature, the distinctive measurement of entrepreneurship is thoroughly linked to small businesses. Large and small businesses or companies have diverse benefits and downsides with modernization or innovation, but small businesses offer the most favorable atmosphere for entrepreneurship and modernization

that are not necessarily sustained by the knowledge and means distinctive of large-scale manufacturing, but require commitment and nearby cooperation between enterprise members.

García (2014) Investigate the determining factor of business formation from European cities, by means of the Eurostat urban audit dataset. Data set generated 21 variables employed from 184 cities from European economies between 1999 -2010. Principal Component Analysis is used to find the representative indices of entrepreneurship. Factors were examined and the results indicates that the business registration is significantly and positively connected to city size, education, self-employment and tertiary education level. Increasing returns of scale were perceived for the size of cities, while educational achievement stages and the amount of "own-account" personnel stated decreasing returns to scale. The results indicate that the capital cities have an extra advantage over other cities of Europe. Regional differences were identified in the study and suggestions of the study were: there should be favorable environment for business and an urban framework for localized policies which aim to stimulate city economic development via business entrepreneurship.

Pakdeenurit, *et al.*, (2014) explained the depth analysis of opportunities of investment in SEZ, roles and facts of SEZ from all over the world through qualitative research. The aims of Special Economic Zones are always used to enhance the economic prosperity of the country. According to the situation or objectives, geographical location, infrastructure of the region, political situation of the country there are six types of SEZ like Free trade Zone, Enterprise Zone, Export Processing Zone, Free Ports, Single Factory Zone and Specialized Zone. Establishment of SEZ have also limitations and benefits presented according to the region. The three leading SEZs of the world are the first pioneer of SEZ the USA, second in China the Shenzhen city the most successful SEZ

model and the third one is in India the largest SEZ in the world. Most of those are almost special law, tax exemption, operational barriers reduction, exclusive regulation and financial support.

Special economic zone positively impact the trade, employment and local regional development if economic policies are elastic towards SEZs. Raheem (2011) analyzed the SEZs impact on human development and reduction in poverty by selecting the Indian region. An examination of the world SEZs of India's are like China, UAE, Iran, and Jordan. They got success stories and implement those factors. The Administration has been positive in the growth of SEZs. They have properly formulated the policies of SEZs and reviewed them and ensured that to facilitate the companies and SEZ developers. Those favorable situations resulted the encouragement in firms for the SEZs in India. Over 230 firms received formal support, 162 firms received in-principle support and 100 firms received reports to set up SEZs. Furthermore expected job creation opportunities were 15,75,452 individuals, expected investment to the adjust of 53,561 crore (USD 13254 million) in SEZs by December 2009. Results examined that the experience in SEZs in India directly and indirectly boosted up the human development by providing jobs and due to increase in employment reduced poverty. SEZs are the important channel to encourage human development.

Ciżkowicz, *et al.*,(2015) estimated the effect of SEZs on employment and investment by using penal and spatial penal data method for 379 Polish counties for the period 2003-2012 and used firm-level dataset for Polish Special Economic Zones (SSEs), which contains about 30,000 observations. Results indicates that the SSEs have encouraging effects on employment. SSE create jobs inside the hosting country as well as more jobs for neighboring countries. Results also indicates that SSE effect on investment is weaker but positive in observed countries. In given SSE investment don't crowd out and crowd in outside the SSE. Most optimistic findings than once attained in most of the literature on SEZs. However the (Ciżkowicz, Pękała,, Pękała, & Rzońca,

2015) explained the reason that the difference could stem from the “spatial induced effect that we take into account in this study; that other studies in literature on the topic ignored. Our results are vigorous to change in methods, composition of sample, estimation method, set of explanatory variables and weighted matrix.

Zeng (2015) Experienced Special Economic Zones of globally and special focus on China and African SEZs in 2015 through previous studies and report analysis. SEZs in the world impacts on economic development is achieving globally. Though, mixed studies reveals that development of SEZ is not only solution towards growth of the economy and has to be apply carefully and properly made-to-order. Establishing SEZs are not only suitable instrument for the economy. Given heterogeneous and complex atmosphere in which zones are applied with proper guideline framework to operational SEZs in the area where they are considered significant. China got many successes and benefits from SEZs development because they offer many very valuable lessons. African countries should implemented as Chinese did in 1980 to be success. To make SEZ successful in Africa, the investor and host government need extra mutual understanding on different situations, legal governance, social norms, cultures, institutions and even mindset etc., this leads to benefits and create win-win situation for both investor and host country.

2.4 SEZs – GB, Pakistan’s Case

Pakistan, in chase of the similar, approved the SEZs Act in 2012. So far, 46 Special Economic Zones are planned by BOI in Pakistan, though primarily 9 SEZs have been assumed prioritize under the project of CPEC . One of the SEZ will be develop in Gilgit-Baltistan. GB is a semi-autonomous area in the northern of Pakistan. Its strategic, geographic and economic worth is moderately high. Khunjerab area of Hunza ties with China in the North. In the East, GB is linked

with Indian-held Kashmir, Wakhan divorces from Tajikistan in the North West, and in the West, Afghanistan is linked. Whereas Pakistan's KPK province links with GB in the South.

Gilgit-Baltistan is facing many contests, for illustration: absence of controlling framework, undeveloped implementation dimensions, fragile governance, pathetic infrastructure and lack of employment of local accessible means (Nigar, 2017). Meanwhile, CPEC will be finished in three stages: short term (2020), medium term (2025), and long term (2030) (Ali, 2015), in future there will be additional schemes for GB separately from Moqpondass – a 250 acre SEZ. Those upcoming projects will provide more opportunities for locals to start a new business ventures in Gilgit-Baltistan which will lead economic prosperity and take a part of Maqpoondaas SEZ. It will also enhance human capital through job creation and technological advancement in GB and when human skill will develop then the human access to natural resources and other entrepreneurial resources will enhance.

2.5 Critical Success Factor (CSFs) for SEZ

In Literature, numerous Critical Success Factors (CSFs) are recognized as defined by different authors. Following given table declares CSFs as recognized by different researchers along with their states. From this given table, several conclusions may be drawn. An arrangement of these CSFs will govern the efficiency of a specific SEZ. CSFs are organization word for a component that is essential for a scheme or association to attain its task. Substitute standings are Key Result areas (KRA) and Key Success Factor (KSF). Such factors are essential to bring development in the region through trade and local entrepreneurship. Critical Success Factors (CSFs) expose the possibilities or success factors for the new businesses and innovation in existing business or entrepreneurship. Following table declared CSFs which could increase the business in the region of Gilgit Baltistan.

Table-2.1 Critical Success Factors by (Dr. Rameez Khalid, 2018)

#	Critical Success Factors	Sources and Regions				
		(Farole, 2010)	(Nigar, 2010)	(Zeng & Zeng, 2011)	(Pahariya et al., 2011)	(Pakdeenurit et al., 2017)
		Sub Saharan Africa	Gilgit Baltistan	China	India	Thailand
1	Location	✓	✓		✓	✓
2	Closer to river, ports, borders, railways, linkages with domestic and international markets.	✓	✓		✓	✓
3	Joint Ventures (FDI, rapid growth, joint stable pattern of investment)		✓	✓		✓
4	SEZ specific Incentives		✓			✓
5	Market size	✓				
6	Infrastructure (physical and social)	✓			✓	
7	Trade facilitation	✓				
8	Fiscal incentives	✓	✓		✓	
9	Non Fiscal incentives	✓	✓			
10	Sincere leadership		✓	✓		
11	Reforms regarding use of land		✓			
12	Secure business and property rights to foreign investors		✓			
13	R & D		✓	✓		
14	Best mind and knowledge zone		✓			
15	Skill levels and availability of human resource			✓	✓	✓
16	Industrial competition		✓			
17	Preferential policies and institutional autonomy			✓		✓
18	Government support			✓	✓	✓
19	Clear objectives, benchmark and intense competition			✓		✓
20	Availability of raw material				✓	
21	Laws and regulations				✓	✓
22	Stability of policy regime				✓	✓

Table-1. Critical Success Factors and their Frequencies (Dr. Rameez Khalid, 2018)

Table 01 shows the critical success factors and their frequencies of the SEZ from literature about different regional SEZs of the world and SEZ of Gilgit-Baltistan region have many critical success factors revealed by the Rameez Khalid (2018). Mentioned Critical Success Factors (CSFs) could enhance business environment in GB under CPEC-SEZ. These CSFs make effective SEZ for GB and as a result it will put influence on human capital development and entrepreneurship development in region of Gilgit-Baltistan.

Summary of the Literature

The literature on SEZ and Local economies are strongly correlated through different linkages. SEZs are observed as devices increasing the credibility and acceptability of makeover strategies, inviting internal and foreign investment and it is also for expending of the economy. World success stories of the SEZs like china, Korea and other part of the world success SEZs focuses on small businesses to expend exports and regional market because liberal policies and effective administration are given to those specific areas (SEZs) to develop economy. China focuses on SMEs and entrepreneurs to expend local production and develop international market. They gave more and more incentives to the small businesses and entrepreneurs to encourage them in production. Literature declares that world SEZs always create good economy when they applied attractive policies and financial support to the businesses but many of the SEZs got fail due to not proper application of policies and aids.

Literature Gap

In literature, many studies explained the impact of SEZ on economy and in Pakistan' case there are very few studies on Special Economic Zones and there contribution in economic growth and

developing SMEs and all studies are based on secondary data. Khan (2018) has examined the Rashakai SEZ under CPEC and there expected contribution of Entrepreneurship in future by using binary Logit model and he focused the market resource and in this study I have focused the natural resources and there use in SEZ industry which will focus on the resources of Gilgit Baltistan. This is first document which explained the local resident's perception based analysis of entrepreneurship development focusing on natural resources of GB and it also explains the expected linkages between local small businesses and SEZ industry.

Chapter 03

Data and Methodology

3.1 Introduction

Research methodology is a way to systematically solve the research problem. This chapter clarifies the tools and techniques of the research which will be used by the researcher in data analysis. This chapter also includes the construction of variables, its measurement tools and techniques. Therefore, the research methodology comprises of following:

3.2 Data and Variables of the Study

In this study, primary data have been collected through a survey method. The independent variables are awareness about CPEC (AAC), awareness about Maqpondass Special Economic Zone (AAMEZ), SEZ Incentives (SEZInc), regional market competitiveness (RMC), Loan Availability (LA), Education and Experience (EE) and the dependent variable is nascent entrepreneurship (NE). These are the model variables. Besides these we have also developed some qualitative questions regarding SEZ and local residents' interest in the industry of Maqpondass Special Economic Zone. We have taken the data through different questions for each variable using a Likert scale and at the end we made indexes for each variable and used principal component analysis.

3.3 Variables Description

➤ Awareness About CPEC

For this variable we asked different questions regarding the CPEC project and the attached benefits of the project. There are more projects besides SEZ industry like power projects, upgradation of KKH, infrastructure etc. so there are five questions related to CPEC awareness through a Likert scale and we made an index for the variable through PCA.

➤ **Awareness about MEZ**

We asked a questions related to information about MEZ, their location, SEZ industries for GB and attached benefits to take a responses for the variable. We have made an index through principal component analysis (PCA).

➤ **SEZ Incentives:**

There are specified incentives for business in SEZ industry which we have mention in questionnaire. Those incentives encourage once to start a business or not. For this variable we asked five questions mentioning incentives of SEZ and made an index for the variable through PCA.

➤ **Education and Experience:** Schultz's theory of Entrepreneurship; the human capital approach explains that human experience and education always leads to nascent entrepreneurship in the society (Schultz,1961). So, here we have taken education and experience as independent variables in the model. Do they think that business experience helps in starting a new business or higher level of education will helpful to be entrepreneur in MEZ industry? From respondents response we have taken data and use PCA to develop an index for Education and experience.

➤ **Loan availability:** Resources based entrepreneurship theory describes three aspects: social, human and financial resources which promote business entrepreneurship in economy. In financial aspect theory, empirical literature suggest that the establishment of new business or entrepreneurship is additional common when persons have entrance to financial or monetary funds (Blanchflower, Oswald, & Stutzer, 2001). There are different financial loans for businesses in SEZ. Do they think that SEZ loans and financial improvement in GB after SEZ development more businesses in GB?

- **Entrepreneurship:** Entrepreneurship is taken as dependent variable in the model. According to Schultz formulation of theory, Entrepreneurship is the ability to reallocate or adjust resources in reaction to bring changing conditions (Schultz, 1975). Resource based entrepreneurship theory explained that the resources based on human, financial, social and economic resources always create new business or innovation in existing business. CPEC might open all these resources to be an entrepreneur in SEZ. For this variable we have asked different questions regarding their interest in SEZ industry and starting entrepreneurship in future.

3.4 Sampling Techniques and Sample Size:

The selected population of the study area is business sector from Gilgit. Due to unknown population of businesses we have used the Cochran's Formula to find sample size from unknown population and with 90% confidence interval and 8 % margin of error we found the sample of 425. We have increased the sample size to 432 respondents to get optimal results. We have use random sampling. Our targeted population was those respondents who are doing businesses with China, 2nd; General Businesses from local market like general stores, shops, etc. and 3rd; those who are doing local resources based businesses. We collected data from three districts of Gilgit (Gilgit, Hunza and Nagar) which are connected with CPEC route along with SEZ. We have collected data from 144 respondents from each district. The arrangement of total sample of 432 to districts and different business sector are following in the table.

Table 3.1 Sampling Distribution

Selected Business Sectors	Districts of Gilgit which are connected with CPEC Route			
	Gilgit	Nagar	Hunza	Total
1 Those who are doing businesses with China	48	48	48	144
2 Those who are doing general businesses	48	48	48	144
3 Those who are doing local resource based Businesses (like gems, fruits, livestock etc.)	48	48	48	144
Total	144	144	144	432

Source: Author's own

In this study we have used simple random sampling technique to collect data, where accordingly, we have tried to capture more data from enough sample that could represent the population of upcoming entrepreneurs in Gilgit. The data is collected through questionnaires. Respondent were those who are doing their own businesses because we need such type of data related to business and their perception about contribution of entrepreneurship development in SEZ of Gilgit-Baltistan. Those respondent may upgrade their businesses or make innovation in existing business under CPEC as an opportunity. We used equal representation from each district because resources are almost equal at all districts. Hunza and Nagar have more minerals, gems and fruit resources while Gilgit has a big market of having these products that's why we have taken data from equally.



The targeted respondents are from the districts of Gilgit which are connected to CPEC route and one could get maximum benefits from the business and SEZ industry, considering CPEC and SEZ as an opportunity. Above map shown that three districts of Gilgit (Hunza, Hagar and Gilgit) are connected to CPEC route. Nagar is very rich in natural resources like minerals, gems, marble etc. and Hunza have also same resources. Both districts are very rich in natural resources like minerals, gems, variety of fruits etc. District Gilgit is the capital of GB and many businesses are going on in main center of Gilgit city like business related to cloth, dry fruits and fresh fruits, stones and minerals, wooden related business, etc. So, we can access the valid respondent for the study from this area who might more aware from CPEC and business entrepreneur. We have visited business sector personally and filled the questionnaire.

3.4 Estimation Techniques

To interpret the data we have used descriptive statistics and crosstabs in this study. We used five likert scale, so our dependent variable have five values (1 to 5) explaining strongly disagree to strongly agree. So we used ordered logit regression to analyze the data. Dependent variable is ordered in nature and in literature, past studies recommend logit and probit models for the analysis of such type of dependent variables. For analytic test of the data, first we collect the data and check the normality of the data and if data is normally distributed then we use probit mode and if the data is not normally distributed then we use Logit model (Khan, 2018).

3.5 Econometric Model:

Econometric model for ordered logit egression is following. Past studies recommend the logit probit regression for perception based analysis and we are following the methodology of Khan (2018).

$$Y_i = \alpha + \beta x + \varepsilon \quad (3.1)$$

$$Y_i = 1 \text{ if } Y_i > \tau \quad (3.2)$$

$$0 \text{ if } Y_i \leq \tau$$

where τ is a threshold.

In above model different X 's are there like $X_1, X_2, X_3, X_4 \dots X_i$ Which explains the independent variables in the model. Our linear model of the regression is following:

$$\text{LOGIT [P (Intended entrepreneurship=1)]} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \dots \dots \dots + \beta_i X_i + \varepsilon \quad (3.3)$$

$X_1, X_2, X_3, X_4 \dots X_i$ in the model explains independent variables which are mentioned in variable description.

Linear model of the Regression

$$\text{LOGIT [P (Intended entrepreneurship=1)]} = \beta_0 + \beta_1(AAC) + \beta_2(AAMEZ) + \beta_3(SEZInc) + \beta_4(RMC) + \beta_5(LA) + \beta_6(EE) + \mu_i \quad (3.4)$$

Where beta one is the awareness about CPEC, beta two is the awareness about Maqpon Dass SEZ, beta three shows the SEZ Incentives, Beta four is regional market competitiveness. Beta five is loan availability to the business sector. Beta six is education and experience of the businessmen which may be helpful in the business. We will put the values of the respondents according to their satisfaction level and interest in SEZ in Gilgit Baltistan. Through these variables we will check the interest of the locals and their perception regarding SEZ industries and expected involvement in future.

Description of Ordered Logit Regression

First, logistic regression does not require a linear relationship between the dependent and independent variables. Second, the error terms (residuals) do not need to be normally distributed. Third, homoscedasticity is not required. Fourth, logistic regression assumes linearity of independent variables and log odds.

3.6 Constraints and Mitigation

There are various constraints we recognized and their conceivable alleviation approaches we developed. Table-3 displays the particulars of the restraints and the counter actions (Englander, 2012).

Table 3.2 Constraints and their counter mitigations

Constraints	Mitigation
Non-availability of Data	More and more personal linkages are used to acquire the data from the households
Low Response Rate from households	Continuous follow-up to mitigate this risk
Invalid Findings	Face-to-face communication has conducted to mitigate this risk.

Above mitigations against constraints have reduced the inappropriateness of the data collection techniques.

Chapter 04

Results and Discussions

The study under consideration determines the local resident's perceptions based analysis of entrepreneurship development in Special Economic Zone of Maqpondass Gilgit. For this we have collected the data from business sector through questionnaire and personal meetings. The results shows that some variables are significantly correlates with dependent variable. Our questionnaire starts from general information than questions for variable description, third part is local's interest on MEZ industries and indirect impact on local business, and at the end we have asked three qualitative questions. We have used Stata, SPSS and Excel to find out the statistical results. We also used principal component analysis for making indexes for each variable.

Now we discuss first the results of descriptive statistics of the respondents and their responses on questions and their interest in SEZ industry which will be develop under CPEC project in Gilgit Baltistan.

4.1 Results of Descriptive Statistics

Following table shows the personal information of the respondents of the study. Table shows the age group, status, personal income, education level, household members, business experience etc. Above table displays the frequencies or descriptive statistics of the initial or personal information. Table shows frequencies, percentage, valid percentage and cumulative percentage of each variable. Like about gender the total of 432 individuals and from that total 93.8 % are male and 6.3% are female business sector. Targeted age group was from 20 to 60 and have formatted four groups like from 20-30, 31-40, 41-50, and 51-60. Majority of the business population was youth.

Table 4.1 Frequency Results

Gender				
Valid	Frequency	Percent	Valid Percent	Cumulative Percent
male	405	93.8	93.8	93.8
female	27	6.3	6.3	100.0
total	432	100.0	100.0	
Age				
20-30	178	41.2	41.2	41.2
31-40	162	37.5	37.5	78.7
41-50	73	16.9	16.9	95.6
51-60	19	4.4	4.4	100.0
Marital Status (MS)				
married	268	62.0	62.0	62.0
unmarried	164	38.0	38.0	100.0
Education (Edu)				
0-10	65	15.0	15.0	15.0
FA, F.Sc	92	21.3	21.3	36.3
Graduation	167	38.7	38.7	75.0
Masters	100	23.1	23.1	98.1
Above	8	1.9	1.9	100.0
Employ/Owner				
employ	74	17.1	17.1	17.1
Owner	358	82.9	82.9	100.0
Experience				
1-5	158	36.6	36.6	36.6
6-10	182	42.1	42.1	78.7
11-15	50	11.6	11.6	90.3
16-20	27	6.3	6.3	96.5
21-above	15	3.5	3.5	100.0
Monthly Income (MInc)				
1-30,000	39	9.0	9.0	9.0
30001-60,000	73	16.9	16.9	25.9
60001-90,000	45	10.4	10.4	36.3
90001-120,000	94	21.8	21.8	58.1
120001-above	181	41.9	41.9	100.0
Household Members (HM)				
1-4	45	10.4	10.4	10.4
5-8	226	52.3	52.3	62.7
9-12	133	30.8	30.8	93.5
13-16	12	2.8	2.8	96.3
16-above	16	3.7	3.7	100.0
Total	432	100.0	100.0	

Source: Author's own

As shown in above table that 41.2% business sector's age was 20-30, 37.5% are from 31-40 age group, 16.9% are from 41-50 and 4.4% businessmen's age was above 50 age. From total selected

population 62% are married and 38% are unmarried. We asked for the education of business sector and majority of the business sector are graduates due to young population and their percentage is 38.7%. Enough businessmen's education is below metric like 15%. From sample of 432 businessmen: 17.1% were employ and 82.9% were owner of business. We have also check the experience of the business sector because the experience always matters for creating new ideas of business and entrepreneurship development and major percentage of the business sector have 6-10 years of experience in business and their percentage is 42.1%. Enough population is youth so the experience of 1-5 years are 36.6%. 11 to 15 years of experience population is 11.6%. 3.5% businessmen are those who have above 15 years of experience in business.

Monthly income also do matter for developing business and entrepreneurship development in Special Economic Zone of Gilgit. We formatted the groups of income and results found that majority of the business sector's earning is sound and effective. The majority of business sector's earnings fall in group of 120,001-above and their percentage is 41.9%, at second 21.8% sector's earnings fall in group of 90,001-120,000. 10.4% business sector's fall in group of 60,001-90,000 income and 9% population earns 1-30,000 monthly, 16.9% earns 30,001-60,000 income monthly. Another question was about household members because it also matters in making decision regarding business and other decisions in life. From total population of 432, majority of the individuals 226 (52.3%) businessmen's household members fall in group of 5-8 members, 45 (10.4%) falls in group of 1-4 members, 133 (30.8%) have household members of 9-12 and 12 (2.8%) have 13-16 members and 3.7% have above 16 household members.

4.2 Local Resident's Interest in Industry of Maqpondass Special Economic Zone (MEZ)

4.2.1 Direct Involvement: We have also checked the perception and willingness of local residents about expected involvement in direct SEZ industries and indirectly local small businesses and

entrepreneurship development. To check the local’s willingness based on available resources we have asked the question “There are six specified industries in MEZ. In which industry would you like to be a part?” and our results are following.

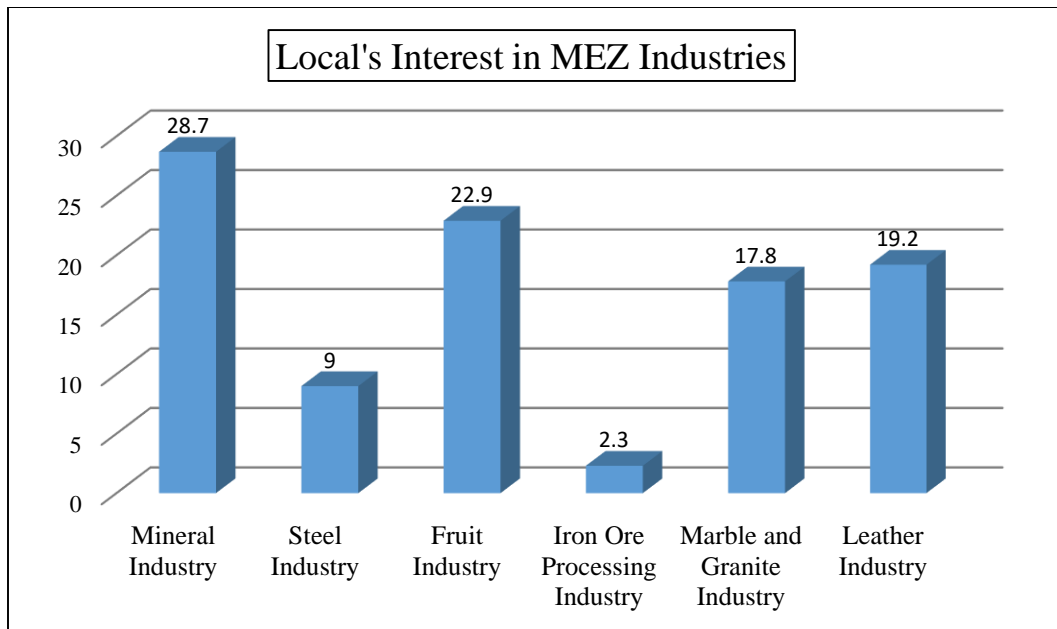
Table 4.2 Results of Direct Involvement in MEZ

There are six specified industries in MEZ. In which industry would you like to be a part?		
Industries	Frequency	Percent
Mineral Industry	124	28.7
Steel Industry	39	9.0
Fruit Industry	99	22.9
Iron Ore processing industry	10	2.3
Marble and Granite	77	17.8
Leather Industry	83	19.2
Total	432	100.0

Source: Author’s own

Our results support that majority of the business sector wants to involve in minerals industry. From 432 businessmen, 124 are interested to be a part of minerals industry because GB is full of mineral resources and mountains are full of minerals. 39 have shown interest to be a part of steel industry, 99 (22.9%) people have exposed willingness to be a part of fruit industry because Gilgit Baltistan is very rich in variety of fruits and from these resources locals can get benefit more under the Fruit industry of SEZ and finishing products of fruit. 10 individuals (2.3%) shows the interest for iron ore processing industry, interest for the industry of marble and granite are 77 (17.8%) due to availability of marble and granite resources in Gilgit Baltistan, 83 (19.2%) are ready to be a part of leather industry in SEZ. Gilgit Baltistan is rich in greenery and resources for livestock forms one can easily get benefit from these resources.

Figure 02: Local's Interest in MEZ Industries



Source: Author's own

Above bar chart shows the frequencies and specified industries of SEZ in GB. Majority of the people or business sector wants be a part of Mineral industry, second highest expected involvement is in Fruit industry, on third leather industry, marble and granite is on fourth, steel industry is on steel and lowest expected involvement is in iron ore processing industry. This is all about future expected direct involvement in MEZ industry.

4.2.2 Indirect Involvement (As Entrepreneurs)

To check the local resident's perception and willingness about expected involvement in business considering SEZ as an opportunity and we have asked a question from business sector like "In which industry you want to be part as local entrepreneur from following? (Raw Material providers, Livestock Forms, Finishing Products, Cutting and washing of raw minerals, Business Idea Providers, Gems and jewelry businesses, Food processing forms, Food Related Business (dry +fresh) Businesses related to Tourism)" to find indirect impact of SEZ industries of local business community and

nascent entrepreneurship because industries always put impact on local people and effect those who are living in surroundings. Small businesses are always be a part of industry, it may either raw material providers or getting finishing products from industry. There are always linkage between large industry and small forms. Following table shows the expected indirect impact of SEZ industries on local business community or nascent entrepreneurship.

Table 4.3 Results of Indirect Involvement in MEZ Industry

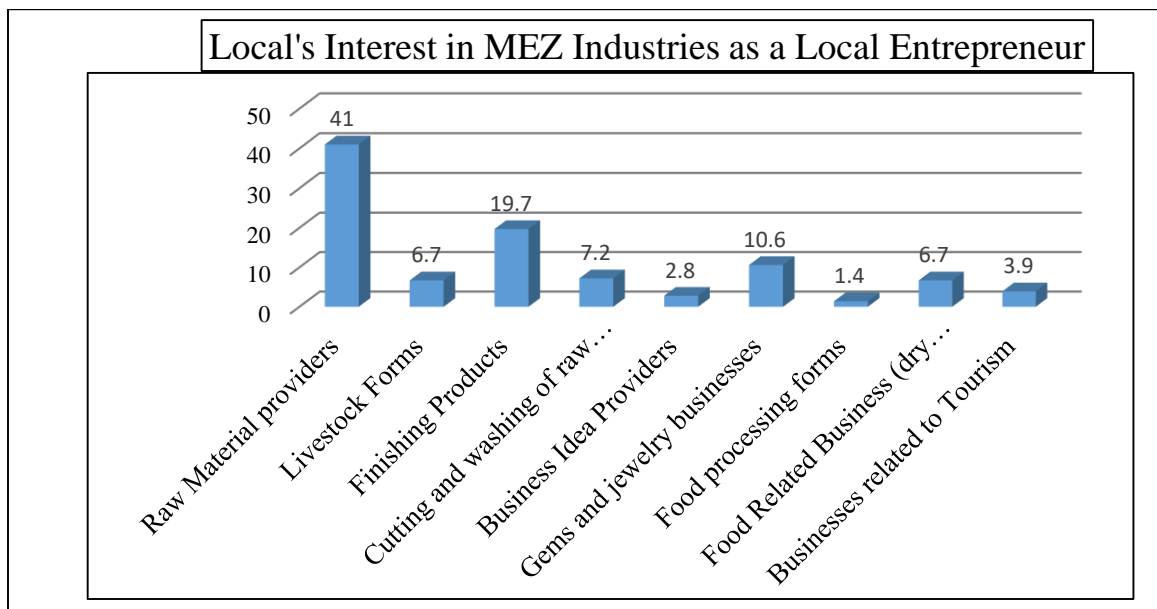
In which industry you want to be part as local entrepreneur from following?		
Industries	Frequency	Percent
Raw Material providers	177	41.0
Livestock Forms	29	6.7
Finishing Products	85	19.7
Cutting and washing of raw minerals	31	7.2
Business Idea Providers	12	2.8
Gems and jewelry businesses	46	10.6
Food processing forms	6	1.4
Food Related Business (dry +fresh)	29	6.7
Businesses related to Tourism	17	3.9
Total	432	100.0

Source: Author's own

Gilgit Baltistan have many natural resources and people want to access the resources in proper channel and develop local market and better life standards. Above table declares the indirect impact of SEZ and industry on local business. Based on available resources and stock of material 177 business persons (41.0%) wants to provide raw material to the industry because the reason they shared with us is stock of material and resources. At second highest involvement of 85 businessmen (19.7%) shows interest in finishing product in SEZ industry, 31 (7.2%) people wants to do business with industry as a part of cutting and washing of raw minerals, through this one can get benefit from local resources, 29 individuals (6.7%) shows future interest in both Livestock and

Food related business under fruit industry of SEZ. 2.8% most experienced businessmen wants to be a part of business idea providers are 17 (3.9%) individuals are ready to do business related to tourism because GB in jewel of Pakistan and heaven on earth for tourist. One could get benefit from this sector in future because due to SEZ industry and business with China the area will be more demanded and tourist will come more in future, so that's why 3.9% businessmen are ready to do business on tourism in future. Following bar chart shows the frequencies of expected contribution as a local entrepreneur in MEZ industry.

Figure 03: Local's Interest in MEZ Industries as a Local Entrepreneur



Source: Author's own

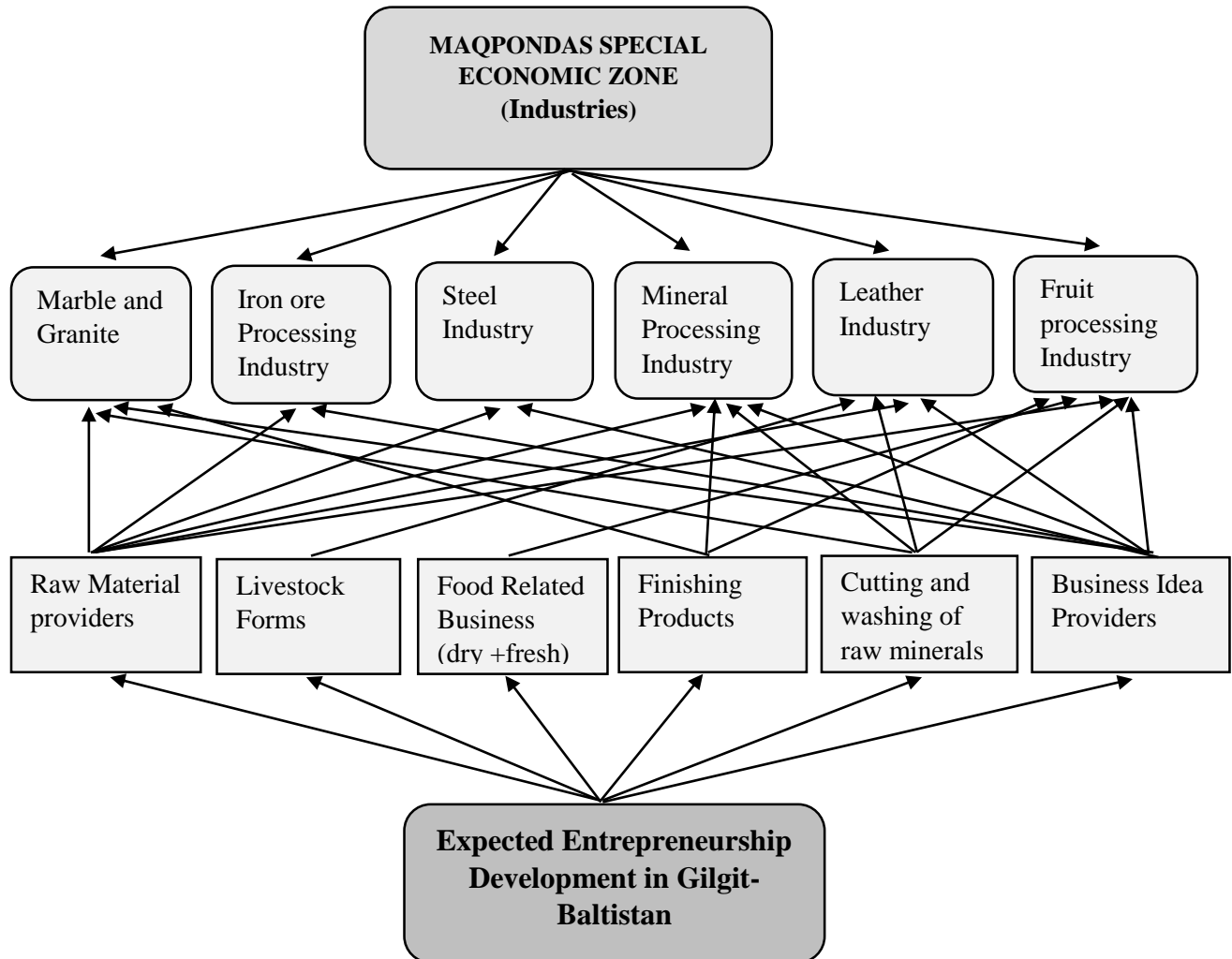
Above bar chart shows that in future maximum business sector wants to be a raw material providers to MEZ industry because of availability of material resources of minerals, fruit, leather, marble etc. Maximum responses of the business sector are: locals have already stock of material and access of natural resources. From all selected districts of GB which are laying on CPEC route respond for to be raw material providers in future. Second highest bar is for finishing products. And on third gems and jewelry. People from districts Hunza and Nagar wants to be a part of gems and jewelry

industry because they have very rich in minerals like variety of precious stones and we observed that their business have full of stocks of material already in stores. Businesses from both districts wants to be a part of gems and jewelry industry. On fourth is fruit business (either dry or fresh fruits) because GB is very rich in variety of fruits and in future fruit industry would be success to get maximum benefit from finishing products of fruit industry. This time maximum fruits get perished due to unavailability of such a system to use in proper way and get benefit from that but in future MEZ industry will provide opportunity to get benefit from fruit industry. Local's may also part of leather industry by developing livestock forms and could get benefit from this industry because GB is also very rich in forms and mountains of GB also provide the forms for cattle. Enough business sector wants to be a part of tourism business in future considering CPEC and SEZ as an opportunity in future.

4.3 Linkages between MEZ industry and Local Entrepreneurs

After personal meetings and discussions with business sector we came to know that majority of the business sector is willing to contribute in SEZ industry which will build under CPEC in Gilgit in coming years. They are interested in direct and indirect involvement in industry. Gilgit Baltistan is very rich in natural resources and they may raw material provider to the industry either it may minerals, fruits or leather industry. Many of the businesses have had already stock in raw material in stores. So there will be more linkages between industry and local entrepreneurs and small businesses. SEZ industry may develop many linkages among industries and small businesses.

Figure 04: Linkages between Specified Industries in Maqpondass Special Economic Zone (MEZ) and Entrepreneurship Development in Gilgit-Baltistan



Source: Author's own

Above the structure shows the linkages between industries and expected local entrepreneurs in SEZ under CPEC because the specified industries of SEZ in Gilgit Baltistan will built on natural resources of GB. Literature explains that SEZs always promote the local businesses and bring economic development in the region. Aim of SEZs are “To give the facilities to the internal trade and business with the help of the SEZ” (BUDHO, , 2015) . He further explains that the SEZ should

be developed in backward area for development of regional equilibrium. If that so SEZ is very essential for the region of Gilgit region.

Depending on place, SEZs often need extensive, starting point investment in infrastructure, comprising transportation linkages, distribution insides, communication expertise, energy, and running water (Curran, et al., 2009). These resources also generate the nascent entrepreneurship in the region. Resource based entrepreneurship explains three type of resources social, financial and human resources and SEZ and CPEC project may increase all these three resources in the region. Obviously after these projects the region will be connected with internal trade and external trade that will create social bound and this social network create business entrepreneurship and when area will develop through these projects the financial side also be strong and financial resources leads to entrepreneurship and SEZs in world promoted job creation and enhance human capital and experience, this factor also increase the entrepreneurship (Schultz, 1975).

Gilgit-Baltistan is rich in natural resources and the local residents are ready to be a part of SEZ as raw material providers and other part of enterprises. Beside SEZ other projects under CPEC also may create business opportunities for the locals. The locals have shown interest to be an entrepreneurs in following:

1. Raw material providers to different industries in SEZ
2. Provide variety of dry and fresh fruits to the food industry
3. Livestock forms to the Leather industry
4. Product finishing and cutting businesses as a part of industry
5. Business idea Providers
6. Businesses related to Tourism
7. Gems and jewelry businesses

8. Transportation businesses
9. Food processing forms
10. Washing and cutting of minerals, foods, gem stones etc.

Above mentioned small businesses or entrepreneurs may part of SEZ in future and one could get benefits from businesses and also industries may boost up their productivity by including and make linkages with local community because locals can provide raw material in cheap price with low transportation cost to the enterprises. There are government incentives for enterprises in SEZ but not for entrepreneurship but enterprises could boost up production by giving incentives to the small businesses in the region. They may get raw material easily from locals. Involvement of local residents in material providers, processing, washing and cutting and other businesses may easiness for the enterprises in SEZ.

4.4 Ordered Logistic Regression

We have used ordered logistic regression analysis for this study because literature suggested the logit probit regression is use for the perception based analysis. For this study, we have developed indexes for each variable through Principal Component Analysis (PCA) by using STATA and Excel File because for each variable we had five questions in questionnaire that's why, we used Principal Component Analysis (PCA) for making one column or variable to estimate regression. Principal Component Analysis is easy way to develop indexes for each variable and after that estimation get easy.

4.5 Normality Test

To estimate the model first we check the normality of the data to decide either logit regression or probit regression will be apply on model. Following test of normality table show that all variables

in the model are not normally distributed so we will apply the logit regression here. If data is normally distributed then we used use the probit regression.

Table 4.4 Tests of Normality

	Kolmogorov-Smirnov^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
NE	.094	432	.000	.933	432	.000
AAC	.065	432	.000	.975	432	.000
AAMEZ	.086	432	.000	.976	432	.000
SEZInc	.148	432	.000	.900	432	.000
RMC	.111	432	.000	.924	432	.000
LA	.168	432	.000	.916	432	.000
EE	.135	432	.000	.904	432	.000

Source: Author's own

Above table shows the test statistics. There are two type of test for normality run: Kolmogorov-Smirnov and Shapiro-Wilk test. For the dataset small than 2000 elements, we use the Shapiro-Wilk test, otherwise, the Kolmogorov-Smirnov test is used. In our case, since we have only 432 elements, so the Shapiro-Wilk test is used. The p-values are 0.000 for all variables. We can accept the alternative hypothesis and conclude that the data is not normally distributed. So we will go for ordered logit regression

4.6 Results of Ordered Logistic Regression

Data was not normally distributed so we have applied the ordered logit regression through STATA software and find results. We have found that some variables are statistically very significant at 95 confidence interval and two variables are not statistically significant. Following table shows the results of logistic regression of the model.

Table 4.5 Results of Ordered Logistic Regression

Log Likelihood = -1535.6264		No of Obs= 432	LR chi ² = 25.66
		Prob > chi ² =0.0003	Pseudo R ² =0.0083
NE	Coef.	Std. Error	P > Z
AAC	.4137265	.1698874	0.015
AAMEZ	-.0194507	.0877166	0.825
SEZInc	.1913238	.1038986	0.045
RMC	-.0129617	.1551717	0.933
LA	.2395204	.1467486	0.043
EE	.2335663	.0907931	0.010

Source: Author's own

Above table shows that there are four variables which are significant at 95% and 90 % confidence interval. Awareness About CPEC (AAC), Education and Experience (EE), Loan Availability (LA) and SEZ Incentives (SEZInc) variables are highly significant at 95% confidence interval because their p-values are less than 0.05 and these variables have statistically significant effect of dependent variable whereas but Awareness About Maqpon Dass Special Economic Zone (AAMEZ) and Regional Market Competitiveness (RMC) both variables are highly insignificant. Overall model is good to fit because the p-value of Chi² is 0.0003 and Pseudo R² is 0.0083. These both values asserts that ordinal regression model has overall goodness-of-fit. We would say that for a one unit increase in AAC (i.e., going from 0 to 1), we expect a 0.42 increase in log odds of being in a higher level on nascent entrepreneurship, given all of the other variables in the model are held constant. For a one unit increase in SEZInc we would expect a 0.20 increase in the log odds of being in a higher level of nascent entrepreneurship, given all of the other variables in the model are held constant and for a one unit increase in LA and EE, we expect 0.24 increase in log odds of being in a higher level on nascent entrepreneurship.

4.7 Results of Odd Ratios

Following table 03 shows the estimations of odd ratios from ordered logistic regression.

Table 4.6 Results of Odds Ratio

Log Likelihood = -1535.6264		No of Obs= 432	LR chi ² = 25.66
		Prob > chi ² =0.0003	Pseudo R ² =0.0083
NE	Odds Ratio	Std. Error	P > Z
AAC	1.512443	.256945	0.015
AAMEZ	.9807373	.0860269	0.825
SEZInc	1.210852	.1258057	0.045
RMC	.9871219	.1531734	0.933
LA	1.27064	.1864646	0.043
EE	1.263097	.1146805	0.010

Source: Author's own

These are the proportional probabilities ratios for the ordered logistic regression of the model. Total number of observations are 432. LR chi² is 25.66 and their p-value of chi² is 0.0002 which shows that the model is good to fitted, Pseudo R² also indicate the model is significant.

Awareness about CPEC (AAC): This is the proportional odds ratio for a one unit increase in AAC score on NE level given that the other variables are held constant in the model. Therefore, for a single unit rise in AAC, the odds of high NE versus combined middle and low NE are 1.51 times greater, given the other variables in the model held constant. Likewise for a one unit increase in AAC, the odds of combined high and middle NE versus low NE are 1.51 times greater, given the other variables held constant in the model.

Awareness about Maqpondass Economic Zone (AAMEZ_: This is the proportional odds ratio for a one unit increase in AAMEZ score on NE level given that the other variables in the model

are held constant. Therefore, for a one element increase in AAMEZ, the odds of high NE versus combined middle and low NE are .99 times lower, given the other variables in the model held constant. Likewise for a one unit increase in AAMEZ, the odds of combined high and middle NE versus low NE are 0.99 times lower, given the other variables held constant in the model.

SEZ Incentives (SEZInc): This is the proportional odds ratio for a one unit increase in SEZInc on NE level given that the other variables in the model are held constant. Therefore, for a one unit increase in SEZInc, the odds of high NE versus combined middle and low NE are 1.21 times greater, given the other variables in the model held constant. Likewise for a one unit increase in SEZInc, the odds of combined high and middle NE versus low NE are 1.21 times greater, given the other variables held constant in the model.

Regional Market Competitiveness (RMC): This is the proportional odds ratio for a one unit increase in RMC on NE level given that the other variables in the model are held constant. Therefore, for a single unit rise in RMC, the odds of high NE versus combined middle and low NE are .98 times lower, given the other variables in the model held constant. Likewise for a one unit increase in RMC, the odds of combined high and middle NE versus low NE are .98 times lower, given the other variables held constant in the model.

Loan Availability (LA): This is the proportional odds ratio for a one unit increase in LA on NE level given that the other variables in the model are held constant. Therefore, for a one unit rise in LA, the odds of high NE versus combined middle and low NE are 1.27 times greater, given the other variables in the model held constant. Likewise for a one unit increase in LA, the odds of combined high and middle NE versus low NE are 1.27 times greater, given the other variables held constant in the model.

Education and Experience (EE): This is the proportional odds ratio for a one unit increase in EE on NE level given that the other variables in the model are held constant. Therefore, for a one unit increase in EE, the odds of high NE versus combined middle and low NE are 1.26 times greater, given the other variables in the model held constant. Likewise for a one unit increase in EE, the odds of combined high and middle NE versus low NE are 1.26 times greater, given the other variables held constant in the model.

4.8 Discussions

As results shows that variables AAC and EE are highly significant with dependent variable Nascent Entrepreneurship (NE) and these results approved the entrepreneurship theory which also stated that Education and Experience always promote nascent entrepreneurship (Schultz,1961). Human capital entrepreneurship theory enlightens two elements which are education and human experience. These two factors are positively associated to nascent entrepreneurship (Anderson & Miller, 2003), rise opportunity credit and straight entrepreneurial victory (Davidson & Honing, 2003). Both variables have statistically significant effect of dependent variable however variables like SEZ Incentives (SEZInc) and Loan Availability (LA) are significant at 90% confidence interval because their p-values are 0.06 and 0.10. Results of these two variables also support the resources based entrepreneurship theory which states that if a person have access to financial resources and business incentives in the region, one can ready to do business and these financial access always support and enhance nascent entrepreneurship (Blanchflower, Oswald, & Stutzer, 2001). These results support both empirical and theoretical results of works. Awareness about Maqpondass Special Economic Zone (AAMEZ) and Regional Market Competitiveness (RMC) both variables are highly insignificant. Overall model is good to fit because the p-value of χ^2 is 0.0003 and Pseudo R^2 is 0.0083. These both values asserts that ordinal regression model is overall

goodness-of-fit. We would say that for a one unit increase in AAC (i.e., going from 0 to 1), we expect a 0.42 increase in log odds of being in a higher level on nascent entrepreneurship, given all of the other variables in the model are held constant. For a one unit increase in SEZInc we would expect a 0.20 increase in the log odds of being in a higher level of nascent entrepreneurship, given all of the other variables in the model are held constant and for a one unit increase in LA and EE, we expect 0.24 increase in log odds of being in a higher level on nascent entrepreneurship.

AAC, EE, SEZInc and LA are statistically significant impact on dependent variable which is Nascent Entrepreneurship (NE), so these variables should be focused more because these factors will generate more business sector in future in Gilgit Baltistan after Special Economic Zone development in Gilgit and GB is already have more available resources. We found that majority of the business sector is ready to business in SEZ in future. In discussion we have come to know their point regarding business in SEZ. Under provision of Loan availability and industry incentives more than 90% are ready to do business in SEZ or extend their businesses in SEZ. All the need or facing problems of the business to extend in MEZ are lack of finance and if SEZ industries will give incentives and financial aids, they are ready to be a business entrepreneur in future under MEZ. MEZ industry should focus entrepreneurs to develop market and enhance growth to access international market because Korea, Indonesia, China and Japan focused on small businesses and local entrepreneurs and got success in developing market (Raheem, 2011).

In personal meetings while filling questionnaire we found their perception that: in future when SEZ will develop in Gilgit Baltistan, it will impact the region positively as well as negatively. Positive impact will be economic, financial, standards of living enhancement, and growth in human skills, use of local resources, technological formation etc. It will also promote the business community of GB and all natural resources of GB will be use and could benefit from resources.

This would benefit the economy of Pakistan when SEZ will develop under CPEC project. Many of the respondents said that SEZ will negatively impact the environment in future and as a result tourism will decrease in future if industry annihilate natural beauty. Their perceptions may be right but mostly people said that after SEZ and CPEC project the GB will more prominent for world in future and tourism sector will develop more. As a result there will be more infrastructure regarding tourism and transportation in future.

We also asked a question regarding business incentives like “Beside above incentives which type of aids will encourage your business in Maqpondass Special Economic Zone? Specify those incentives?” More than 90% people said for financial aids, electricity and gas availability, loan at minimum percentage, advance technology etc. because when we asked about issues in existing local businesses, majority of the locals agreed that they don’t have advanced machinery to get access minerals from mountains in GB. So these type of advanced technology is needed to access resources. They have also facing problem of finance. They are ready to do business in MEZ if govt provide these mentioned aids beside SEZInc.

Results also declares that incentives and loan availability is statistically significant impact on nascent entrepreneurship in MEZ. These results relates to entrepreneurship theory which declared that financial access develop businesses. In same question many respondents mention that awareness forum are also important to know about these type of projects because during visits and meetings I came to know that 80% people are not aware of Maqpondass Economic Zone and even not aware of general SEZ.

Table 4.7 Results of Awareness about MEZ in Gilgit

Do you know about SEZ which will be developed under CPEC in Maqpondass Gilgit-Baltistan?		
Responses	Frequency	Percent
Strongly Disagree	60	13.9
Disagree	221	51.2
Neutral	63	14.6
Agree	76	17.6
Strongly Agree	12	2.8
Total	432	100.0

Source: Author's own

Above table 10 shows that only 17.6 percent people do agree and 2.8 percent people have done strongly agree. 80% people are not aware of MEZ which will develop in Gilgit Baltistan. So awareness about these projects are necessary to get ready the locals to be a part of MEZ industry in future. They demand for awareness forums about these projects while discussion.

Another question we have asked is “Which type of capital is lacking in your existing business? And which type of capital is needed to expend your business in Economic Zone?” and above 95% responses are: they are facing or lacking financial capital and human skills in existing business and to extend their business in MEZ, they need financial capital and human skill or skillful labor.

Our results are associate to resources based entrepreneurship theory, Shultz formulation of entrepreneurship theory and Schumpeter's theory of entrepreneurship. These theories explores that when a person has access to finance, resources availability, social bounding always develop entrepreneurship development. Our results also declares that Awareness about CPEC, Loan availability, Education and Experience and SEZ incentives are statistically significant impact on

Nascent Entrepreneurship. Theory also explains that when a person access to these resources become an entrepreneur (Aldrich & Cliff, 2003).

Chapter 05

Conclusion

Results declares that independent variables like Awareness about CPEC (AAC), SEZ Incentives (SEZInc), Loan Availability (LA), and Education and Experience (EE) are highly statistically significant impact on dependent variable which is nascent entrepreneurship (NE). Whereas the variables Awareness about Maqpondass Special Economic Zone (AAMEZ) and Regional Market Competitiveness (RMC) are highly insignificant. Our results declares that overall model is good to fit because the p-value of χ^2 is 0.0003 and Pseudo R^2 is 0.0083. The variables AAC, SEZInc, LA and EE are statistically significant at 95% confidence interval. Our results have achieved the research objectives which shows that locals have potential to be a part of industry in special economic zone which will build in Gilgit under CPEC in coming years. Results also declares that there will be develop strong linkages between MEZ industries and local small businesses and entrepreneurs in future because majority of the business sector or locals are ready to provide raw material to the industry because Gilgit Baltistan have many natural resources and mountains are full of precious minerals, marble, stones and so many other variety of fruits. Many of the areas are not fully access yet due to lack of financial resources and lack of advanced technology and machinery to access those resources Results accepting alternative hypothesis “There is relationship between Government Incentives, Loans, Education and Experience and intentions to start a new business entrepreneurship”. Outcomes are associated as entrepreneurship theory supposed. So, as businesses are essential to support the economy, the Government should focus on human skills or skillful labor and financial aids with advanced technological formation to promote local businesses

in Gilgit because many natural resources are not fully accessed due to lacking of human, financial and advanced capital.

In personal meetings we came to know that majority of the business sector wants to be a part of MEZ industry. Some of the people wants be a part of direct enterprises and majority of the people wants to be a part of industry as local entrepreneur. We can say that in future there will be develop more business in Gilgit Baltistan due to CPEC project and MEZ industry because GB connects a business partner China to South Asia and other parts of world. We concludes that our results achieved the research objectives that in future people of Gilgit Baltistan will take a part of industry and business will develop more considering CPEC and MEZ industry as an opportunity. Locals do have intentions to start more new businesses in future due to availability of rich in natural resources.

Results accepts the alternative hypothesis of the study which is “There is relationship between Government Incentives, Loans, Education and Experience and intentions to start a new business entrepreneurship”. In future due to economic hub there will be more access to financial aids, increase bank sector in region, people will go for more businesses because results declares that Loan availability, SEZ Incentives and Education and Experience always develop more There is relationship between Government Incentives, Loans, Education and Experience and intentions to start a new business entrepreneurship in the region. These results related to theory of entrepreneurship which also invented that financial support and human skills always increase nascent entrepreneurship.

Policy Recommendations

- Government should focus on education and experience by providing professional centers for developing human skills because both factors always grow business entrepreneurship.
- Awareness forum seminars should be provide by government to promote the business sector in future.
- Financial aids should be provide to start as a new entrepreneur in market. During survey we came to know that many businesses are facing financial problem. Results also declares that loan availability (LA) is highly statistically significant impact on nascent entrepreneurship. So financial capital should be provided to small and medium businesses.
- The government should focused on businesses to become a part of Industry in future by providing financial incentives because this step in Korea, China and other SEZs successful.
- MEZ industry should promote local resources by giving incentives to the local.
- Provision of advanced machinery is also necessary for mining to access the minerals in GB.

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Questionnaire

Local Residents Perception based Analysis of Entrepreneurship Development: The Case Study of Maqpondass Special Economic Zone (MEZ) under CPEC in Gilgit-Baltistan

Questionnaire No: _____ Date: _____ Locality: _____

This survey is being conducted as part of thesis writing for an M. Phil degree at the Department of Economics and Finance at PIDE, Islamabad. This questionnaire will be mainly focusing on local resident's perception of entrepreneurship development through SEZ, a case study of Maqpondass SEZ, Gilgit-Baltistan.

The following questions are thus purely for academic purpose and mainly concern with business mind household perception about Maqpondass Economic Zone (MEZ). Your input is highly valued, and I will be grateful if you could please take a few minutes out to express your views in this regard. This data and the identity of respondents will be kept confidential. The information gathered will only be used for research and not for any other purpose. Your cooperation is highly appreciated.

General Information

1. Gender _____
2. Age _____
3. Marital status _____
4. Education _____
5. Profession _____
6. Employed or Owner of a Business _____
7. Experience in years _____
8. Monthly Income level (PKR) _____
9. Total number of household members _____

China Pakistan Economic Corridor and Special Economic Zones (SEZs)

When MEZ will develop in Gilgit-Baltistan, it will impact the business sector in the region. According to your point of view: what are you thinking about such an economic project for business sector. Circle the following numbers according to your willingness or satisfaction level.

1- Strongly disagree 2- Disagree 3- Neutral 4- Agree 5- Strongly Agree

1 st	Nascent Entrepreneurship					
1	Are you intending to start a business entrepreneur in Special Economic Zone which will build in Gilgit-Baltistan?	1	2	3	4	5
2	Maqpondass Economic Zone under CPEC project will be helpful in entrepreneurial structure in GB	1	2	3	4	5
3	MEZ will encourage local business communities.	1	2	3	4	5
4	Are you ready to start new business entrepreneurship if SEZ industry give you incentives?	1	2	3	4	5

5	MEZ under CPEC project be helpful in developing human capital which leads to more entrepreneurship in region.	1	2	3	4	5
2nd Awareness About CPEC						
1	Do you know about CPEC project?	1	2	3	4	5
2	Do you know that there are more projects in CPEC project like power projects, upgradation of KKH, infrastructure apart from SEZ in Gilgit-Baltistan.?	1	2	3	4	5
3	Do you think that, CPEC project has provided benefits to the locals to expend their businesses?	1	2	3	4	5
4	Does MEZ under CPEC provide sufficient opportunities to the business community in GB?	1	2	3	4	5
5	Do you think that upgradation of KKH decreases transportation cost for the local businesses by providing well and developed roads?	1	2	3	4	5
Awareness about Maqpondass Special Economic Zone (MEZ)						
1	Do you know what Special Economic Zone (SEZ) is? Please rank the level of your information on SEZ?	1	2	3	4	5
2	Do you know about SEZ which will be developed under CPEC in area of Maqpondass Gilgit-Baltistan?					
3	What do you think about SEZ's location of Maqpondass? Is it favorable or not?	1	2	3	4	5
4	Did the government ever shed information about potential industries in MEZ?	1	2	3	4	5
5	Do you know about the SEZ industries (fruit, gems, iron ore processing, livestock industries etc.) which are notified in Maqpondass Economic Zone (MEZ)?					
3rd SEZ incentives: Please indicate Will the following benefits promote you/businesses to start new entrepreneur or enterprise in MEZ?						
1	“One time exemption from all custom-duties and taxes on importing plant and machinery into SEZ”	1	2	3	4	5
2	“Provision of plots on installments (50% down payment and remaining 50% in four biannual installments basis).	1	2	3	4	5
3	“Markup support @ 50% of the markup to maximum of 5% on the loans taken in Pakistani currency for financing the project.”	1	2	3	4	5
4	Freight subsidy @ 50% of the inland transportation of plant and machinery for installation in / development of any of the priority SEZ	1	2	3	4	5
5	Other incentives for enterprises “Exemption from all taxes on income for enterprises commencing commercial production by the thirtieth June 2020, in the next ten years; Provided that exemption from all taxes on income for those zones enterprises or firms which commence commercial production after the aforesaid date shall be for the five years”.	1	2	3	4	5

4 th Market Competitiveness						
1	MEZ will improve regional (GB) market competitiveness for your business?	1	2	3	4	5
2	There will be linkages between industry and local entrepreneurs	1	2	3	4	5
3	Can MEZ boost industrial sector development in GB?	1	2	3	4	5
4	Can MEZ industry benefit to local market in developing business sector	1	2	3	4	5
5	Do you think that: Due to foreign investment in MEZ, the regional market will be more competitive for your business?	1	2	3	4	5
6	Advanced technological formation in MEZ will boost up the market structure for the local business or entrepreneurs?	1	2	3	4	5
5 th Loan Availability						
1	Does the incentive “Markup support @ 50% of the markup to maximum of 5% on the loans taken in Pakistani currency for financing the project.” Attract you for applying for it?	1	2	3	4	5
2	In SEZ policy there are concessional loans for business in SEZs, are you ready to start a business entrepreneurship in MEZ having concessional loan as a facility.	1	2	3	4	5
3	Due to industrial development, obviously there will be financial sector development in the region, like societies and banks, do you agree?	1	2	3	4	5
6 th Education and Experience						
1	Do you think that more education helps to start a business?	1	2	3	4	5
2	Do you have a business experience to start a new entrepreneur in MEZ?	1	2	3	4	5
3	Do you have a higher level of education which is helpful to the be an entrepreneur in MEZ under CPEC?	1	2	3	4	5

Local Interest in MEZ industries

There are six specified industries in MEZ. In which industry would you like to be a part?

1- Mineral Industry	2- Steel Industry	3- Fruit Industry
4- Iron Ore processing industry	5- Marble and Granite	6- Leather Industry

Indirect Impact

There will be also indirect impact on regional business in the form of small businesses and entrepreneurs other than SEZ enterprises. There may be so many other entrepreneurs in region based on natural resources that will be part of industry. Expected local entrepreneurs link with MEZ industries are followings businesses.

In which industries you want to be part as local entrepreneur from following? And give the logical reasons below.

1- Raw Material providers	2- Livestock Forms	3- Finishing Products
4- Cutting and washing of raw minerals	5- Business Idea Providers	6-Gems and jewelry businesses
7- Food processing forms	8- Food Related Business (dry +fresh)	9-Businesses related to Tourism

Reasons?

Beside above incentives which type of aids will encourage your business in Maqpondass Special Economic Zone? Specify those incentives in order of priority.

- 1 _____
- 2 _____
- 3 _____
- 4 _____

Which type of capital is lacking in your existing business? And which type of capital is needed to expend your business in Economic Zone?

If you want to start a new business in SEZ; what type of business would you like to start which is not mentioned in the specified industries for MEZ?

Thank you very much for the time spared to fill the survey, would you be interested in knowing about the results. If yes, please share email i.d _____